
Ukraine: Challenges of the Continuing Transition

August 1999

[Strategic Estimates Program](#)

The views expressed are those of individuals and do not represent official US intelligence or policy positions. The NIC routinely sponsors such unclassified conferences with outside experts to gain knowledge and insight to sharpen the level of debate on critical issues.

Contents

[Conference Highlights](#)

[Section One: The Political System](#)

[Section Two: The Economy](#)

[Section Three: Ukraine and the International System](#)

[Section Four: Society and Ukraine's Future](#)

Appendixes

[A. Conference Agenda](#)

[B. Speaker Biographies](#)

Ukraine: Challenges of the Continuing Transition

[Conference Highlights](#)

On 30 June 1999 the National Intelligence Council and the State Department Bureau of Intelligence and Research sponsored a conference that examined the continuing challenges to Ukraine in its political and economic transition from being a component of a centrally planned, totalitarian state. The conference consisted of 14 presentations from experts outside the government, interspersed with general discussion between the experts and government participants. The agenda focused on four topics: the evolution of Ukraine's political system, the status of its economy and reforms, Ukraine's role in the international system, and Ukrainian societal dynamics.

Conference participants did not endeavor to produce a coordinated summary of findings. However, during the presentations and discussions, there emerged a number of points of both agreement and disagreement that seem particularly salient in evaluating Ukraine's current condition. These highlights summarize the areas of agreement and disagreement as well as particularly noteworthy points but, except as noted, should not be considered as representing the views of the conference as a whole.

Most observers held generally gloomy views on Ukraine, with the big question for its future being whether the situation was likely to get worse after the elections or remain stagnant for the next few years.

A relatively bright spot was Ukraine's consolidation of itself as a state. One scholar suggested this included six principles: acceptance of Russian as an unofficial language but simultaneous gradual Ukrainization; a unitary rather than federal state; support for territorial integrity and for the creation of a national legend about Ukraine's historical antecedents; and the slow expulsion of Moscow-based media as the main source of electronic information. Participants noted that separatism is no longer a serious challenge for Ukraine, except perhaps in the far eastern region of Donetsk, and some argued that even the previously most serious case, Crimea, has diminished in salience.

The main source of gloom were the characteristics of the state that is being consolidated:

- The economy is an unreformed "basket case" with little progress toward the creation of the institutions needed for an efficient market economy. Bureaucrats are stifling entrepreneurial activity through overregulation; consequently, business is protecting itself through corruption or going underground.
- The self-protective and insulated elite is the linear descendant of the old nomenklatura and cares only about its own power and enrichment.
- Society is ignored except at election time, when candidates vie with promises of generosity rather than talk about creating conditions under which society could prosper independently.
- Independent sources of information and action are still in a developmental phase. The press is pluralistic but not wholly free. Nongovernmental organizations--necessary but not sufficient building blocks for developing a civil society--have become more plentiful but not necessarily more influential.

There were differences of view about the prospects of this state transforming itself for the better:

- One scholar argued that the existing patrimonial system, as he described it, was likely to become more effective in running the state and in the process, begin to serve society and create rules that would bring an economic upturn.
- Other participants rather expected the self-preservation of the current corrupt system at least until a new generation came to power. However, one scholar warned that the new generation was adopting the ways of the old in order to rise to the top.
- One ray of hope was the openness of the debate in Ukraine about its present and future, of which this conference, which included Ukrainian participants and Western scholars, was but one example.

The most marked disagreements came over the likely consequences of this fall's presidential election:

- Some participants worried that the election of any presidential candidate other than Kuchma would set Ukraine on even less attractive and perhaps more dangerous paths, for instance, seeking to recreate a union with Russia and Belarus, which would also encourage like-minded Moscow politicians in the runup to Russia's own December Duma election as well. One speaker characterized the coming elections not as a struggle between present and future but as a struggle between present and past.
- Most participants in this discussion, however, argued that the corporatist rules of the current elite and other constraints (for instance, Ukraine's financial dependence on the West) would prevent any president from making significant changes.
- All participants agreed that the attractions of power in Ukraine are such that the upcoming elections may not be waged in a fully fair fashion.

On foreign policy matters, most discussants viewed Ukraine as still oriented toward the West despite unhappiness over NATO's war in Yugoslavia and the European Union's longstanding aloofness toward Kiev. Some saw the Kosovo crisis as strengthening Ukraine's stance of neutrality.

Looking at what the West can do to help Ukraine, some argued that, while financial aid is important, educational assistance aimed at creating a political consciousness among the Ukrainian population is even more so. They urged patience and avoidance of overly high ambitions for the pace at which changes can be expected.

- Participants worried, however, about how long the West would maintain even the current level of assistance to and interest in Ukraine, given that the most likely domestic prospect was for more of the unsavory present.

Section One

The Political System

Andrew Wilson, School of Slavonic and East European Studies, London *"National Identity in Ukraine"*

Competing Models of Ukrainian National Identity

Several models of Ukrainian national identity exist alongside one another today.

- The *national-ethnocultural model*, backed by Rukh since its foundation in 1989, includes a broad cluster of components:
 - The privileged rights of "indigenous" peoples over those of "national minorities."
 - A repudiation of the east Slavic common origin myth.
 - A view that Ukraine had a "thousand-year tradition of state-building," with short interruptions.
 - A negative attitude toward the Soviet era; a vision of Ukraine as a post-colonial society, with "Ukrainization" the reversal of historical injustice.
 - Occidentalism, or the belief that Ukraine is historically a natural part of Western civilization; the Ukrainians as the natural titular majority (73 percent).
 - With a belief in the natural coincidence of ethnicity and language; Russophone Ukrainians as an inherent part of that majority, once they have been renationalized; and Russians (22 percent of the population), to be given the rights of a "national minority," but nothing more, as they have a homeland elsewhere.

Most elements of this model were supported at one time or the other by the (often opaque or contradictory) policies of the Kravchuk presidency, but also found their way into the 1996 constitution.

- Another model is the *language group model*. A main dividing marker in the 1994 presidential elections was language, the factor most politicized by the ethnocultural model of Ukrainian identity. According to this model, Kravchuk lost because language divides Ukrainians among themselves, and so many Ukrainians were preferentially Russophone (just over 40 percent of the general population were then preferentially Ukrainophone). Reliable polls indicate that 70 percent of Ukrainophones supported Kravchuk, and 72 percent of Russophones backed Kuchma.
- A third model is that of the "Other Ukraine," *the dual identity model*. Russophone Ukrainians sealed Kravchuk's fate in 1994 by voting with ethnic Russians for Kuchma. Clearly, there is an "Other Ukraine," a very large group of Ukrainians who do not believe in some or all of the conceptual foundations of the ethnocultural model of Ukrainian identity. This dual identity model is defined partly by language, partly by the idea of dual ethnicity. It is also centered around a different set of assumptions, including the persistence of myths of common east Slavic origin and subsequent voluntary interaction; the myth of the voluntary adoption of Russian as a lingua franca; and the idea of bluffed boundaries (as one activist put it, "In terms of national-cultural identification we

belong to a single Russian-Ukrainian cultural space" and should not be forced to choose between a mono- and a poly-cultural identity); residual support for the key Soviet myths of "socialist achievement" and the "friendship of the peoples"; and uneasiness with the depiction of the USSR as a Russian/Soviet empire in which the Russian people colonized or conquered Ukraine.

The presence, even predominance, of the Russian language is not just a "post-colonial" hangover, and there is resistance to crude Ukrainization pressures.

What then are the alternatives to the "ethnocultural" model for the "Other Ukraine?"

