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# Ukrainian Economic Policy after the Orange Revolution: A Commentary on Åslund's Analysis

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**Abstract:** One of the leading Western observers of Ukrainian affairs, before and after the disintegration of the Soviet Union, discusses the preceding paper by Anders Åslund devoted to the economic policies of Ukraine after the Orange Revolution. The commentary covers in some detail the pervasive corruption, largely traced to Ukrainian oligarchs but also endemic in the administration and among the military. Relatively recent 2005 polls are cited to illustrate the citizenry's support for some of the government's policies and regulations pertaining to prices, privatization, and organized crime, as well as those showing presidential and ministerial approval ratings. *Journal of Economic Literature*, Classification Numbers: H10, H80, O52, P30. 16 references. Key words: Ukraine, Orange Revolution, oligarch, entrepreneur, re-privatization, corruption, approval ratings, regional divide.

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Anders Åslund's thoroughly researched paper (Åslund, 2005) deals with economic policies introduced after Viktor Yushchenko's inauguration as Ukraine's third President on January 23, 2005. The following month Yushchenko's political ally, Yulia Tymoshenko, was voted by a large parliamentary majority to be Ukraine's eleventh Prime Minister.<sup>2</sup>

The study of Ukrainian economics by Western scholars is at best sparse<sup>3</sup> compared to such areas of political science as democratization, elections, and nation building. Therefore, any in-depth study of economic issues, such as Åslund's, is a very welcome contribution to a still underexplored field.

Two caveats should be introduced at this point. First, the paper deals with government policies during Yushchenko's first 100 days, from February to May 2005. These policies could change during the remainder of the period prior to the March 2006 parliamentary elections. Second, Åslund's paper focuses on economic, rather than political factors. In post-Soviet states, such as Ukraine, it is impossible to separate economics from politics. Although the separation of business and politics is an objective of the Yushchenko coalition, success in this arena will not take place quickly.

## OLIGARCHS TO ENTREPRENEURS

The paper is overly optimistic about the transformation of oligarchs from robber-baron capitalists to entrepreneurial businessmen in Ukraine since 2000. Åslund believes that, "The

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<sup>2</sup>For an early discussion see Kuzio (2005a).

<sup>3</sup>See the bibliography on contemporary Ukraine at [http://www.taraskuzio.net/media/post-sov\\_ukr\\_econ.html](http://www.taraskuzio.net/media/post-sov_ukr_econ.html). On Ukraine's 2004 presidential elections, see <http://www.taraskuzio.net/elections2004/elections2004.html>. See also Kuzio (2005b, 2005h), Way (2005), and Clem and Craumer (2005, this issue).

successful oligarchs had been transformed from rent-seeking arbitrators to producers, notably of steel, while several energy traders vanished” (p. 328). However, a gradual evolution of oligarchs to entrepreneurs only affected a minority. Specifically, Viktor Pinchuk, who announced ahead of the 2004 presidential election that he would not be seeking re-election to the 2006 parliament so as to focus exclusively on business, provides an example of an oligarch who desired to separate business and politics. Ironically, this would only be possible under a Yushchenko presidency. Yet Pinchuk, as Leonid Kuchma’s son-in-law, had little choice but to back Prime Minister Viktor Yanukovich, under whose reign a very close relationship between business and politics would continue.

Although commendable, Pinchuk was rare among oligarchs in taking such a step. An essential part of the transformation from oligarch to entrepreneur is the willingness of oligarchs to play by the rules—that is, to abide by the rule of law. Yet, in June 2004, only months after Pinchuk’s announcement, he participated in a flagrant abuse of the law when he co-privatized the Kryvorizhstal steel mill for \$800 million in a rigged privatization that *de facto* excluded foreign investors.

