

# Ukraine Searches for Its Lost Dignity

by Taras Teliha

The draft 2003 budget for Ukraine, submitted to the Supreme Rada (parliament) by the government in June, has the usual components: sources of revenue, and categories of spending—science, culture, education, health care, social protection, and defense. The catch is that the whole country knows beforehand that this budget will most likely not be implemented, just like this year's, and last year's, and the budgets before them. Science, health care, and culture will remain on starvation rations.

If, by some miracle, this budget were actually to be implemented, the level of budget spending per citizen of Ukraine in 2003 would be approximately \$200. Even Russia and Kazakhstan, which have comparable economic situations, surpass Ukraine in this regard, with \$500 and \$280 per-capita budget spending, respectively. All basic economic parameters in Ukraine—such as the minimum and the average monthly wage (\$28 and \$70), the official subsistence minimum (\$75 per month: higher than the average wage!), and the minimum and maximum pension (\$14 and \$28)—directly or indirectly depend on the size of the budget.

Among Ukraine's near neighbors, Poland last year had GDP per-capita equivalent of \$4,150. In Russia it was \$1,800; Romania, \$1,650; Hungary, \$5,600; the Czech Republic, \$5,400; but only \$627 in Ukraine, according to the Razumkov Research Center.

Considering that prices for most goods and services in Ukraine are comparable with world and European prices, one wonders why life in the country has not come to a halt; and how Ukrainians manage not only not to die from hunger, but to ride through the streets of the ancient and beautiful capital city of Kiev, vacation at the best resorts in the world, buy villas and country houses in France, Spain, Cyprus, and the Canary Islands, and win or lose thousands of dollars in a single night at the casino, at home or abroad.

Of course, only the tiniest minority does these things. They made their fortune during the so-called reforms, which featured the Argentine-Russian brand of "shock therapy," prescribed by the International Monetary Fund (IMF) and World Bank, and implemented by advisers from those institutions coordinating homegrown specialists. By some coincidence, these were the people who got in on the privatization bonanza in Ukraine.

## The Sleep of Reason

What is happening with Ukraine? How did this major European country of 50 million people, blessed with an ideal climate, fertile soil, advanced industry, hard-working people and long-standing humanist traditions, end up in the abyss of an acute systemic crisis, which has mercilessly swallowed every part of life? The answer to this and related questions is as complex as it is simple.

Ukraine may serve as an exhibit, to demonstrate what happens when the central principle of a nation-state's existence is violated. The destruction of the Ukrainian economy, which brought with it the loss of true independence, is partly rooted in the depths of history, but other of its causes are visible right on the surface. In Ukraine, the majority of the institutions of power are, in effect, opposed to the survival of the nation-state. Constant betrayal of the national interest and trampling on the Ukrainian Constitution have become, during the past ten years of formal independence, the characteristic behavior of the authorities at all levels, from the provinces to the capital.

In place of a system of checks and balances among the legislative, executive, and judicial branches of power, Ukraine suffers a semi-criminal battle among clans, who get what they need by ceaselessly looting state property. Instead of a well-conceived development strategy, it has ad hoc decisions, and actions by the authorities often resemble an attempt to put out a forest fire with a few spoonfuls of water.

The sleep of reason certainly gives rise to a theater of the absurd. The authorities acknowledge that the illegal, or "shadow" sector of the Ukrainian economy comprises over one-half of the whole. Estimates developed by independent analysts suggest a higher figure, terribly higher: from two-thirds to three-fourths of the production of goods and, especially, services in Ukraine is deep in the "shadows." Hundreds of thousands are working abroad (chiefly in Russia, the Czech Republic, Poland, Italy, Portugal, and Germany). These people, many of them formerly employed as skilled workers in Ukraine, now live in miserable conditions in other countries, toiling under arduous and often illegal conditions, for monthly wages of \$200-400. Tens of thousands of Ukrainian women, even college graduates, have been recruited, lured, or kidnapped by international prostitution rings.

