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ANALYSTS TURN A CRITICAL EYE TOWARD YUSHCHENKO'S EARLY RECORD

By Taras Kuzio

Ukraine watchers are abuzz about a May 25 article in Lvivska Hazeta, in which the paper's Moscow correspondent called upon Ukrainian President Viktor Yushchenko to dismiss Prime Minister Yulia Tymoshenko.

According to an eyewitness account published in Zerkalo Tyzhnia/Nedeli on May 21, Yushchenko did call for Tymoshenko's resignation in front of Russian oil executives that same week. His request came after she had questioned his authority on three occasions during the meeting held to negotiate a way out of Ukraine's fuel crisis (see EDM, May 18). Yushchenko later denied that he had called upon her to resign.

Whatever the particulars of this incident, Yushchenko seems to no longer be the media darling he was during the Orange Revolution.

On May 18 the Washington Post ran an editorial by Anders Aslund, head of the Russia and Eurasia Program at the Carnegie Endowment for International Peace, entitled "Betraying a Revolution." Aslund outlined his criticism further at a seminar held in Carnegie's Moscow Center. "Betraying a Revolution" comes six months after Aslund's highly optimistic articles in the Moscow Times (December 1, 2004) and Weekly Standard (December 27, 2004) that had applauded the Orange Revolution.

Other Western and Ukrainian commentators have provided mixed reviews on Yushchenko's first 100 days in office. One author described this mood swing

as an "Orange Depression" leading to "post-revolutionary apathy" (Ukrayinska pravda, May 18). Nevertheless, Aslund's article was by far the most scathing attack to date on the record of the Yushchenko presidency and Tymoshenko government.

Aslund is co-author of a Blue-Ribbon Commission report drawn up by the United Nations Development Programme and the Carnegie Endowment that proposes an extensive array of "new wave" reforms under Yushchenko (carnegieendowment.org/publications). The Commission's proposals were outlined in the Financial Times (January 12) under the title, "Reform in Ukraine Must be Swift and Sweeping." With constitutional reforms reducing presidential power set to go into effect in September, Yushchenko had a six-month window of opportunity to introduce a radical reform agenda.

A Stratfor (May 20) commentary agreed with the main economic arguments outlined by Aslund, bluntly noting, "The government has undertaken no economic reforms." Stratfor points to divisions in the Ukrainian leadership between supporters of free market policies and state regulation. Zerkalo Tyzhnia/Nedeli (May 14) places Yushchenko in the free-market category, while Tymoshenko, "is in favor of the government's dominating role in the country's economy."

The lack of economic reforms is compounded, Stratfor and Aslund believe, by high inflation, declining economic growth, fears of re-privatization, and extravagant social spending. A higher tax burden is also forcing some small and medium businesses to again operate in the shadow economy. Yushchenko has promised to deal with this issue and demanded that governors reduce regulatory measures for registering new businesses.

Ukraine's economic growth of 12% last year was the highest in Europe and was unlikely to continue at such a record pace. As polls showed during the election year, most Ukrainians did not personally feel any improvement in their living standards as a consequence of this high growth and did not therefore give credit to the Viktor Yanukovich government.

The criticism of high social spending is misplaced on political-institutional grounds. The Yushchenko team inherited very high pensions and state salaries, which the Yanukovich government had deliberately increased as an election bribe. By increasing state salaries still further the government seeks to compliment a widespread anti-corruption drive by making it no longer necessary for state officials to steal to survive.

Yushchenko's team also must take into consideration the upcoming 2006 parliamentary elections. They must secure a pro-Yushchenko parliamentary majority if the reforms are to work in the near term. This, in turn, will have a great influence on the success of Ukraine's Euro-Atlantic integration during a second Yushchenko term, which would begin in 2009.

The authorities in eastern and southern Ukraine in particular may need higher social spending between now and the elections to secure popular support. Different polls show the Yushchenko-Tymoshenko team supported by around half the population, with only 16-24% opposed (Zerkalo Tyzhnia/Nedeli, May 14; Ukrayinska pravda, May 26). On its own, Yushchenko's People's Union-Our Ukraine party can only muster a maximum of 30-35% of the vote. This figure is forcing him to ally with Tymoshenko and People's Party leader Volodymyr Lytvyn in the 2006 election campaign to secure a parliamentary majority.

The Orange Revolution dramatically improved Ukraine's international image. A growing number of foreign investors are interested in Ukraine but have stopped short of moving from intent to actual investment (Financial Times, May 13). They remain unclear about whether the threat of re-privatization is across the board or officially restricted to a limited number of companies. Yushchenko and Deputy Prime Minister Anatoliy Kinakh have spoken of 29 re-privatizations, a figure that Tymoshenko was publicly contesting until Yushchenko's threat to remove her.

Other areas of concern reflect impatience with certain reforms not having been undertaken yet. These include land reform, which is unlikely with a Socialist agricultural minister, and a neo-Soviet commercial code, which Justice Minister Roman Zvarych has called to be changed. These reforms are more likely to be adopted by next year's parliament; that is, if it has a pro-Yushchenko majority.

Yushchenko has launched a challenging agenda, and his second 100 days in office may determine its chances of success.