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Newsletter for the international community providing views and analysis from the Yulia Tymoshenko Bloc (BYuT)

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## Storm from the east

Despite a rash of economic data indicating a 7% growth in Ukraine's economy, the mood of the populace remains downbeat as dissatisfaction grows with the administration of Prime Minister Viktor Yanukovich. Surprisingly, some of the loudest dissent to government policy heralds from the Donbass region – the political heartland of Mr Yanukovich's Party of Regions.

Yet last week, the prime minister, during a visit to Hungary, trumpeted Ukraine's economic regeneration, "I am telling you that they dream that someday the economy of Hungary will grow the same as Ukraine's."

Some thought Mr Yanukovich took his comments too far when he poured cold water on EU growth rates. "We are not satisfied with the European GDP growth of 3%. We should have not less than 7-8%. Then we will gradually catch up with living standards, increase social standards and strive for the world level," said the premier.

"This is taking grandstanding to a new level," said Oleksandr Turchynov, deputy leader of BYuT, "the reality is he inherited a growing economy and has pursued policies that have benefited an elite few while causing widespread hardship."

Last week there were reports of tens of thousands of people being left in the cold in the Lugansk towns of Sverdlovsk, Krasnodon, Byelovodsk and Lutugino, as heating was cut off because of unpaid communal tariffs.

Elsewhere workers have complained that wages are not being paid and sit-in protests are taking place in several Lugansk mines over non-payment of bonuses.

Despite GDP increasing to 7.1% in 2006, the State Statistics Committee said that inflation in 2006 had risen to 11.6% compared with 10.3% in 2005.

Steel products make up more than 40% of Ukrainian exports and remain the country's principal source of hard currency. "The recent growth has been driven by higher global prices for metallurgy and metal working," said Jonathan Schiffer, author of Moody's 2006 report on Ukraine.

Notwithstanding the surge in heavy industrial output, there is a marked lack of a "feel-good factor" in the east of the country. The Donbass newspaper indicated that as few as 2% of Ukrainians consider the domestic economic situation as "good."



▲ On 6 March, BYuT and Our Ukraine signed an agreement that enables the two factions to unite opposition activities at a local level. This latest agreement follows the mutual accord recently signed by the two parties at a national and parliamentary level. Pictured above is Yulia Tymoshenko, leader of her eponymous bloc and Viktor Baloha, the head of Our Ukraine. "We have gathered and this is the first announcement of our strength and readiness to struggle," said Ms Tymoshenko before signing the documents.



"While many governments suffer from mid-term blues, they seem to have come early for Yanukovich," said Mr Turchynov.

Popular support for the government has evaporated in recent months, and is attributed mostly to sharp increases in gas and electricity. Another contributing factor is the growing inequality between the "haves" and "have-nots" and nowhere is this more visible than in the industrialised regions of the east. The dilapidated state of infrastructure contrasts sharply to increased industrial output. Ironically, much of the increased steel production is destined for infrastructure projects in Asia.

The sense of injustice is magnified further by endemic corruption. A fact picked up by the US State Department, which last week lambasted Ukraine saying that corruption has spread over all branches of power. Bribery within judicial system, police and even in high schools was singled out for condemnation.

The dissatisfaction of citizens in eastern Ukraine is expected to benefit the opposition, particularly BYuT. The party hopes to build on its success during the 2006 parliamentary election when it won in the historically eastern-leaning Kirovohrad Oblast with 33% of the vote and came a strong second in the region of Dnipropetrovsk with over 15% of the vote. Strong second places were also secured in the eastern regions of Zaporizhia and Kharkiv.

It is not inconceivable that the east will be the battleground where the future of Ukraine will be decided. In a thought provoking blog on the website Foreign Notes, the author LEvko opined, "The huge human and economic potential of the industrialised east of Ukraine has always played a foremost role in the political set-up of the country. It was from here Kuchma came to replace Kravchuk. And it was from here that Yanukovich came to push out Yushchenko. It is possible that it is from here the future victory of Tymoshenko will be prepared."

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## **NATO issue demands proper public consultation**

NATO membership remains a tough concept to sell to many Ukrainians, particularly in the east and south of the country where Russia's influence and cultural ties remain strong. For those generations brought up to regard NATO as the enemy, President Yushchenko's aspiration to become a fully fledged member of the 26-member organisation is an alien concept and bitter pill to swallow.

Yet the heart of the issue is not the resurrection of Cold War ghosts but the need to educate and inform Ukrainian people so that they understand better the new peacekeeping role of NATO and the benefits of membership.

The need for dialogue is apparent. This Wednesday, a group of American experts, led by Lieutenant General Henry Obering, director of the United States Missile Defence Agency will arrive in Ukraine. His mission is to discuss military and technical aspects of the proposed siting of a US missile shield comprising a base in Poland with 10 missiles and a radar guidance station in the Czech Republic. The missile system is designed as a defensive measure against Middle East countries such as Iran.



The recent proposals for the defensive shield has ruffled feathers in the Kremlin and come at a time when the relationship between Moscow and Washington has noticeably deteriorated. Not one to miss an opportunity, Prime Minister Viktor Yanukovich sprung to the defence of Russia saying that siting the missile system in Eastern Europe could be harmful to relations with Warsaw.

The mission led by Lieutenant General Obering will no doubt have a strong public relations remit, more befitting a diplomatic charm offensive than technical consultations.

**“...it is imperative that the full facts are put before the people. The process needs to be planned out and not conducted in a cynical half-hearted way because ultimately the people will have to decide.”**

Defence Minister Anatoliy Hrytsenko, perhaps highlighted the nub of the issue when he said, “We will inform the President and the government of the results of the expert judgment. Most probably, the lack of information has generated unprofessional and sometimes speculative comments.”

Will a similar dearth of public information impede Ukraine from eventually joining NATO? After all, President Yushchenko has committed the country to a public information campaign and referendum on the issue of NATO accession.

Mr Yanukovich clearly sees such a referendum as a wasted exercise. Last week he said, “The opinion polls show just 15-20% of Ukrainians support NATO membership. So what is the sense of the referendum? Nobody is going to hold it as Ukraine does not plan to join NATO right now.”

Despite this, the government has indicated that it will commit UAH 5 million in 2007 to a public information campaign so that the people are better informed about NATO's new role.

Critics of Mr Yanukovich believe he has written off NATO membership and that officials will only pay scant lip-service to a public information campaign.

During her recent visit to the United States, opposition leader Yulia Tymoshenko highlighted the issue and talked about “a major campaign to discredit everything associated with NATO in Ukraine.”

Last week the US House of Representatives voted to endorse further enlargement of the NATO alliance, backing a resolution for the “timely admission” to the alliance of Albania, Croatia, Macedonia, Georgia and Ukraine. The Senate Foreign Relations Committee also passed identical legislation. Senator-Republicans Richard Lugar, John McCain, Senator-Democrat Christopher Dodd and others were co-authors of the bill.

Ms Tymoshenko's top foreign affairs advisor, Hryhoriy Nemyria, said, “We are fully aligned with the principles of Euro-Atlantic integration and aspire to NATO, however it is imperative that the full facts are put before the people. The process needs to be planned out and not conducted in a cynical half-hearted way because ultimately the people will have to decide.”

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