Despite measures adopted or attempted so far (monitoring of bank accounts, frequent large-scale investigations by the tax authorities, etc.), the implementation of the state budget has not only not improved, but constantly confronts the government with new problems. Capital continues to flee abroad, while investment in the Ukrainian economy is practically at a standstill.

As in Russia, money invested in Ukraine goes almost exclusively into sectors that can yield a quick profit, but which are difficult for the government to regulate. In the



*Ukrainian President Leonid Kuchma (right) with NATO chief Lord George Robertson. Despite relations with NATO, Kuchma is presiding over the worst poverty and unemployment in Eastern Europe; he may seek a third term even though his coalition got only 12% in March parliamentary elections.*

relatively successful candy, tobacco, alcohol, and fuel-refining industries, the funds invested from abroad (foreigners often own a controlling share of companies in these sectors) and by Ukrainian oligarchs, multiplied by cheap labor power, make miracles of a certain sort. Meanwhile, the pride of Ukraine—its mining, steel, machine-tool, and industrial machinery industries—remain in a pitiful slump. The condition of the country's infrastructure is grievous.

The oil refining industry in Ukraine has recently passed into the hands of major Russian oil companies, like LukOIL and the Tymen Oil Company (TNK). These shifts in ownership were followed by a steep hike in gasoline prices in Ukraine, in the range of 15-40%. The pumps are mostly Russian-owned.

Next, the Ukrainian government intends to hand the natural gas pipeline and storage network to a future consortium, which preliminary reports indicate will be formed by the major natural gas companies of Europe, plus, of course, Russia's Gazprom. In and of itself, the idea of international cooperation in an industry of strategic importance for Ukraine, is an attractive one, but only if it were implemented on the basis of equality among all the participants. Ukraine's experience in recent years ought to dictate a cautious approach to each such major project.

Suffice it to recall that the Chernobyl nuclear power plant was closed in exchange for a promise of credits, to be issued by Europe for completing units at the Rivnen and Khmel'nitsky nuclear power plants. But, Ukraine did not receive the promised credits. There was the lavishly advertised, but never implemented project to ship Caspian Sea

oil to Europe through a pipeline on the Odessa-Lviv-Broda route. Obviously, political factors came into play, as well as conjunctural economic ones.

### **'The Slaughter of the Innocents'**

Are those at the helm of the Ukrainian state merely incompetent people, who don't know where they are going and where they are leading the Ukrainian people? That would be a naive conclusion. With few exceptions, those in power are well aware of their own inadequacies as national leaders charged with protecting the general welfare. The cynicism they express in public is striking. In the Supreme Rada elected this past March, for example, many of the deputies who are organizing the "pro-Presidential" parliamentary grouping to back President Leonid Kuchma, openly state that they see the main function of a parliamentarian to be—lobbying for laws which benefit certain big companies. The pro-Kuchma slate got only 11.8% of the vote, but cobbled together the largest parliamentary group, using strong-arm tactics to recruit independent MPs. Officially named "For a United Ukraine," it has come to be called by a form of its Ukrainian acronym: *Za YedU*, which also translates as "For Feed"!

In recent years, especially during Kuchma's term in office since 1994, a new generation of political mutants has emerged. They have no concept of honor, conscience, national pride, or even an elementary sense of human dignity. One can expose them in broad daylight for abuses, publicly insult them, practically spit in their faces, but they won't react. They fear only one thing: being removed from the levers of distributing the national wealth; losing their place in the

corruption-riddled system of power. If somebody refuses to play by these unnatural rules, this system immediately rejects him, resorting even to criminal methods.

A whole sequence of mysterious deaths or outright murders of prominent Ukrainian politicians and journalists bears witness to this practice. Events like the murder of former National Bank chief Vadim Getman, the death of opposition leader Vyacheslav Chornovil in a suspicious automobile accident, and the kidnapping and likely murder of the online newspaper editor Georgi Gongadze, made many people long terribly for Ukraine to become a law-based state.

Instead, the current system of power in Ukraine rests on the politically false and morally ruinous sowing of fear and suspicion throughout society. The practices of collecting dirt on each and all, of hirings and firings from government office without any reasonable explanation, and of constant official lying, demoralize the public.