There was little evidence that other oligarchs have taken the steps that Pinchuk outlined. His close ally from the Dnipropetrovsk clan, Serhiy Tyhipko, became head of the Yanukovich election campaign. In return, Tyhipko hoped to become Prime Minister under President Yanukovich. Others from the Dnipropetrovsk clan, such as Andrei Derkach, defected to Yushchenko. The shift from oligarch to entrepreneurial producer did not take place within the so-called Kyiv clan,<sup>4</sup> grouped under the political roof of the Social Democratic United Party (SDPUo).<sup>5</sup>

The situation in Donetsk, whose clan is headed by Renat Akhmetov, was more complicated. Akhmetov’s System Capitol Management attempted to discard the image of corrupt oligarch by adopting normal business practices, but this transformation was still in its embryonic stage and shot through with contradictions. Akhmetov was Pinchuk’s partner in the fraudulent privatization of Kryvorizhstal and Yanukovich’s chief backer in the 2004 election. Would Yanukovich’s election as Ukraine’s President have transformed or deepened Ukraine’s oligarchic authoritarianism? Most of the scholarly commentary has argued the latter rather than the former. During Yanukovich’s tenure as Governor of Donetsk Oblast (1997–2002), election fraud became normal practice.<sup>6</sup> Akhmetov increased the size of his capital holdings by two to three times during Yanukovich’s governorship of Donetsk.<sup>7</sup>

Evidence unveiled since the election of Yushchenko shows the degree to which corruption and illegality continued to dominate Donetsk Oblast. Donetsk Oblast council head Borys Kolesnykov was arrested on extortion charges in April 2005. Kolesnykov was also head of the Donetsk oblast branch of the Party of Regions. This link shows the degree to which corruption, big business, and politics was integrated in a complex nexus in Donetsk. In Donetsk during Kuchma’s decade-long rule, 80 percent of property changed hands after shootouts,

<sup>4</sup>So-called, because the SDPUo was the only clan unpopular in its home base (see Kuzio, 2005d, 2005e).

<sup>5</sup>All of Ukraine’s parties and blocs gain votes when their leader’s name is added. The exception is the SDPUo whose leader, Viktor Medvedchuk, when added reduces the party’s popularity from 1.9 to 1.2 percent (*Zerkalo nedeli*, December 25, 2004).

<sup>6</sup>In the 2002 parliamentary election, the pro-Leonid Kuchma For a United Ukraine bloc came first on the party list only in Donetsk Oblast with 36.83 percent of the vote. In neighboring Luhansk Oblast, For a United Ukraine came in second place with only 14.39 percent.

<sup>7</sup>Yushchenko during his television debate with Yanukovich (*Ukrayinska pravda*, December 20, 2004).

explosions, distortion, and organized criminal activities. The new Interior Ministry leadership has recorded 167 instances of the use of machine guns and explosives during the 1990s.<sup>8</sup>

Can oligarchs evolve into entrepreneurs even in Donetsk? This might be possible under a Yushchenko presidency, but would have not become necessary if Yanukovich had been elected. Yushchenko has warned the Donetsk clan that it can no longer steal from the state: “This means making the region’s budget and authorities accountable to the state, not to the Donetsk clan” (*Vysokyi Zamok*, May 24, 2005). The CEO of System Capital Management, Ihor Prosolov, believes that Akhmetov’s company and the Yushchenko authorities have similar goals in moving towards a civilized relationship between the state and business (*Financial Times*, June 1, 2005). It is still too early to say how relations will develop between the Donetsk clan and Yushchenko.

### THE ELECTION YEAR

It would be wrong to describe Ukraine’s 2004 election as a competition between two candidates—Yushchenko and Yanukovich—who “appeared to adopt the same basic ideology” (p. 331). Ukraine’s political spectrum, as in all CIS states, is built around an ideologically vacuous center, whereas ideological parties are only found on the left (Communists, Socialists) and right (Our Ukraine). Ukraine’s centrist parties of power were political *kryshy* for corrupt, oligarchic and regional interests, not for clearly defined ideologies.

Yanukovich’s Regions of Ukraine party was the most ideologically amorphous of Ukraine’s centrist parties. His 2004 presidential election program may have included support for many of the same policies advocated by Yushchenko, but these were empty rhetoric, devoid of any ideological commitment to pursuing them if he had been elected. Kuchma’s decade-long rule was dominated by a Soviet-style mismatch between programmatic rhetoric and policy reality.