- One is a *Eurasian identity*. Kuchma's controversial 1994 inauguration speech stated that "Ukraine is historically part of the (same) Eurasian economic and cultural space" as Russia and Belarus. The strong negative reaction to his speech from Ukrainophones forced Kuchma to place the issue on the backburner, but it has been reformulated in recent years in terms that reflect the popular Pan (east)-Slavism of Aleksandr Solzhenitsyn. The theme has also been taken up strongly by the chairman of parliament, Oleksandr Tkachenko. (There were, in other words, already premonitions of the line Ukraine would take in the Kosovo crisis.) The dangers inherent in this model are its obvious foreign policy implications and its head-on confrontation with Ukrainian nationalist "Occidentalism."
- Since his 1994 inauguration speech Kuchma has, therefore, taken a more subtle line, which can be called a *synthetic model*. In several speeches he has called for a combination of the "best of both" the ethnocultural and Soviet Ukrainian traditions, on a selective basis venerating myths from pre-Soviet Ukraine and Russia and the Soviet Union all at the same time. Kuchma says different things to different audiences--to Russia, to the West, and at home. In many ways, this is perfectly sensible, but the West needs to be aware that the dialogue it has with Ukraine is context-specific.
- Politically, Kuchma is often described as adopting a "civic" approach, based on the idea of "a Ukrainian political nation." There are, however, many different formulations of this idea, including the "core nation model" embodied in the 1996 constitution; a more "dualistic model," as endorsed by Communist Party leader Petr Symonenko: Russians and Ukrainians as two branches of the one people of Ukraine; a "consociational model": the formation of a Ukrainian political nation on the basis of the national "blooming" of the Ukrainian people, as well as of all remaining ethnic groups; a "transcendent model," in which ethnicity no longer defines identity; and a model combining the Rukh and transcendent models, which refers to the constitution as being enacted in the name of "the Ukrainian people--citizens of Ukraine of all nationalities."

Conclusions

The existence of the "Other Ukraine" is what makes polarization of Ukrainian society difficult, as does its amorphousness. The historical divides between "original Soviet" (1921) and western Ukraine, between ethnic and linguistic groups, between the confessions, between regions, and along supposed "civilizational" faultlines are all different. It ought perhaps to be borne in mind that, whereas many Ukrainian critics deride the idea of the "Other Ukraine" as having no cultural solidity, it is precisely this lack of solidity that preserves the social peace. If Ukrainian and/or Russian national identities solidify over the medium term, then counter-reactions and mobilizations would in fact be more likely.

External stimuli are more likely to prompt a consolidation of Ukrainian identity. The most obvious of these is the simple fact of Ukrainian statehood. The most powerful would be potential conflict with, or perceived divergence from, Russia. The former scenario is unhealthy; the latter has possibilities. Many Ukrainians began to perceive a difference in political culture with the onset of the Chechen war. Different alignments with third parties are also likely to produce long-term effects, potentially reshaping some of the mythological boundaries outlined above. Unfortunately, one of these has been the Kosovo war, which has strengthened the appeal of Pan-Slavic mythology.

Different Models of Ukrainian Society

	Percent
The 1989 Soviet Census	

Ethnic Ukrainians	73
Ethnic Russians	22
Other	5
Language Groups	
Ukrainophone Ukrainians	41
Russophone Ukrainians	32
Russophone Russians	21
Other	5
Dual Identity	
Ukrainians	57
Ukraine-Russians	27
Russians	11
Other	5

Victor Pasisnichenko, Kharkiv Pedagogical University *"Civil Society and Post-Communist Realities: Some Lessons of a 'Rosy' Period"*

Our approaching the subject of civil society at the end of the 1990s means some radical changes in the way in which it was approached at the end of the 1980s when civil society had captured the imagination of democratic scholars, politicians, observers, and activists more than other concepts. These disputes about its appropriate role in the postcommunist countries were encouraged by contradictory far-reaching social changes that often were referred to in terms of "civil society revival." In addition, civil society has become a leitmotif of the Western aid programs that distribute considerable resources to the region.

Main Features of the Current Stage of Civil Society

The gap in the theoretical development of civil society as well as a particular historical situation--the unexpected failure of communism--led to two significant consequences. On the one hand, the notion of civil society was mainly used as a slogan that had little to do with the previous grand theoretical debates. It was both an attractive explanation of the fall of communism in terms of the civil society revival and a basis for hope concerning its future role in democracy building. The revolutionary enthusiasm about civil society (as a slogan) was also attractive for the West, which was looking for the best way to encourage the transformation process and to support the relevant eastern actors (NGOs) in the late 1980s. This way of thinking about civil society was distinct from the previous complex history of evolution of the civil society concept. It is mainly the liberal version of civil society distinct from the state that has been found theoretically fruitful and has been wrongly presented as the only valid one both by the theorists of the "democratic opposition" in the East and by radical left intellectuals in the West. In a much less excusable and equally misguided way, Western scholars produced a more narrow and simplified model of civil society. This "nongovernmental civil society" is reduced to the public sphere, independent social movements, and voluntary associations or NGOs as genuine democratic actors unspoiled by the attraction of power, money, and conflicts. This model is based mainly on an institutional approach to civil society, locating its institutions somewhere between the individual and the state. Due to the sharp distinctions (civil society/state, civil society/political society, civil society/market, public sphere/individual), these institutions are considered as opposed to the institutions of state, market, and political spheres.

As a result, the definition of civil society has developed a negative nature both in its slogan and theoretical forms: it is more about what it is not than what it is. Except for the distinction between civil society and the state, there does not seem to be a good deal of agreement on what constitutes civil society.

General Lessons From the Current Stage of Civil Society

It is above all postcommunist (and post-Soviet) realities that revealed the weakness and limitations of this model of civil society, both in terms of the attractive slogan and the narrow vision of the nongovernmental sphere. In its negative force, this civil society has not survived its own victory because it failed when its main enemy failed--the totalitarian state--and it was unable to establish constructive "border relationships" with other spheres of society. The implications of these crises are important also for the Western liberal democracies, where a similar narrow understanding of civil society in terms of "a separate sphere composed of voluntary groups that act as a buffer against government" is still popular.

A crucial lesson of the bankruptcy of the narrow and negative notion of civil society distinguishable from the state encourages a search for a broad vision of civil society. This approach seeks systemic links among the different spheres of civil society in its broadest sense, links that strengthen the "boundary relations" between state, political society, market, and nongovernmental organizations (independent or third sector). It adds to the institutional dimension of civil society such factors as the role of actors and their relationships in terms of the construction of cultural-identities and codes as a precondition for the existence of genuine civil (civilized) society. It is through this broad concept that one can approach the sphere of civil society in a narrow and more traditional sense as a realm of nongovernmental organizations (NGOs) and voluntary associations.

Some Lessons for the Post-Soviet Countries

- Being aware now that NGOs (the third sector) have to be considered in the intersection with other spheres of society and that all of these spheres are grounded in a minimal environment of cultural democratic values, we have to hesitate in applying the term civil society to the post-Soviet societies. After all, such societies are lacking the relevant state, politics, and market, as well as their proper relationships with the newly emerging third sector. It means that civil society in the post-Soviet countries could develop from scratch rather than through revival or restoration of the previous civic-like organizations. We should be prepared for it to be a long and complicated process in which the appearance of the third sector could play a considerable role but should not be wrongly equated with the development of real civil society.
- The concept of an "antipolitical" character of civil society means that, in the absence of an appropriately formulated politics and political culture, civil society simply will not exist. The excessive involvement of some Ukrainian NGOs in politics could be explained by the fact that political parties are still in formation and there is ongoing fighting for power in the country as well.
- A new lesson--that a weak state, such as that which exists in Ukraine, is a barrier to civil society--must be added to the traditional lesson of liberal democracy about the strong and totalitarian state as an obstacle to civil society.
- Another addition to the same old liberal lesson is that civil organizations could not only be misused but also behave in an uncivil way. Their development does not automatically lead to democratic alternatives.

The Third Sector in Ukraine

Although it is pessimistic in terms of civil society building, this proposed approach to analysis of Ukrainian society still confirms as a new positive factor the emergence and growth of numerous public organizations (NGOs). At the same time, these organizations signify the beginning of development of civil society in Ukraine. However, the contradictory processes in this sphere give no grounds to speak about them as a force that has visible social impact, represents the interests of the broad public, or is free of internal conflicts.

