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Time for Yushchenko to Step Up
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Last week, Ukraine’s parliament (Verkhovna Rada) rejected a number of measures that would have brought the country’s trade regulations in line with international norms and that would have moved the country closer to meeting the requirements for World Trade Organization (WTO) entry. The bills included two “make or break” issues: the United States is demanding that Ukraine tighten copyright and piracy laws before it will consent to its WTO entry, and Australia has stated that without the adjustment of domestic Sugar quotas, it will not support Ukraine’s request to enter the trade organization. Parliament refused to undertake either of these reforms. (1) Although negotiations with the government over re-votes continue, the rejections make it extremely difficult for Ukraine to complete its preparations for WTO entry this year.

This parliamentary action invites questions not only about Ukraine’s future economic policy, but also about the ability of Ukrainian President Viktor Yushchenko to fulfill his promises to investors, foreign governments and international organizations. These votes disturbingly call into question Yushchenko’s ability to influence members of his own political party, as well as members of allied parties. On more than one occasion, had all members of Yushchenko’s own party voted in support of a WTO-related bill, it would have passed. But they did not.

A May 31 vote to tighten copyright and piracy laws – a vote necessary to win US support for Ukraine’s WTO bid, and a bill strongly supported by Yushchenko – came up 17 votes short of the needed 226 majority. During this vote, 27 of Yushchenko’s party members did not vote, were not present, or were opposed to
the measure. Following the vote, MPs complained that they had not been informed of the vote nor received any instructions.

Recent WTO-related votes displayed a similar pattern. In a particularly egregious example, the 23 June re-vote of the piracy bill fell just 11 votes short of passage, while exactly 11 members of Our Ukraine did not vote in favor.

Of the 89 members of Our Ukraine, 21 chose not to support a vote on standardization of technical trade regulations. That vote failed by 23 votes. Two members of the Yulia Tymoshenko Bloc, who were working outside of the building, reportedly were prepared, in case the vote would be close, to return for voting should it be necessary. Based on the 21 Our Ukraine defections, it was not. Every other Tymoshenko Bloc member (35 out of 37) however, voted in favor.

In addition, members of two parties identified by Yushchenko as allies generally have not supported the initiatives. Parliamentary Speaker Volodymyr Lytvyn’s People’s Party, which Yushchenko invited to join his electoral bloc for the upcoming parliamentary election, has been fractured on the WTO votes. Only 4 out of 40 deputies in the party supported the initiative to alter Sugar quotas, while only between half and three-quarters of its members have supported other measures.

More questionable has been the response of the Party of Industrialists and Entrepreneurs, headed by First Deputy Prime Minister Anatoly Kinakh. Kinakh is both a Yushchenko ally and a Tymoshenko foe, who at times has criticized the prime minister aggressively. Still, he was tasked by Yushchenko and Tymoshenko to work as an intermediary between the government and the parliament, and to represent the government in its relations with business organizations.
On Saturday, Kinakh said, “If such countries as Russia and Kazakhstan pass ahead of us, we will face difficulties with entering the WTO, as these countries will view us as a powerful rival. That is why we should speed up this process.”

(2) However, just two days earlier, only four out of 15 of Kinakh’s party supported the vote on anti-piracy legislation. Even more, on the same day, not one member of Kinakh’s party voted in favor of standardizing technical trade regulations with WTO norms. The votes suggest either that Kinakh is unable even marginally to influence his own party, or that he is working against the government to which he was appointed by Yushchenko.

Yushchenko has stated for months that without passage of 26 WTO-related bills, Ukraine will miss the late-July deadline for WTO entry in 2005, and will not move forward on its obligations under the EU-Ukraine Action Plan. These initiatives, he said, are in the “basic strategic interests of Ukraine,” where “we see our future in integration with Europe.” (3) Yushchenko also repeatedly has promised international investors that WTO-related reforms will be enacted in order to improve the country’s difficult investment climate.

Nevertheless, the president has been unable to translate rhetoric into reality, and surprisingly has had little tangible impact on the process. One of the primary reasons for this may be the president’s decision to remain detached from the day-to-day governing of the country.