We can only therefore gauge what Yanukovich stood for by his actions as governor of Donetsk and Ukraine’s Prime Minister between 1997 and 2002, a record that cannot lead scholars to any conclusion that he sought to build democracy or a market economy. Although Regions of Ukraine’s effort to project an image of “managed democracy” could be seen in its signing of an agreement with President Vladimir Putin’s Unified Russia in June 2005, the party’s choice of a former Communist to head the Yanukovich opposition bloc in the 2006 parliamentary election points to its attempt at continuing to successfully woo the Communist vote. A large proportion of Regions of Ukraine voters are, as with Unified Russia, former Communists.

### THE PROGRAM: WHAT TO DO?

It remains unclear why expert advice provided by the Blue Ribbon Commission (co-chaired by Åslund) as well as other prestigious bodies were ignored in Yushchenko’s first 100 days. One possible answer to this question is that the nationalist opposition resisted advice from abroad. If true, this bodes ill for Ukraine’s future Euro-Atlantic integration, as entry into NATO and the European Union will require that Ukraine accept the policy prescriptions of both organizations. Yushchenko’s difficulties in pushing through legislation (required for WTO membership in Fall 2005) before the summer recess of parliament is an

<sup>8</sup>Comments by Deputy Interior Minister Hennadiy Moskal in *Ukrayinska pravda*, May 19, 2005.

indication that protectionist nationalism could play a negative role, leading to the rejection of Western demands.

A second surprise is why the energy of the Orange Revolution was not channeled more forcefully into reforms and anti-corruption measures immediately after Yushchenko was inaugurated. In his first 100 days Yushchenko acted *de facto* as a president who had already transferred power to his Prime Minister and parliament. Constitutional reforms will take place, but only after the 2006 election, a timeline that Yushchenko had always supported. In delegating power to his Prime Minister during Yushchenko's first 100 days, he in effect acted as though constitutional reforms had already gone into effect after the 2004 election.<sup>9</sup>

The visible lack of connection between the government's February Action Program and actual government policy, which was a common feature under Kuchma, is a sign that not everything has changed under Yushchenko. During Yushchenko's first 100 days, government policies seemed to have been brought forward on an ad hoc and impromptu basis. Like Georgian President Mikheil Saakashvili, Yushchenko acted as an inspiration—but not as a leader. Leaving Tymoshenko in charge during Yushchenko's first 100 days proved to be disastrous.

Aslund points out that Yushchenko's election program was "a liberal market economic program with a social orientation" (p. 338). Therefore, we should not be surprised that the Tymoshenko government paid attention to social benefits and salaries. This issue was inherited from the 2004 election when Prime Minister Yanukovich raised pensions and state salaries as a pre-election bribe. Reflecting these upward pressures on prices, inflation in Ukraine, as in Russia, is higher than what officials consider healthy.<sup>10</sup>

Attempts to cap petrol prices proved to be disastrous and led to an oil crisis, finally forcing Yushchenko to intervene in favor of free market policies. Although Prime Minister Tymoshenko protested Yushchenko's calls to remove price caps, his threat to remove her as Prime Minister forced Tymoshenko to back down. The oil crisis revealed how Yushchenko had mistakenly devolved too much day-to-day responsibility for running the Ukrainian economy to a Prime Minister with a preference for state capitalism.

We should not underestimate the degree to which Tymoshenko's policies are genuinely popular. Roughly 58 percent of Ukrainians support government regulation of prices, with only 18 percent supporting dependence on the market methods (*Ukrayinska Pravda*, July 5, 2005). Only 28 percent of Ukrainians would support Tymoshenko's resignation, while 44 percent would oppose such a step (*ibid.*, July 6, 2007). All of the numerous polls conducted since January 2005 show very high rates of approval for Yushchenko and Tymoshenko, which have averaged between 60 and >65 percent (see Buerkle et al., 2005). One reliable poll in June 2005 gave Yushchenko a 68 percent approval rating and Tymoshenko 66 percent, an increase from 60 percent in March. Such considerations are important in the run-up to a parliamentary election.

Privatization, or re-privatization, has been the major source of division and confusion in the government (Kuzio, 2005c). Aslund equates populist calls for re-privatization with

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<sup>9</sup>The Kuchma camp had sought to have constitutional reforms come into effect immediately after the 2004 election, whereas Yushchenko supported their introduction only after the 2006 election and Tymoshenko opposed them completely. The early December "compromise package" to hold a repeat of round two on December 26 also included provision for constitutional reforms to go into effect after September 2005 or, if local council reforms had gone into effect, which they have not, after January 2006. Their legal status is therefore not in "limbo," (p. 339) as the 2002–2006 parliament will never find the 300 votes to annul them.