- On the one hand, there is a considerable growth in the number of NGOs (1991: 319; 1992: 356; 1993: 3257; 1996: 12,416, early 1998: 17,781. City NGOs: 39 percent, regional: 33 percent, national and international: 8 percent). They are experiencing slower growth in industrial cities, such as

Zaporizhzhya.

- On the other hand, due to various reasons, primarily the economic crisis, the level of participation in these organizations is rapidly falling (1991: 30 percent; in 1996: 13 percent).

The growth of Ukrainian NGOs in itself is not a proof of civil society strengthening. An urgent problem of the sector--to map the size and quality of the NGOs--is too difficult to solve.

As they gain rich experience, these advanced organizations move to more professional work. They could play a crucial role in the development of the third sector as an important part of future Ukrainian civil society. However, this is only possible if the dangerous tendency of self-isolation and internal prospering among these NGOs could be overcome. The strong dependence of Ukrainian NGOs on foreign resources is visible by the fact that the majority of the organizations exist in big cities, while in rural areas they are weak or absent.

With a lack of internal resources, there is a fight for limited foreign funds, which creates an atmosphere of competition between NGOs. It prevents their communication and their vision of themselves within a broader picture of the third sector. Meanwhile, the regions that have more access to external resources manifest "patron-client" and "clan" types of relationships. Some organizations are used for personal gain due to a strong leadership and lack of democratic traditions. There are also many examples of using NGOs to evade taxes or to run a business. Finally, the status of the public organizations is used by some politicians as a way to pursue various goals of mainly political character, in particular proposing a candidate for election or gathering votes for the candidates.

These uses and abuses of NGOs in Ukraine confirm the thesis that civil society is a complicated process and phenomena and that the consequences of its development are not a matter of some independent sphere of society. They greatly depend upon civilized individuals as active citizens in their everyday practice. It is unclear whether a broad vision of civil society is acceptable for many intellectuals and practitioners today. Yet what is really challenged is a sharp distinction between civil society, the state, and other spheres of society. There is a need to relativize the vision of civil society as an independent sphere at least to an understanding of its relative autonomy.

Victor Zablotsky, Independent Journalist, Kiev, and Kennan Institute *"Center-Regional Relations on the Eve of the Presidential Elections: 'Dances With Wolves'"*

According to research done by Ukrainian experts, a lasting discussion of the interpretation and role of political institutions in Ukraine has proven the total ineffectiveness of legal or institutional approaches. It is not a surprise that on the eve of future presidential elections, Ukrainian elites still face the issue of jurisdictional division of decisionmaking authority between central and regional governments.

In contrast to the first years of independence, the constitutional debate now between the center and the regions over the appropriate division of authority is being complicated neither by strained relations with Russia nor by growth of official nationalism. Currently in Ukraine, there are growing trends of the strengthening of regional elites (clans) and the weakening of central power due to ineffective economic policy of Kuchma's administration, as well as by the preferences of both sides to solve problems by informal means. As in Albania, Russia, and Yugoslavia, in Ukraine center-regional relations are built mainly on personal affiliations, bribes, and murder. As a result, money and personal links have been more important in Ukrainian politics than ideology. For example, during the presidential elections in 1994, current president Leonid Kuchma was associated with liberal economic reforms as well as favoring close ties to Russia. But, while the Communist Party of Luhans'k supported Kuchma, the probusiness Liberal Party of Ukraine in Donetsk supported Kravchuk because LPU considered Kuchma as a representative of the Dnipropetrovs'k clan.

Since the first days of independence, Ukrainian elites have lived for short-term interests. While the concerns of the center deal mainly with retaining political dominance over the regions, regional elites concentrate primarily on instrumental interests such as increasing personal wealth and fiscal autonomy. In Ukraine, potential power resources of regions are mainly economic: commodity exports (minerals and metals) and tax revenue.

However, in center-regional relations, local leaders do not play such an important role as they did a few years ago. The earlier Ukrainian shadow political system was analyzed through the prism of clans. Trying to avoid the potential growth of regional separatism, during the Kravchuk presidency the center quite often

pacified regional elites by budget injections, which then were successfully stolen by periphery bosses. It seems that the time when the center was weak and regional leaders seized unlimited control over local economic power resources has passed. Now the situation is different.

First of all, in the current period the transition from a regional clan system to a system of transregional political oligarchy is worth mentioning. Current political events--such as the establishment of the President's Domestic Policy Coordinating Council; the fission and multiplying of political parties; the scandal concerning privatization of regional energy companies, "oblenergos;" the consolidation of Kiev's business groups against Mr. Surkis and SDPU(u); the creation in parliament of two business factions--"Labor Ukraine" and "Revival of Regions")--have proven that the political oligarchs and holding companies have become real and most effective political institutions in Ukraine's modern, but still shadowed, political life.

These hitherto unknown actors first gained publicity last year during the parliamentary elections. Having fought for places in parliament, the main aims of business elites were to legitimize their status, to defend themselves from criminal investigations, to avoid political pressure, and to use the parliament as a stock-exchange for personal business projects. On the eve of the October 1999 presidential elections these goals remain basically unchanged.

Because of the paramount influence of the presidential post in Ukraine, business and regional elites now try to secure their status by simultaneously supporting Leonid Kuchma and searching for a more favorite candidate. Inasmuch as the Ukrainian constitution has created an institutional structure with a strong authoritarian presidency, democratic means of interest representation--such as political parties and the Verkhovna Rada--have provided limited results for regional leaders and political oligarchs. Through parliament and parties, new Ukrainian business groups received a voice within the political system. But they also found that the establishment of informal ties between the representative branch and presidential administration and government is much better for gaining economic capital.

Regional elites still prefer to bargain with the center informally. Despite the fact that Kuchma tends to often shuffle the heads of oblast state administrators, personal loyalty has been a main feature of his subordinates, and the regional leaders have conformed to the president's manner. For the acquisition of legitimacy and independence from Kuchma's mood, heads of oblast state administration do not appeal to the public because their lot is not influenced by voters but by the president administration and a unitarian system of governance. Also, regional bosses are scared to struggle for the gubernatorial system because as representatives of the party of stagnation they will hardly have chances in an open electoral marathon.

The key political oligarchs and many heads of regional state administrations back the current president, hoping that in the nearest future he will be a guarantor of their business and public careers. By supporting Leonid Kuchma in his struggle for a second and final term in office, some oligarchs believe they will get time and resources in order to nominate their own candidate in 2004. On the other hand, some business and regional elites are searching for an agreement with Kuchma's competitor Oleksandr Tkachenko--the speaker of the Verkhovna Rada and, possibly, the only candidate from the leftists.

However, current trends in center-regional relations differ radically from the previous presidential campaign in 1994. Despite the reddening of the Ukrainian electorate, it seems premature to make apocalyptic warnings about Ukraine's regional separatism. The forthcoming presidential elections will be a struggle not between the past and the future but between the present and the past. During the electoral campaign, no candidate will concentrate his agenda on the issue of the Russian threat. The main battles will be held along ideological lines, which now do not coincide with regional borders. It seems that the elections will consolidate the Ukrainian elites around parties and political institutions and will weaken regional clans and transregional holdings of political oligarchs.

Roman Solchanyk, RAND Corporation *"Ukraine's Crimean Problems"*

Regionalism--and the related issues of national identity, state building, and Ukrainian-Russian relations--is a major factor impinging on politics and society in Ukraine and is likely to remain so in the foreseeable future. In this context, Crimea arguably poses the most serious challenge for the Ukrainian leadership.