### **A New Wave?**

Where are the real leaders, the steadfast men of state who could guide Ukraine out of its economic and moral collapse? Must they, as in the legends of Ancient Rus, be invited to come from abroad?

Many ordinary Ukrainians have pinned their hopes on former Central Bank head and former Prime Minister Victor Yushchenko, whose "Our Ukraine" bloc received 24%, the highest vote in the March 2002 elections. Steering clear of political brawls in public, Yushchenko has cultivated the reputation of an honest and upstanding person. Recently he issued draft principles for cooperation among leading groups in the Supreme Rada, based on "democracy," "transparency," "rule of law," and "civil society." Notably absent from Yushchenko's program, however, is any economic policy of substance. He remains a candidate favored by financial and political establishment circles in the West, who argue that Yushchenko would "play by the rules" of accepted conduct.

In the setting of the international financial crash, naturally, such standards become meaningless.

To date, the main principle of power in Ukraine remains the political annihilation of one's opponents. During the eight years of Kuchma's Presidency, these techniques have been honed to perfection. Politicians who made the slightest splash (take Socialist Party leader Alexander Moroz, for example) were ostracized and pushed away to a safe distance. All means were used: intrigues, provocations, intimidation, slanders, and even carefully masked murders, as in the case of Vyacheslav Chornovil.

When Kuchma appointed Yushchenko Prime Minister at the end of 1999, the purpose was evidently to soothe the public, after the high level of scandals during the Presidential elections, but, at the same time, also to discredit Yushchenko in the eyes of the public by putting him in a position of responsibility. When Yushchenko and Vice Premier Yuliya Ty-

moshenko (herself a big wheel in the energy business sector) appeared to be too successful, particularly in settling Ukraine's disputed debts to Russia for natural gas, he was fired, and Tymoshenko jailed on tax evasion and other charges.

As potential Presidential candidates, Yushchenko remains atop the polls and Tymoshenko has outstripped Communist Party leader Petro Symonenko. Over two years remain before the next Presidential elections. Other possible candidates are the leaders of opposition parties, as well as three individuals from the "party of power": the new Speaker of the Supreme Rada, former chief of the Presidential staff Volodymyr Lytvyn; former Vice Speaker and now chief of the Presidential staff Victor Medvedchuk; and Kuchma himself. Many analysts consider it likely that there will be attempts to secure a third term for Kuchma, despite what the Constitution says.

The other most influential figures on the Ukrainian political scene continue to be Alexander Moroz, leader of the Socialists (his party received around 7% in the elections); and Natalia Vitrenko, chairman of the Progressive Socialist Party, which with 3.5% of the vote did not pass the 5% barrier to become an official parliamentary group this time. As a strong and charismatic leader, Vitrenko has her own electoral base. Currently, she is trying to get into the Supreme Rada in a by-election. For the moment, however, the deck is stacked against Moroz or Vitrenko becoming President.

### **Looking to the Future**

The situation in Ukraine after the Spring parliamentary elections remains tense. The "pro-Presidential" grouping is artificial, and is already fragmenting in the course of battle over political prizes. The clans have regrouped, and are fighting for pieces of the pie.

But Ukraine's real circumstances would dictate the need for speedy, decisive action. A change in national economic policy is urgent. Ukraine will likely get nothing from the IMF, which is just as well, but there are still old debts to be serviced. Virtually every area of public life needs to be reformed.

There exists every basis for Ukraine to create a strong, truly independent nation-state. Life does go on, and a few aspects of national life do change. The country's first modern highway is under construction, from the Polish border to Kiev. Other major infrastructure projects, such as the above-mentioned natural gas pipeline consortium, are being studied.

There are many pathways to international authority and dignity, which have been lost in the atmosphere of violence and fear that grew up in the short time since Ukraine achieved formal independence, just ten years ago this Summer. In order to find them, the Ukrainian people need the right to determine their own destiny. That right remains to be won.