<sup>10</sup>The estimated annual rate of inflation in 2004 was 12 percent in Ukraine, and 11.5 percent in Russia.

“vengeful pursuit of the oligarchs” (p. 339). The issue is rather confusing because it has many aspects and implications.<sup>11</sup>

Throughout the Commonwealth of Independent States, the average citizen and voter has a negative memory of the 1990s. These memories include economic collapse, underemployment, growing unemployment, wage and pension arrears, transition to payment (i.e., bribes) for previously free state services such as education and medical services, and widespread corruption. Ukrainians were told by the authorities in the 2004 election that they were living in the fastest-growing economy in Europe. As Yushchenko pointed out, GDP may have been growing by 12 percent, but income to the state budget was only increasing by 2 percent. Much of the revenue was therefore being stolen.<sup>12</sup>

In surveys conducted between 1994 and 2002, the Ukrainian Academy of Sciences found that Ukrainians believed the “mafia and organized crime” had the greatest influence on society. During this period this perceived influence increased from 33.9 percent in 1994 to 43.9 percent in 1999, during Kuchma’s first term in office and Ukraine’s main privatization drive; the oligarchs made their appearance in 1998–1999. This perception then declined during Yushchenko’s government to 38.3 percent. It again began to rise during Yanukovych’s tenure as prime minister (November 2002–December 2004), and stabilized at 40.2 percent in the last year of Kuchma’s rule. The perception that Ukraine is ruled by the “mafia and organized crime” declined dramatically in the first half of 2005, during Yushchenko’s presidency and Tymoshenko’s prime ministership, to 30.7 percent (Stepanenko, 2005, p. 9). The conclusion we can therefore reach is that this perception of the mafia and organized crime ruling Ukraine declined *only* during those periods when Yushchenko and Tymoshenko were in government (1999–2001) and in the presidency and government (2005).

It is therefore not surprising that the majority of Ukrainian citizens, in the same manner as citizens in Russia, see privatization conducted in the 1990s in negative terms. Sixty-seven percent of Ukrainians believe that privatization was undertaken in an unjust manner, with only 9 percent believing the opposite (*Ukrayinska pravda*, July 5, 2005). A total of 71.3 percent of Ukrainians would support the re-privatization of large enterprises, with only 10.9 percent against (*ibid.*, May 14, 2005). When asked if “justice” should be renewed in privatization, 32.3 percent agreed and 13.6 percent disagreed (*ibid.*, June 9, 2005).

The small minority who benefitted from privatization also have low legitimacy in society. Government denunciations of this group (variously defined as “bandits”, “oligarchs”, “authorities”, etc.) since Yushchenko’s election have contributed to Tymoshenko’s high popularity. Ironically, the highest support for re-privatization of large enterprises is in western and central Ukraine (79.5 and 81.2 percent respectively; *Ukrayinska pravda*, May 14, 2005), two regions where support for reformist policies is higher and where Yushchenko obtained his greatest support in the 2004 election. This high level could be explained by anti-oligarch feelings and by the fact that large enterprises are based in eastern Ukraine.

Popular sentiment against the manner in which privatization had been undertaken, Yushchenko’s election rhetoric in support of “putting bandits in prison,” and the need to win votes in eastern and southern Ukraine in the upcoming 2006 parliamentary election led to the emergence of re-privatization as a policy concern of the Yushchenko administration. That notwithstanding, Yushchenko’s policies on privatization were ill-conceived and contradictory.

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<sup>11</sup> For more on this aspect of re-privatization see Kuzio (2005f, 2005g).

<sup>12</sup> Yushchenko during the television debate with Yanukovych (*Ukrayinska pravda*, December 20, 2004).

Yushchenko lacked clear policies toward privatized enterprises, and public rancor over this issue exposed divisions in the Yushchenko team. These divisions can be explained by the inheritance of revolutionary rhetoric from the Orange Revolution, an excessively broad political coalition, and inexperience in dealing with this issue, all areas that Åslund discusses succinctly in his paper. A major mistake was to appoint a Socialist as head of the State Property Fund, which sent a signal to Western investors that Ukraine was disinterested in privatization.