The conventional wisdom is that Crimean separatism, which was in the forefront of local politics in 1991-95, has its roots in the ethnic composition of the peninsula. Crimea is the only political-administrative subdivision of Ukraine with an ethnic Russian majority (67 percent, according to the 1989 Soviet census; 57.3 percent, according to a recent estimate). Most Crimeans are drawn to Russia, so the argument goes, because most Crimeans are Russians and even more are Russian speakers. Clearly, the fact that ethnic Russians are a majority in Crimea impacts on the political situation. Nonetheless, it would be misleading to focus on

Crimea as a Ukrainian-Russian ethnic problem. Indeed, insofar as ethnicity is concerned, the major problem in the near and medium term in Crimea is the growing dissatisfaction of the Crimean Tatars both with regard to the local administration and the political center in Kiev.

What makes Crimea different from all other regions in Ukraine is that it has an international dimension--that is, Crimea is not only a Kiev-Simferopol' problem, but also a Kiev-Moscow problem. For the most part, political elites in Moscow and the Russian public as a whole feel that the peninsula is historically Russian territory, that it has little or nothing to do with Ukraine, that it should not have been transferred to Ukraine, and that it should revert to Russia. The problem is made more complex by the more specific and convoluted issue of the status of Sevastopol' and the related question of the future of the Black Sea Fleet. Moreover, the prevailing view in Moscow regarding Crimea's status, Sevastopol', and the Black Sea Fleet is shared by most Crimean political elites and the local population. Crimea, therefore, is simultaneously an international and a domestic problem and, in some instances, the external and internal aspects either fully overlap or, at a minimum, share a common frame of reference.

Since 1995, the internal dimension has lost much of its acuteness. It is perhaps ironic that the current Crimean leader, Leonid Hrach, considers himself a potential candidate for the Ukrainian presidency. In Moscow, on the other hand, the Crimean issue continues to remain on the agenda, as witnessed by the debate over ratification of the Ukrainian-Russian bilateral treaty and the statements of Moscow mayor Yuriy Luzhkov, the frontrunner to succeed Yel'tsin.

Vyacheslav Pikhovshek, Ukrainian Center for Independent Political Research, Kiev *"Political Dynamics in Ukraine"*

The current phase of democracy development in Ukraine can be characterized by the existence of a party system that is only in the formative stages of development. The dynamics of growth of political forces can be illustrated by the fact that by the end of 1995, there were 41 political parties registered by the Ministry of Justice of Ukraine, while in October 1996, on the eve of the parliamentary elections and after the new election laws had been passed promulgating the election of half the parliament on the basis of party lists, the number grew to 51. Out of 30 parties and election blocs participating in the elections only nine made it to the parliament.

Ukrainian parliamentary political parties can be classified into three types:

- The first type are classic political parties with a stable electorate and more or less stable regional organizations, that is, the Communist Party and Rukh.
- The second type are descendants of the three "clans" within the former Communist Party of Ukraine, that is, the Communist Party of the USSR era. As we know, there were three competing "clans," as they were called, within the "old" Communist Party of the USSR: the traditionally strong Dnipropetrovs'k clan, the Donetsk'k clan, and the Kharkiv clan. Of course, these party groups, or clans, did not disappear with the collapse of the Soviet Union; instead, they were transformed into regional influence groups and subsequently, with the adoption of the election laws, into parties. An objective observer can quite easily deduce that the former Donetsk'k Communist Party officials, or nomenklatura, reorganized themselves under the Liberal Party of Ukraine (LPU); the Dnipropetrovs'k nomenklatura--under Hromada; while the presence of the former Kharkiv nomenklatura is perceptible in the People's Democratic Party of Ukraine. It is important to note that the new election laws forced all the ex-clan parties to establish organizations reaching beyond the territory of a certain region. Therefore, they were becoming national parties.
- The third type is represented by the so-called business parties formed as a result of the confluence of the interests of businesses and the ambitions of certain politicians. Among these parties are first and foremost the Social Democratic Party of Ukraine (Unified) and the Republican Christian Party. Both businessmen and politicians coexisted side-by-side in the election lists of both parties.

There are a certain number of political parties outside the parliament whose activities are quite vigorously covered in national mass media. The per se division of the parties into traditional, ex-clan, and business parties is after all also quite tentative. For instance, Hromada combines the characteristics of an ex-clan party and a business party.

The future of party organizations in Ukraine is fairly uncertain. On the one hand, it will be a direct consequence of whether these organizations set out to work vigorously to establish regional divisions and to assure their normal operations, or use their existing capabilities only to lobby their interests in the parliament. At

the same time, one cannot preclude the possibility of certain business parties or ex-clans transforming into "normal" political parties in the future, along the lines of those accepted in the democratic countries; however, it is feasible only if their current parliamentary efforts do not become a mere vehicle for the pursuit of their own interests and instead promote the development of regional party organizations. The development of political parties is also a direct effect of whether the election laws are going to change or not, and if they are, in which way. If the election laws are modified to establish a party-based elections process, then they will promote the emergence of strong political parties, a gradual reduction in the number of various parties, and the growth of party representation.

The presidential elections later this year will undoubtedly contribute to the process of internal expansion of political parties in Ukraine. We are already witnessing the expansion of the rightwing political parties, such as one of the Rukhs, that of Yuri Kostenko; the "Open Policy" Group of A. Matviyenko; V. Shovkoshitniy's wing of the Democratic Party of Ukraine; and V. Musiyaki's "Forward, Ukraine!" Other examples are the Rukh led by G. Udovenko; V. Pynzenyk's "Reforms and Order" Party; and the Republican Christian Party. At the same time, the presidential elections will not have a significant effect on the consolidation processes of the 12 parties that will support Kuchma during the forthcoming elections; these parties have achieved a temporary tactical union out of different, often opposing political motives.

With regard to informal influence groups, some Ukrainian political parties could very well be viewed as such. The term used to describe these parties in Ukraine--"oligarchies"--is probably a misnomer. In reality, there is no oligarchy problem. This term rather signifies an obvious or, in most cases, not-so-obvious dependence of businessmen on the executive authorities, on the state of the "right field," and on the rules of the business game. The conventional classification of the influence groups into those led by Victor Pinchuk (Intertype Concern), Grigoriy Surkis (Slavutich Industrial and Financial Concern), Igor Bakai (Ukraine Neftegaz Concern), and Oleksandr Volkov (Gravis Television Company) and the categorization as oligarchies of Anatoly Golubchenko's Ukraine Metals Company, Andrei Derkach's Era Television Company, Yuliya Tymoshenko's Integrated Power Systems, and Oleksandr Tkachenko's Earth and People Corporation demonstrate that included in the oligarchy category quite arbitrarily are those who have managed to create fairly successful businesses in Ukraine with the use of certain political powers.

The issue of informal influence groups is usually linked to the ability to influence the decree-making of President L. Kuchma, who was granted the authority under the 1996 Constitution to issue decrees on economic matters that have not been addressed by Ukrainian law. The authority of the President to issue decrees expired on 28 June 1999, or three years after the Constitution had been adopted. The critics of presidential decree-making maintain that a significant portion of these decrees, namely one half, was enacted under the influence of the informal influence groups. Therefore, if we were to assume that this opinion is correct, then about one half of these decrees were after all positive. The decree "On the Distribution of Goods" is an example of a positive decree.

Informal influence groups are also frequently thought to have influence on the enactment of instructions by the Cabinet of Ministers, that is, the government of Ukraine. The granting of certain exclusive rights to Yuliya Tymoshenko's Integrated Power Systems Corporation with regard to gas trading under Premier Pavel Lazarenko has become a classic example of such instructions.

It is quite difficult to determine with certainty whether the decree-making authority of President L. Kuchma and the practice of instructions enactment by the Cabinet of Ministers of Ukraine have been something positive or something negative. The mechanism of presidential decree-making has never been transparent, and this is precisely to what the activities of informal influence groups have been attributed. Some of the President's initiatives, such as his idea about the potential privatization of Ukrtelecom, have been rejected by the parliament as apparent election campaign moves. As far as the President is concerned, this kind of influence should never be overstated. Businessmen, some of whom must undoubtedly have benefited from certain presidential decrees, are another category of informal influence groups. However, because of the law enforcement authority of the executive branch, each of these informal influence groups was quite adequately aware of its limitations in terms of its own ability to influence a particular decision.