In particular, Yushchenko has shown a perplexing aversion to becoming involved in the parliamentary process, leaving this duty almost solely to his parliamentary allies and his Prime Minister, Yulia Tymoshenko. “While the President has spent much of his time abroad appeasing investors with liberal free-market talk,” Roman Olearchyk wrote, “the dirty work has been left to Tymoshenko.” (4) This tactic is surprising, since the Ukrainian president is customarily the leader to whom MPs and others look for guidance and input.
The largely negative response to WTO-related measures from Parliamentary Speaker Lytvyn’s People’s Party can be explained partly by Lytvyn’s obvious irritation at what he views as Yushchenko’s lack of attention. “Practically no letters sent from parliament to the presidential administration are getting through to President Yushchenko,” he said. “At best, they are answered by a deputy [state secretary]. I have come to a conclusion that he does not answer them. At least in [former President] Leonid Kuchma’s administration, they put his signature for him. Now, they can't even be bothered to put a signature.” (5)

The president’s decision to leave the legislative fulfillment of one of his cornerstone campaign initiatives to Tymoshenko is also surprising, given the antipathy toward her from some of Our Ukraine’s most senior members in parliament and the power checks the president has placed upon her.

It is no secret that many Our Ukraine members opposed Tymoshenko’s appointment as prime minister, which she earned by virtue of her co-leadership during the Orange Revolution. They also grouse privately at Tymoshenko’s refusal to merge her own expanding political party, Motherland, with Our Ukraine (to be called People’s Union Our Ukraine during the upcoming parliamentary elections). Her ability to retain her position after next March’s parliamentary elections is unknown.

Even more, although Yushchenko essentially has left the WTO legislative work to Tymoshenko, the president’s relationship with Our Ukraine party founder and rumored revolution financier Petro Poroshenko serves to undermine her influence in the parliament.

Poroshenko was the man reportedly chosen by Our Ukraine to be prime minister. Instead, Yushchenko named Poroshenko as the secretary of the National Security and Defense Council, which the president then imbued with significant additional responsibilities – many duplicating the prime minister’s.
Yushchenko gave Poroshenko the right to vote at cabinet meetings and also appointed his own presidential representative to the cabinet. He gave Poroshenko a hand in everything from privatization policy to budget formulation. At the same time, Yushchenko turned a blind eye to Poroshenko’s maintenance of his parliamentary mandate, which violates the constitution of the country. By remaining in parliament and voting regularly, Poroshenko remains de facto one of the primary leaders of Our Ukraine.

Poroshenko’s position implies that although Yushchenko felt duty-bound to name his revolution partner to be prime minister, Tymoshenko does not have his total support. This fact, in addition to animosity from some members of Our Ukraine, and the prime minister’s precarious employment status in the next year, undermine Tymoshenko’s ability to influence certain MPs (particularly those within Our Ukraine). Yushchenko’s assistance, therefore, is necessary on difficult legislation. But for some reason, the president has been either disinclined or unable to provide active assistance on WTO-related bills.

In a recent interview, James Sherr, a Fellow of the Conflict Studies Research Centre at the United Kingdom Defence Academy, said, “Some speculate that he [Yushchenko] is deliberately staying aloof so that she [Tymoshenko] can fail – so that she, rather than he, will be blamed. I hope these speculations are wrong…”

(6) Regardless, while Yulia Tymoshenko is one of the most energetic and capable prime ministers the country has seen, there are certainly enough problems facing the country to provide work for both the head of state and the head of government.

The negative economic effect of the rejection of these WTO-related bills could be large; the majority of Ukraine’s traditional trading partners are now within not only the WTO, but also the European Union free trade zone. In contrast, rejection would mean that Ukraine would continue to be subject to export quotas and anti-dumping investigations.
Ukrainian Economics Minister Serhiy Teryokhin recently estimated the benefit of WTO entry to Ukraine’s economy at $1.5 billion per year. (7) As the Ukrainian economy cools under the weight of high energy and low steel prices, that money will become even more necessary.

To be sure, Viktor Yushchenko is an impressive, inspirational man. He is a man who has provided his country with a vision of a better future and the possibility to reach it. His government has responded, albeit in fits and starts, with good progress in a number of difficult areas. These include tackling the illicit smuggling trade, tax evasion, government corruption, and the shadow economy. The challenges are huge – and much larger than originally thought. In order to continue moving forward, President Yushchenko must understand that it is time to do the work necessary to make his vision a reality.

Source Notes:

(1) WTO-related bills include:

For specific vote information on these and other Verkhovna Rada bills, see www.rada.gov.ua.

(2) UNIAN News Agency, 25 Jun 05.

(3) Ukrayinska Pravda, 23 May 05, and Agence France Presse, 5:26 PM GMT, 7 Jun 05.


(5) One Plus One TV, 4 Jun 05; BBC Monitoring via Lexis-Nexis.

(6) Den (The Day) Weekly Digest #20 in English, 14 Jun 05. See www.day.kiev.ua/138816 for the entire interview, in which Sherr has sobering criticism for both Yushchenko and Tymoshenko.

(7) UNIAN News Agency, 22 Jun 05 via The Action Ukraine Report (contact ArtUkraine.com@starpower.net or morganw@patriot.net for subscription information).

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