Thus far, there is no sign of the “anarchy” of which Åslund warns (p. 344). By the mini-Davos (World Economic Forum) summit in Kyiv in June 2005, the Yushchenko administration understood that courts should decide matters relating to privatizations. Lists of privatized enterprises to be investigated (proposed lists have included 3,000, 40, and 29 enterprises to be investigated) are no longer to be drawn up. Åslund is correct in observing that, “the government has been diverted from the reforms it ought to have undertaken” (p. 345).

A positive aspect was that they did not follow Russia’s policies under Vladimir Putin. Unlike prior to 2004, when Pinchuk and other oligarchs did not complain about violations of the law, he is now right in pointing to how Ukraine should act differently than Russia and show that, “we can act in a European manner” (*Ukrayinska Pravda*, June 2, 2005). “The challenge for Ukraine lies in strengthening its institutions and the rule of law—rather than weakening them, as did Mr. Putin in Moscow and in ensuring a level playing field” (Editorial, 2005). This is one area for which Yushchenko’s administration has not received due credit, as Yushchenko has kept his word that “there will be no political persecution of business people” (Cullison, 2005).

Åslund’s paper is rightfully critical of the socialist populism that dominated the Tymoshenko government during Yushchenko’s first 100 days. It does not give due credit, however, to government policies designed to root out corruption. The Yushchenko administration inherited a country that was extremely corrupt, and where corruption had grown inordinately during Kuchma’s second term when he aligned himself with the oligarchs. Resolving high-level corruption is linked to the important policy of separating business and politics; that is encouraging oligarchs to evolve into entrepreneurs independent of the state and outside of politics. As Prime Minister Tymoshenko pointed out, power and capital “have been Siamese twins” under the reign of Leonid Kravchuk and Kuchma (Cullison, 2005).

The overall campaign against corruption has been accelerated by the highly popular Interior Minister Yuriy Lutsenko (Socialist)<sup>13</sup> and Security Service chairman Oleksandr Turchynov (Tymoshenko bloc). Lutsenko, who emerged out of the Ukraine Without Kuchma campaign and Orange Revolution as a street organizer, is Ukraine’s most popular Interior Minister. Both he and Turchynov are linked to the populist wing of the Yushchenko coalition that has always been more radical in its attitude toward dealing with former members of the Kuchma regime. The campaign against corruption cannot be divorced from election fraud in the 2004 presidential election, as the same officials largely participated in both. Overall, receipts received by the budget had grown by 26 percent due to anti-corruption measures. In the first four months of 2005, customs duties increased by 50 percent (*Ukrayinska pravda*, May 25, 2005).

Anti-corruption measures are proving to be popular and have transformed Tymoshenko from someone with high negative ratings under Kuchma (due to her image as a former oligarch) to high positive ratings under Yushchenko. Polls give strong support to the authorities in their anti-corruption measures. Two-thirds of Ukrainians support bringing high-ranking members of the Kuchma era to trial. About 36 percent believe that corruption is on the

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<sup>13</sup>See interview with Lutsenko in *Zerkalo nedeli/tyzhnia*, May 14–20, 2005.

decline, with 30 percent still not seeing evidence of such a trend. Other polls show widespread support for these measures, with 54 percent seeing some evidence of the new commitment to combat corruption, but still not convinced that sufficient effort is yet in place to energize these policies.<sup>14</sup>

Cases of corruption processed by the court system have included illegal demands for VAT refunds, involving 18,000 criminal cases and the loss of one billion dollars.<sup>15</sup> A favorite method was to overcharge for goods supplied to state institutions.<sup>16</sup> Proceeds to the state budget increased threefold from Naftohaz Ukrainy after its CEO was replaced.<sup>17</sup> Much of the illicitly obtained funds left the country; capital flight from Ukraine in the last two months of 2004 amounted to one billion dollars, and included both private and state funds.