The critics of President L. Kuchma assert that Kuchma's decrees meddled with the already existing legislative framework. Although this statement is indeed true, the laws enacted by the parliament embody a compromise between its market-opposed segments and are clearly not in the interests of market reforms. One way or the other, all economy-related bills from now on where no party has a majority will go through the parliament. The practice of instruction issuance on the part of the Ukrainian Government continues and most likely will continue to be followed in the future.

Thus, the influence of informal influence groups must now shift from the administration of the President to the parliament--a move that is certain to make the decisionmaking mechanism more transparent. A 100-percent concentration in the parliament of economy-related legislation development will not necessarily

translate into a qualitative breakthrough with the economic reforms. President L. Kuchma has indeed violated the laws repeatedly, especially with regard to the privatization decision. The common register of state enterprises that are not subject to privatization is a law enacted by the parliament. Approximately 2,500 entities most attractive to foreigners have been included in this register. Therefore, if this law is not revised, market reforms will be unattainable.

One can conclude that the presidential elections in Ukraine will not give final answers as to which path the Ukrainian nation will take in its development and whether the market reforms will continue. If President L. Kuchma is reelected, it is quite conceivable to expect the dissolution of the parliament and arbitrary reforms with unpredictable results. The election of Oleksandr Moroz as President can potentially lead to the establishment of a leftist parliamentary majority, to the blocking of reforms, but hardly to any fundamental changes in the foreign policy. If Oleksandr Tkachenko becomes President, foreign policy might take a sharp turn, with Kiev becoming the center of integrationist efforts to restore the Soviet Union. The fate of market reforms in this case will be quite unique: capitalism for himself and those around him and socialism for the rest of the society. Other options, such as those involving Nataliya Vitrenko and Yevgeniy Marchuk, are not currently contemplated in Ukraine due to their low probability.

The policy pursued by the United States toward Ukraine must remain stable, similar to the one being implemented today. At the same time, the West must exert a certain influence on Ukraine immediately following the elections so that the economic reforms in Ukraine do not cease but continue.

General Discussion

Several participants questioned Wilson's diffidence regarding nationbuilding. One scholar suggested that this was being done around six principles: acceptance of Russian as an unofficial language but simultaneous gradual Ukrainization; a unitary rather than federal state; support for territorial integrity and the creation of a national legend about Ukraine's historical antecedents; and the slow expulsion of Moscow-based media as the main source of electronic information. The rejoinder to this more positive appraisal was that these principles were not tied to a national democratic model. Rather, Kuchma has been pursuing more of a "synthetic" model, combining elements of both Russian-oriented and national consolidation schemas and saying different things to different audiences. One participant claimed that the government had not been more forceful about Ukrainization because it would cost money that the state did not have.

Several discussants touched on the impact of Kosovo. One argued that it had resulted in aligning Ukrainian foreign policy with Russia, but another countered that there had always been differences between the more pro-Russian population at large and the Western-oriented executive. Returning to the nationbuilding theme, one participant warned that Tatars in Crimea, who had always wanted greater autonomy for themselves (as opposed to the Russian autonomy movement), were thinking that Western support for the Kosovars might be a precedent for their own cause.

Section Two **The Economy**

Alexander Pivovarsky, Harvard Institute for International Development *"The Challenges of Ukraine's Economic Reforms"*

Since independence in 1991, the Government of Ukraine has attempted to implement a standard reform package--stabilization, privatization, and liberalization. Most of the changes undertaken in the process have not been a real success so far, in particular, the reforms that were meant to affect the microeconomic foundations of the Ukrainian economy.

In recent years, economists and policy analysts have been using the word "virtuality" to describe the economic processes taking place in Ukraine, Russia, and a number of other countries of the former Soviet Union. Indeed, this concept is appropriate for the analysis of the majority of economic processes in Ukraine. This virtual economy is pervasive and affects all levels of economic activity. In this economy, most processes have several meanings. Terms of exchange of goods do not reflect their market values since almost a half of all transactions take place in barter. Book profits have little to do with firms' revenues since most debts remain unpaid for many months. Budget deficit does not reflect a balance between planned revenues and expenditures since some of the government commitments remain unfulfilled. The virtual economy's lack of transparency is the main reason why some interest groups are interested in its sustainability.

On the macroeconomic level, the government achieved stabilization of the hryvnia and a moderate level of inflation. In 1999, inflation was held at 20 percent despite the major pressures that emerged after the hryvnia's devaluation. Until the fall of 1998, the government was able to sustain the monetary stability by holding the nominal level of the budget deficit in line with the targets agreed upon with the IMF. In order to achieve those targets, the government delayed budgeted expenditures and borrowed aggressively in the domestic and international markets. As the sources of financing dried up and the government de facto defaulted on its obligations in the fall of 1998, it was forced to adjust the budgeted expenditures downward in the middle of the year by as much as 3 percent of GDP. Significant obligations remained unpaid, thus making the budget deficit a virtual concept.

This nominal financial stabilization was accompanied by a rapid and sustained accumulation of enterprise nonpayments to each other, to the state, and to their workers. The total level of accumulated nonpaid obligations reached 120 percent of GDP--more than two-thirds of them overdue--a level much greater than the level of regular trade credits common in market economies. The government and workers have been forced to accept a large share of payments from the firms in goods rather than in cash. In 1998, more than 20 percent of tax obligation was paid with goods and services. The system of barter has created immense opportunities for corruption and theft.

Effective privatization that would align control rights over the firms' assets and cash-flow rights have been only partially effective. Managers of privatized firms exercise an almost complete control over their firms, regardless of the formal ownership arrangements, with the exception of firms privatized with significant participation of multinational entities. At the same time, local and central government officials are still capable of securing the firms' access to financial and real resources. Given that banks ceased to perform their function of financial intermediaries between the households and the firms, the government remains the largest single agent capable of providing financing to firms (via subsidies, tax writeoffs, access to energy inputs, and other forms of support). The total assets of the banking sector in Ukraine are less than 18 percent of GDP, the lowest level of 59 countries included in the 1998 Global Competitiveness Report survey in 1998¹ and one of the lowest in the world. The ability to establish and maintain effective relationships with the state is a more important quality for enterprise managers to have than entrepreneurial ability. The 1998 Global Competitiveness Report survey of enterprise executives asked them whether public officials in their countries favor people with connections. Ukrainian executives strongly agreed with this statement. Among 59 countries included in the survey, only Russia and Indonesia ranked above Ukraine in the executive's assessment of the role of connections. Most importantly, Ukraine ranked the lowest in the managers' assessment of the amount of time spent dealing with the government. Only Indonesia ranked ahead of Ukraine in the speed of growth of the real level of informal payments to government officials over the past years.

The majority of enterprise managers use the virtual economy to their personal advantage. During my recent interviews with enterprise managers and barter traders in Ukraine, I found that most of the barter transactions are accompanied by side payments to those enterprise managers who agree to accept terms of exchange that are unfavorable to their firms. A recent report produced by the State Tax Administration of Ukraine found that the majority of Ukrainian coal mines (the most heavily subsidized sector of the Ukrainian economy) use financial intermediaries set up by the firms' managers or their proxies to undertake both cash and barter transactions. In such deals, the firms accept inferior terms of exchange and divert a significant part of their output's value to the pockets of enterprise managers and their financial intermediaries.

According to official statistics, the energy sector (oil and gas in particular) is the largest net creditor to the rest of the branches of the Ukrainian economy. At the same time, it is a sector commonly considered to be the major source of rents and economic power in Ukraine. A number of "famous" Ukrainians (including very senior government officials) made their fortunes by controlling the energy supplies--gas supplies in particular. Historically, gas traders have held monopolistic positions in distributing gas to particular regions and thus exercised a significant degree of power over enterprises that depend on energy supplies for their survival. At the same time, these gas traders continue supplying gas to enterprises that may not be able to pay for the energy consumed today or in the medium term.

