

Volume 2, Issue 116 (June 15, 2005)

## WASHINGTON CONCERNED UKRAINE MAY NOT JOIN WTO THIS YEAR

By Taras Kuzio

During President Viktor Yushchenko's April visit to Washington, he enumerated three goals to be achieved this year: joining the WTO, lifting the Jackson-Vanik trade restrictions, and obtaining free-market economy status. The prospects for attaining the first two goals are doubtful, at least by the end of 2005.

On May 31 the Ukrainian parliament narrowly failed to pass important changes to legislation to combat CD piracy and protect copyright, changes that would make Ukraine eligible for membership in the World Trade Organization. The Ukrainian parliament must pass this law before its summer recess, which lasts until early September. There are another 21 bills that still need passage before the WTO meets in the fall.

The Yushchenko team has attempted to differentiate itself from former president Leonid Kuchma's regime by promoting Ukraine's WTO membership separate from Russia's. Psychologically, it is important for Ukraine to enter the WTO ahead of Russia. The Kuchma camp supported a plan whereby all four members of the CIS Single Economic Space (Ukraine, Russia, Kazakhstan, Belarus) would synchronize their drive to achieve WTO membership.

It is not surprising that former pro-Kuchma centrists in parliament and the Communist Party did not vote in favor of the changes to legislation. As Yushchenko pointed out publicly, the son of former prime minister Vitaly Masol (a former high-ranking Communist) allegedly owns the largest counterfeit C D o p e r a t i o n i n Ukraine.

What is more surprising is that 26 of the votes against the bill came from Yushchenko's own Our Ukraine faction. The bill failed by only 17 votes. Similarly, only six out of 17 members in the other pro-free market group within the Yushchenko camp (Deputy Prime Minister Anatoliy Kinakh's Party Industrialists and Entrepreneurs) supported the bill. Other pro-Yushchenko factions (the Socialists, People's Party, Yulia Tymoshenko bloc, Ukrainian People's Party) largely voted in favor. Ironically, the majority of the left and right populists (all 26 Socialists and 18 of 25 Tymoshenko deputies), whom Western critics have accused of being against free market policies, voted in favor.

On this occasion, at least, the mishandled vote does not reflect divisions between populists and free-market reformers in Yushchenko's camp, but rather weak executive control over important policy issues to be raised and voted on in parliament, where pro-Yushchenko forces have a majority. But, since Yushchenko's inauguration on January 23 he has been unable -- or unwilling -- to exercise his authority as president.

Consequently, a new poll by the Razumkov Center found Tymoshenko more popular (61%) than Yushchenko (60%) (Ukrayinska pravda, June 9). Yushchenko's reticence to use his extensive array of executive power is all the more surprising because the constitutional reforms agreed in December 2004 -- but likely to go into effect only after the March 2006 election -- will reduce the power of the president.

The failed copyright vote is also linked to the confusion that continues to exist over the division of powers between different institutions that deal with Euro-Atlantic integration. These include Petro Poroshenko's National Security and Defense Council, Borys Tarasyuk's Foreign Ministry, Oleh Rybachuk's position as deputy prime minister for European integration, and the presidential secretariat. Yushchenko apparently has not designated which institution should take the lead on WTO matters.

Another blockage lies with the failure to replace Kuchma-era personnel at key Western embassies in Brussels, London, and Washington. Their continued presence sends the wrong signal about whether Ukraine has really increased its commitment to Euro-Atlantic integration compared to the empty rhetoric of the Kuchma era.

Senior Washington-based U.S. officials are dismayed at the failure of Ukraine's parliament to vote for the necessary changes. They point to four additional complicating factors:

First, the U.S. Office of the Special Trade Representative declared two months ago that U.S. economic sanctions against Ukraine would remain in place until Ukraine improves its policies on copyright infringement and CD piracy.

Second, as a WTO member, the United States will insist on a separate bilateral agreement. Ukraine has signed bilateral agreements with 31 of the WTO's 148 members, while another 17 WTO members seek such agreements. But Washington refuses to sign such an agreement until Ukraine addresses CD piracy and other copyright issues.

Third, the Soviet-era Jackson-Vanik restrictions, which Yushchenko mentioned during his Washington visit, are unlikely to be removed this year. The Senate Finance Committee, one of two committees that would have to discuss this issue before a vote to lift the restrictions, does not have this issue included on its agenda this year.

Fourth, Kyiv has sent several negative signals to foreign investors, international organizations, and governments with its contradictory or anti-free market government policies. These include price controls, the fuel crisis, the sudden removal of 24 free-economic zones, an inflationary social budget, and the well-known disputes over re-privatization.

Yushchenko's third goal looks more realistic. Deputy Prime Minister Rybachuk remains confident that the EU will grant Ukraine free-market economy status in the fall (Ukrayinska pravda, June 14). Russia was granted this status in 2002. Market-economy status requires parliament to adopt legislation on VAT and bankruptcy and to alter its pricing policies.

Although two months have passed since Yushchenko's highly successful visit to the United States, there has been little progress in three important areas that both sides then outlined as strategically important.