Corruption, centrist politics, and election fraud were intimately intertwined. For example, the Transport Ministry, led by Heorhiy Kirpa, served as the main channel of funding for the Yanukovich election campaign. Today 76 cases involving the Transport Ministry, representing a loss to the state of \$5 billion, are being heard by Ukrainian courts. Ihor Bakay, head of the Directorate for State Affairs, is wanted on charges of the theft of 1 billion dollars. And an investigation of state enterprises revealed that two billion dollars were missing in 2004, much of it landing in the Yanukovich campaign chest or finding its way into private hands.<sup>18</sup>

The head of an organized crime group in Transcarpathia was arrested and charged with 34 crimes. He had closely worked with Transcarpathia's governor and SDPUo leader Rizak, who has also been arrested.<sup>19</sup> These arrests show the degree to which centrist oligarchs had begun working with organized crime.

The Interior Ministry is also undergoing a purge of officers involved in corruption and election fraud. Of the 250 criminal cases in the Ministry, half deal with medium- and high-ranking military officers arrested for involvement in these two identified offenses. The head of the Ukrainian forces in Iraq was arrested in March 2005 after returning from Iraq with undeclared \$300,000 in cash.

As Åslund has noted (p. 339), 18,000 officials have been replaced since Yushchenko's election. This revolution in cadres should bring tangible benefits to Ukraine's emerging democracy and market economy, although in the short term there may be difficulties related to administrative inefficiency.

## THE POLITICAL CONTEXT

The Yushchenko administration did not come to power with a clean slate. Three compromises had to be negotiated after round two. The first with the Socialists, to include them in

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<sup>14</sup>Polls cited from *Ukrayinska pravda*, May 13 and 30, 2005.

<sup>15</sup>See *Ukrayinska pravda*, June 15, 2005 and interview with Security Service chairman Oleksandr Tychnov in 2000, June 3, 2005.

<sup>16</sup>Furniture in the Presidential Administration was listed at the inflated cost of \$2.6 billion. Kuchma's office chair was listed as costing \$19,000 (see interview with Ihor Tarasiuk, head of the Directorate on State Affairs, in *Ukrayinska pravda*, April 26, 2005).

<sup>17</sup>It has been reported that \$1.39 billion is missing from income earned in 2004 from the transit of natural gas through Ukraine (see *Ukrayinska pravda*, June 8 and July 4, 2005).

<sup>18</sup>See the interview with Mykola Syvulskyi, head of the Main Auditing Directorate, in *Invest-Gazeta*, June 21, 2005.

<sup>19</sup>These crimes included organizing mass disturbances, terrorism, violating voters' rights in the April 2004 Mukachevo mayoral election and the 2004 presidential election, sending organized crime thugs to beat up students supporting Yushchenko, and other crimes (*Ukrayinska pravda*, June 1, 2005).

the Yushchenko alliance, the second with Parliamentary Speaker Volodymyr Lytvyn to keep parliament open, and the third with Kuchma in roundtable negotiations to permit a re-run of round two of the presidential election on December 26, 2004.

Ukraine's regional divisions also necessitated a degree of compromise to ensure a Yushchenko victory. As the Orange Revolution demonstrated, the Ukrainian authorities were wrong in believing that Ukraine is not Georgia.

At the same time, the Kuchma authorities were right in saying that Ukraine is not Georgia in another way—namely, in the inability of a revolutionary President Yushchenko to obtain very high public support. Mikheil Saakashvili was elected president of Georgian in January 2004 with 96.3 percent of the vote compared to Yushchenko's 52 percent 11 months later. Had Yushchenko been able to receive an election result close to Saakashvili's, his Popular Union "Our Ukraine" party would not have needed to compromise with political forces that do not always support similar policies. The Popular Union "Our Ukraine" is supported by 30 percent of Ukrainians (UNIAN, July 7, 2005)—an insufficient number to create a parliamentary majority after the 2006 election.

The Tymoshenko government is a transitional, revolutionary government until the 2006 election. It is operating with a Kuchma-era parliament still in place, half of whose deputies were members of the Kuchma camp in 2002–2004. In effect, the Yushchenko era will only truly begin *after* a new parliament is elected in 2006.