The natural question is, why is the gas distribution such a coveted business? Why is this officially loss-making business perceived as so profitable? The answer becomes clear when one discovers that many enterprises pay for gas under the table. Moreover, a mutually beneficial relationship between industry and government has emerged. Since the real value of bartered goods is difficult to calculate, barter transactions, including tax payments via mutual debt cancellations, create a good opportunity for personal gain. In this way, the virtual profits of enterprises turn into real income for corrupt government officials as well as managers and owners of businesses. Consequently, supplying gas without payment or in exchange for in-kind payment becomes a rather attractive transaction for all parties

involved. The exceptions are those people not endowed with good connections. These individuals have to pay real money for the energy consumed. It is no wonder that introduction of mechanisms that would increase transparency in gas, oil, and electricity sectors is forcefully resisted.

The real privatization in its broad sense--as a process that stimulates entrepreneurial activity and triggers the process of "creative destruction"--has been slow so far. The number of officially registered small businesses is still less than 200,000, a number that is dwarfed in comparison with the almost 2 million small businesses established in Poland since the beginning of "shock therapy" in 1989. Due to a poor bankruptcy system, substantial assets of currently and formerly state-owned firms remain tied up in inefficient activities or, sometimes, remain practically unused. In most cases, revitalization of those firms is impossible due to the "kartoteka 2" system that gives banks effective authority over the indebted enterprises' bank accounts. This system is the de facto equivalent to imposing a 100-percent tax on their cash revenues. An effectively functioning bankruptcy system would enable the transfer of those assets, promises being the most valuable of them, for use by the emerging class of entrepreneurs. Of course, such policy would lead to the managers' loss of control of the firms, something they would like to prevent at any cost. Despite the "kartoteka 2" system--a system established to enforce financial discipline--formal contract enforcement mechanisms function poorly. A recent survey found that the majority of Ukrainian private firms do not believe that courts could be used effectively to enforce contracts. The majority of disputes between enterprises are resolved outside the courts, and firms have to rely on informal mechanisms of contract enforcement associated with high transaction costs.

High taxes and government corruption are responsible for the poor development of small and medium enterprises. Several research groups estimate that more than 30 percent of Ukraine's real output is produced in the shadow economy, one of the highest levels among the transition economies. The majority of the population is employed in both sectors of the economy, official and informal. In as early as 1994, a household survey found that more than 90 percent of randomly selected households were producing in more than one economy. More recent surveys of enterprise workers found that more than 70 percent of households are involved in different survival strategies in the natural and informal sectors of the economy.

The roots of Ukraine's slow progress in economic reforms lie in the political economy, not in the innate inability of Ukrainian society to establish an effectively functioning market economy. While the majority of the Ukrainian population is highly risk-averse and is not interested in further dislocations associated with economic reforms, the small group of people that benefits from the current status quo is able to control the key policy decisions and sustain the system of the virtual economy. Managers of enterprises and government officials controlling financial and other resources benefit from the sustainability of the system of barter, nonpayments, and mutual cancellation of debts. The virtual economy creates an attractive facade for the international finance community, which believes that economic reforms actually have taken place in Ukraine. It also deceives the Ukrainian public since the key economic processes remain nontransparent and thus poorly understood.

Raphael Shen, University of Detroit *"The States of Ukraine's Economy Today"*

Ukraine's productive forces were of strategic importance to Moscow's long-term objectives. Ukraine, therefore, was the most tightly controlled and regulated regional entity among the former USSR's republics. Its uniquely inherited economic structure thus sets it apart from other NIS countries of the region. The mainstay of Ukraine's industrial output consisted of machine parts and semifinished products. Distribution was controlled by Moscow, restricting Ukraine's exchange activities to either with other republics of the Union or with select members of the former Council for Mutual Economic Assistance (CMEA). More than seven decades of integration into the former USSR's system has left distinct hurdles and uncommon difficulties for the newly independent Ukraine.

Overview

Ukraine's overall economy has been on the decline every year since independence. Industrial production fell from 100 for 1990 to 45.7 for 1997. Gross agricultural product decreased by 44.3 percent during the same seven-year period. Real GDP declined by 62.5 percent between 1990 and 1997. Analysts expected Ukraine's 1998 real GDP to grow and its budget to balance, both for the first time since independence. Instead, GDP fell by another 1.2 percent, and there was another budgetary deficit in 1998. Gross investment as a percent of GDP has also been decreasing, falling from 36.3 percent for 1993 to an estimated 18.5 percent for 1998. Production and productivity gains in the near future, therefore, will be modest at best.

Production

Hyperinflation of the early 1990s wiped out the retirees' lifelong savings. Low real wages have likewise curtailed the purchasing power of those still employed.

Quality imports rise; demand for domestically produced low-quality goods and services falls. The need for maintaining capital assets falls, justifying decapitalization rather than capital accumulation. The scenario materializes in industry. It takes place on farms. Productivity and production continue contracting, with one vicious cycle feeding into another, prolonging the economy's sustained downward spiral.

Enterprises

Reduced consumer demand translates into reduced sales. Enterprise income falls. A short-term solution to an enterprise's declining financial position and its rising unused capacity has been the sale of its fixed assets. Workers also began appropriating an enterprise's moveable assets, supplementing their reduced real incomes. Decapitalization from within and the depressed market from without combine forces to further compromise an enterprise's productivity/production. Financial insolvency deepens.

Farms

All farmland was supposed to be distributed to collective members by July 1996. Only one half of the collectives' land was distributed a year after the target date. Many farmers do not leave collectives. They have no farm equipment, no savings, no knowledge, and no experience securing inputs/marketing outputs on their own. They subsist instead on whatever the collectives can produce and sell, supplementing household needs with food produced on private plots.

Wages

Real wage decreases have been stabilized in recent years. However, by the end of the second quarter of 1998 real wages had declined by more than 50 percent when compared with the same period six years earlier. Most of the working-age population seeks a second job or a combination of odd jobs. An increasing share of family income now goes to food purchases. The decrease in meat, dairy products, and egg consumption is in part compensated for by increased consumption of bread, potatoes, cabbage, and animal fats. For acclimatizing to and for coping with the drastically changed social and economic conditions, the average Ukrainian retreats into a defensive posture passively coping with, instead of actively confronting, adversities. Social and cultural conditioning during the Czarist era and economic and political deprivation of the Soviet decades have severely compromised the average Ukrainian's ability to be responsive to systemic transformation.

Social Aspects

Since independence, income differentiation has risen, the birth rate has fallen, death and suicide rates have increased, and the number of divorces and single-parent families has grown. The availability and quality of health care have fallen. So has the morale of teachers and public servants.

There are successful entrepreneurs. Many of them were Party officials having connections with either those still in power or with the Mafia, or both. The rise of the private sector is slow. The formation of a middle-income class is slower. Structural rigidity and functional efficiency persist. Ukraine's economy still awaits bottoming out. When the economy does begin climbing back up, it will be years before it can regain its preindependence level of production and consumption.

There are other bright spots in Ukraine. There is free mobility of labor resources. Well-connected enterprising individuals may also initiate private endeavors that were not permitted before. Goods and services are now plentiful, though a significant portion is imported and affordable only by the newly rich. Consumers no longer stand in line to buy daily necessities. There is free access to information and freedom of expression that was inconceivable under the Communists.

Social, political, and cultural freedom would be more palpable, however, if the average Ukrainian citizen were to experience more successes.

Vitalij Garber, Garber International Associates *"An Investor's Perspective"*

Ukraine has moved from a centrally planned economy to one that is still centrally controlled--the planning portion has been removed, but the bureaucracy has grown, and the amount of process has been increased. Although the Ukrainian state started with a relatively small bureaucracy, it has grown exponentially. One way to control one's own projects is to do big ones--little projects are at the mercy of low-level corruption. While it is difficult to be too critical of minor corruption, given the low level of Ukrainian salaries, some of the larger corruption is truly disturbing. Ukraine also has totally unreasonable taxes.

So how can Western investors deal in this environment?

First, we need to stop expecting Ukraine to use US practices--no other country uses these. We have to understand that Ukraine has its own practices--it is not all saunas and vodka there! And we should take greater care to use the Ukrainian language instead of simply assuming Russian will do.

Second, it is important to recognize that there are two separate Ukrainian business cultures.

- One, a very entrepreneurial business culture is generally found in smaller businesses. These, unfortunately, are most often choked out by corruption and taxes.
- The other, the culture of larger businesses, is the attitude that "someone will take care of us." This culture also includes a tendency to look to the center for direction and pervasive micromanagement. It is particularly prevalent in the state-owned enterprises, and especially in the military-industrial complex, which ironically had the best people and resources.

A third factor for investors to consider is the special difficulties in dealing with big projects, for example, on the order of the An-70 military transport or the Sea Start rocket launch project. Decisions on larger projects such as these are made with the knowledge of the president, and politics and internal benefits play a key role. In dealing with big projects one should deal directly with the top.

Smaller projects--for instance, those entailing the export of Ukrainian goods--are frequently easier. Still, it is important even with these to have Ukrainian partners, and one frequently has to close one's eyes as to how the Ukrainian partners obtain their approvals.

Looking to the future, the promising startup of several projects, particularly in agro-business and in the steel sector, gives a lot of room for hope. The need for tax reforms and corruption are the biggest problems. Corruption is a phenomenon that can be overcome fairly simply, but it will take the concerted effort of a brave leadership. Overcoming corruption will not happen from the bottom up, at least no time in the near future. If the leadership does make this effort, the investment climate will improve. Ukraine also requires restructuring, streamlining, and the development of a greater sense of national identity. Ukraine has tremendous human resources, which will bring it prosperity when the circumstances are right. This will happen. It is just a question of how quickly.

General Discussion

The presentations and discussion thus far have raised several key questions: Is the Western economic model becoming discredited? How does one create a critical mass for effective change? How much time does Ukraine have? The answers to these questions are important for the West in trying to deal with a country that has such problems as Ukraine.

A participant recollected that, when the Marshall Plan was launched, there had been opponents of foreign aid in the United States who said we were pouring money down a rat hole. He wondered whether that might be the case with Ukraine today. Speakers agreed that money is not the solution, although it helps. Another argued that the United States should focus on helping Ukraine develop a constituency for reform by making use of media, establishing regular contacts with the Rada, and so forth. Then, we can assist in formulating a comprehensive reform package. Assistance can then take the form of direct or long-term credits and finding markets for Ukrainian products.

Another participant noted that Ukraine, and particularly western Ukraine, has enjoyed fairly unrestricted economic interchange with its neighbors to the West since the breakup of the Soviet Union and expressed concern that these trade relations might be damaged when those neighbors join the EU. Millions of shuttle traders who currently go to Poland and Hungary could be hurt, particularly if those countries introduce visa requirements. The effects could go beyond the economic sphere: those traveling to the West are exposed to European ways of life that they have brought back. Increased restrictions will have social and cultural implications as well.

Much discussion focused on the overwhelming number of administrative obstacles to small businesses in Ukraine, an environment that greatly hinders their development. The small number of such businesses there--roughly 200,000 at present--allows tax inspectors, regulatory inspectors, and so forth in the bloated Ukrainian bureaucracy to hit on each enterprise many times during the course of a year. The tax rate, on the other hand, is moving in the right direction, even though it remains high.

Participants noted that there are many measures that the government could take to improve conditions for small business development: for example, it should document regulatory measures and pare back those not really needed; and it should find alternative employment opportunities for those in the over-staffed bureaucracy so that the system can change. But neither the government nor the Rada has shown leadership on this front because the existing structure benefits people at various levels of executive power. Change will require strong leadership: both the Ukrainian people and international governments should keep the executive branch's feet to the fire.

Section Three

Ukraine and the International System

Sherman W. Garnett, The Carnegie Endowment for International Peace *"Kiev and Moscow"*

Three stubborn facts influence Ukraine's place in the world at large:

The first is that Ukraine is a new state. Its state institutions are still relatively weak, especially in promoting the basic laws and policies required to establish long-term economic, political, and social well-being. Politically, Ukraine is in fact a highly competitive oligarchy, mitigated by important democratic and pluralistic features such as elections and a diverse (but not fully free) press. The competing factions in this oligarchy are primarily concerned about the division of wealth and power, not overall economic or social good. Like other post-Soviet states, this kind of politics is highly personal and corrupt. Ukrainian civil society is weak, permitting the state to function as it does without a reliable check on its actions. Only at election time is this state of affairs subject to overhauling from below, which is why the past parliamentary and forthcoming presidential elections are times of high anxiety for the Ukrainian establishment. This preoccupation with state-building and elite competition pushes even basic foreign and security policy considerations to the back burner, as well as delays the reforms needed to ensure that Western-oriented policy inclinations have deep roots in Ukraine at large.

The second fact is that Ukraine is a divided society. The source of this division is not (as many analysts feared) the ethnic divisions between Russians and Ukrainians. Rather, the main sources of division are political, economic, and regional. Only Ukrainian sovereignty is securely established throughout the country. For some, this sovereignty is the realization of a lifelong dream. For others, it is simply an established fact to be reckoned with, like the weather. Most other basic issues about state and society in Ukraine remain unsettled, from private property and basic social issues to cultural and geopolitical orientation. Mercifully, these divisions do not mirror ethnic ones, and many of them also reflect not deep conviction but a high degree of uncertainty and misunderstanding in the population at large. These divisions reveal that the squabbling that goes on among factions in the Ukrainian foreign policy community over NATO or CIS integration takes place against a still unformed national, political, and geopolitical identity for the country as a whole.

A third fact is that Ukraine remains "in-between" geographically. The enormous geopolitical changes that helped to give birth to an independent Ukraine have nevertheless left it as a key state in between Russia and NATO or the European Union. This geography matters a lot. Consider what Poland's post-1989 fate might now be if the Soviet Union had not fallen or Belarus and Ukraine did not become independent. No doubt, the Poles would still have found ways to reform internally and to move westward, but Poland's ambitions were aided greatly by the disappearance of a significant border with a strong eastern neighbor opposed to Poland's integration with the West. Ukraine, potentially, has such a neighbor. This geographic link should not require the West to treat Ukraine and Russia as linked in all matters, but some sort of link exists and does matter. The West's Ukrainian policy cannot be conceived without regard for geography. Ukraine cannot act without taking Russia into account; Poland no longer has to.

These stubborn facts suggest several conclusions about Ukraine as an international actor in the next decade: first and foremost, that Ukraine is embarked on a long and potentially unstable transition. This transition stretches out the timeline for defining Ukraine's place in Central Europe, or the former USSR, or Europe as a whole. Ukraine will remain a state likely to muddle through, unable and unwilling to define itself once and for all as either a European or Eurasian state. The great danger is that these facts and the West's indifference could result over the next several years in Ukraine's peripheralization from the European mainstream. Indeed, many politicians in Ukraine and in the EU are glad of a situation in which Ukraine is not qualified for membership in Europe's main institutions. It relieves

both sides from serious policy decisions. Yet the constraints and delays affect both ambitious Western-oriented policies and leftist visions of deep integration with Russia or the CIS. Indeed, the notion that any drift away from Europe is necessarily a movement toward Russia is wrong. The left, various economic, political and ethnic interests in the east and south, and other groups constrain Ukraine's European choice, but other economic, regional, and ethnic interests equally constrain efforts to pursue an "Eastern" or "Russian" choice.

The major factors affecting Ukrainian foreign policy are internal ones. Internal divisions and economic problems become more urgent than any foreign policy problem short of major war. These factors also rob Ukraine of the ability to bring real resources to the table. They are more important in the making and sustaining of a European-oriented policy because this policy requires sustained Ukrainian political and economic reforms. Sustained Europeanization requires sacrifice. A small, Western-oriented foreign policy elite cannot "sneak" the country into the EU.