Divided between left and right populists and free-market supporters, the governing coalition is undoubtedly too broad to provide coherent economic policies. The broad coalition is therefore divided on economic issues, which Åslund demonstrates, but remains united in other key areas. These include democratization, the rule of law, judicial reform, administrative-territorial reform, and battling corruption. Success in these five areas will play a positive role in Ukraine's democratic transition under Yushchenko and will, in turn, influence economic policies.

During the transitional "revolutionary" period, authorities in the Yushchenko administration are correct to focus on the 2006 election. The current broad coalition should only last until that election, after which the Socialists will become a separate political force. Although imbued with populist instincts, Tymoshenko's virtue is that neither she, nor the Fatherland Party that she leads, represent a concrete ideology. Tymoshenko has therefore shown an ability to change her policies and follow Yushchenko's lead. This was demonstrated by the government's attempts to lobby for WTO-required legislation in parliament. Although a populist, Tymoshenko is therefore different from the left-populist Socialists, who are ideologically opposed to many aspects of economic reform, and therefore have little room for flexibility.

Constitutional reforms to be introduced after the 2006 election make it imperative that the Yushchenko coalition (which comprises the Popular Union "Our Ukraine," Tymoshenko, and Lytvyn's People's Party) win a parliamentary majority. Government and presidential policies are popular with the Ukrainian public and these policies could gain them both new voters in eastern Ukraine and the necessary parliamentary majority.<sup>20</sup> With such a majority the Yushchenko coalition would exercise control of the parliament, government (which is appointed by the parliamentary majority according to constitutional reforms), and

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<sup>20</sup>The government's policies are producing results. In Kharkiv, for example, Yushchenko's Popular Union "Our Ukraine" has 17 percent support compared to the 16 percent accruing to the Party of Regions. When added to Tymoshenko's 10 percent support, the Yushchenko coalition's base in the region increases to 27 percent (*Ukrayinska Pravda*, June 22, 2005; see also Kuzio, 2005i).



the executive branch. The hard-line opposition, consisting of Yanukovych's Regions of Ukraine and the Communists, should command no more than 25–30 percent of the seats in the *Rada*.

Focusing on the 2006 election is therefore crucial, because with a parliamentary majority and control over three key institutions, the Yushchenko administration will obtain a four- to five-year window during which will have no further elections. The type of policies, speed, and reforms adopted during 2006–2009/2010 will ultimately decide the success—or failure—of Ukraine's Euro-Atlantic integration.

### WESTERN OBSERVATIONS

Western criticism of government policies in Ukraine is worth discussing within a broader context. Criticism and debate in the West is in part correct and, of course, necessary. At the same time, we should note that Yushchenko and Tymoshenko continue to have very high rates of popular support of 55 to 65 percent. Tymoshenko's parliamentary faction has doubled to become the fourth largest in the country.<sup>21</sup> In the Kuchma era, the president, with a level of trust as low as 13 percent, was trusted less than astrologers (*Suchasnist*, April 2004).

Why then, is there such a large discrepancy between Western criticism and popular domestic support within Ukraine? If the Yushchenko administration is serious about Euro-Atlantic integration, it needs to be more sensitive than its predecessors to Western opinion. Ultimately, though, the Ukrainian authorities' primary concern is to ensure public support by winning elections.

A second discrepancy is between U.S. and Western European criticism. The U.S. and Western Europe may agree on many areas of criticism of government policy. However, the U.S. model of a *laissez faire* economy with few provisions for social welfare and services is not the model that will appeal to Ukrainian voters or to the Yushchenko administration. Ukraine is more likely to adopt social-market models found in Europe.

Åslund's article provides a succinct criticism of the economic policies pursued during the first 100 days of Yushchenko's presidency. Scholars will benefit from attempting to understand how a bourgeois democratic revolution, supported by small and medium businessmen and financed largely from domestic sources, turned to socialist populism during these first 100 days. Policy corrections have already been put in place as of May–June 2005, and these corrections should continue to promote movement in a positive direction during the remainder of the transitional revolutionary administration preceding the 2006 election. This trend, coupled with the likely victory of reformist forces in the 2006 election, should continue to provide grounds for optimism that Ukraine's Orange Revolution will bear fruit in the decade ahead.

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<sup>21</sup>Tymoshenko's faction has 40 deputies; only Our Ukraine, the Communists, and Regions of Ukraine have more.

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