Russia remains Ukraine's most important external influence. The need for normalization of Russian-Ukrainian relations is obvious, both for Ukraine itself and for European stability. Significant progress has been made toward this end with the 1997 Friendship Treaty and Black Sea Fleet Agreement. Yet this work is unfinished. Without such a normalization, given the basic political, economic, and military advantages Russia enjoys, a fairly significant power gap is likely to emerge, one based on Russia's size, natural resources, economic potential, and military power. Such a gap has, in the past, been fatal to Ukraine's independence. Yet, so far, Russia's own internal economic and political troubles have made it difficult for Moscow to use its economic, political, ethnic, or military influence in a productive way. To date, this basic incapacity of the Russian state has been as much of a factor in Russia's Ukrainian policy as the pragmatism of the Yel'tsin government. Yet, long-term Russian incapacity is neither likely nor a stable basis for normalized Russian-Ukrainian relations. Russian-Ukrainian relations cannot simply continue down the same road without a more thorough normalization of national identities and ambitions on both sides and the prospect of at least some serious integration into the European and global systems.

Ukraine's relations with its neighbors, Poland, Romania, and its partners in the GUUAM (Georgia-Ukraine-Uzbekistan-Azerbaijan-Moldova) group play an increasingly important role in the region. These relations are part of the larger pattern of fragmentation within the former USSR and diversification of ties to states outside the former USSR. GUUAM initially brought four CIS states (Georgia, Ukraine, Azerbaijan, and Moldova) together to oppose revisions to the flank limitations in the Treaty on Conventional Armed Forces in Europe. Now joined by Uzbekistan, it seeks deeper cooperation on security and energy issues. Polish-Ukrainian relations have blossomed into a full-blown strategic partnership. Romania and Ukraine have eliminated or at least mitigated potential sources of conflict in the bilateral relationship, opening the way to genuine cooperation in this part of East Central Europe. These new diplomatic patterns provide a counterweight to pressures from Russia, but their real test is whether they can act positively together on a more ambitious agenda.

Ukraine's relations with the West have entered a difficult stage. Though the notion of Ukraine's strategic importance is more widespread than ever, many in the West have turned to other criteria--political and economic reforms, investment conditions, the death penalty, or the treatment of individual Western businesses--as the measuring stick for judging Ukraine and its long-term place in the West. And by such measures, Ukraine's progress is not substantial. Ukraine's basic success in muddling along and its failure to inspire Western confidence in near-term improvement create in major Western countries a view that current conditions inside the country and between Russia and Ukraine will somehow remain as they are without substantial Western efforts. There is comfort in this notion because it means the West can postpone hard decisions about Ukraine's place in core Western institutions. Yet, such an approach ignores the positive role Western engagement has played in sustaining positive trends within Ukraine and between Ukraine and Russia. Though the West played no formal mediating role in issues other than denuclearization, the shadow of the West continues to fall directly on Ukrainian internal and foreign policy. Both Russia and Ukraine understand their actions have consequences for Europe and the West as a whole. If the West signals to both countries that they are permanently assigned to the periphery, it would surely remove an important prop for the muddling through that many in the West now take for granted. An extended cycle of Ukrainian internal economic and political stagnation and Western neglect of Ukraine would alter the factors that make the current situation tolerable within Ukraine and less dangerous for Ukraine's neighbors. It would exacerbate economic deprivation in the country as a whole, particularly along crucial ethnic and regional faultlines, such as Crimea. Western disengagement from Ukraine would also remove a support for stable Ukrainian-Russian relations. A peripheral and stagnant Ukraine would increase the danger that NATO and EU would find themselves facing an uncertain and unstable frontier.

Given these facts, what is lacking is a Western strategic consensus on Ukraine that recognizes both a common interest in Ukrainian stability and independence and fashions a transitional strategy that recognizes this interest and the reality of Ukraine's current shortcomings. Such a strategy would recognize that Ukraine

currently falls short of making a serious claim on membership in either NATO or the EU. Yet, it should not close the door to long-term membership. It should not decide now, once and for all, Ukraine's (or Russia's) place in Europe. Indeed, it should recognize that the deepening of the existing lines of division within Europe is a sign of failure. A Western strategy for a Ukraine in transition ought to concentrate on ensuring the free movement of goods, ideas, and people. It should extend some genuine security benefits to nonmember states, including providing support and encouragement for the normalization of Russian-Ukrainian relations.

It is crucial that the West find a way to knit Ukraine, Poland, and Romania to it and each other: some by membership over time, others by increasingly beneficial ties of mutual advantage to the EU, NATO, and key Western powers. Instead, a Western strategy should concentrate on coordinating disparate Western economic and technical assistance; expanding aid to Ukrainian civil organizations and political parties, especially in the center; encouraging military reform and security integration; and sustaining Western engagement in Ukraine and Ukrainian-Russian relations.

The West needs to realize that, with regard to Ukraine, it is still riding the wave of events that occurred in 1989-91. These events gave the West the unprecedented opportunity to refashion a security order in Europe that has at least the chance to eliminate the sources of major war on the continent, but this opportunity also imposes the heavy responsibility of seeing this work through to the end. And that work is unfinished as long as Ukraine is adrift.

Dr. Taras Kuzio, University of North London *"Ukraine in its Regional Context"*

Foreign policy orientations in Ukraine are divided into two main groups: the Westernizers and the Slavophiles, each of which has its own radical and pragmatist wings. When investigating foreign policy preferences in Ukraine, we can largely rule out both radical camps as having decisive influences. These hostile camps support either a rapid drive to NATO, EU, and Western European Union (WEU) membership or the revival of the former USSR through membership of the Russian-Belarusian union. The two key foreign policy camps are, therefore, the two pragmatic wings. This signifies that Ukraine is likely to steer a middle, neutral, nonbloc course between two "extremes"--that followed by either Estonia or Belarus. These pragmatists incorporate the majority of Ukraine's elite from within the Leonid Kuchma-Leonid Kravchuk camps (the pragmatic Westernizers) and the Oleksandr Moroz-Oleksandr Tkachenko camps (the pragmatic Slavophiles).

- The four leading presidential candidates in the 31 October elections are from the two pragmatic wings--Kuchma-Marchuk and Moroz-Tkachenko. Of these four candidates two represent the pro-Western, reform (Kuchma) and pan-Slavic (Tkachenko) orientations. The second round of the presidential elections is likely to be a contest between a pragmatic Westernizer (Kuchma) and a pragmatic Slavophile (Moroz or Tkachenko).

Ukraine and the CIS

Ukrainian policies toward the CIS have continued to be based upon the following objectives:

- Preference for bilateral, economic relations.
- Opposition to political or military integration.
- Support for the CIS as a loose discussion club (rather than a new geopolitical entity).
- Opposition to membership in the CIS (Ukraine remains only a "participant").
- Good relations with Russia but different definitions as to their "strategic partnership."

Ukraine is also playing a key role in developing the GUUAM group that unites pragmatic Westernizers (that is, like Kuchma in Ukraine). GUUAM has de facto split the CIS into two equal camps with their opponents grouped around the Russian-Belarusian union and, therefore, prevents Russia from becoming the hegemon over the CIS. GUUAM opposes the transformation of the CIS with supranational structures. Its members are united by their search for alternate energy sources, hostility to Russian-backed separatism, integration outside the CIS, and close cooperation with NATO. Without Ukraine (that is, if Tkachenko or Moroz won the October elections), GUUAM would not survive, and the Russophile camp in the CIS would grow.

Ukraine and the West

Ukraine's four key Western allies are the United States, Canada, the United Kingdom, and Germany. Turkey can also be added to this list. The least interested in Ukraine is France. The attitude of the remaining Western countries lies between France and the four partners.

NATO-Ukraine relations are far more advanced than EU-Ukraine, partly as a consequence of the strong North American interest in Ukraine. NATO still lacks a comprehensive strategy toward Ukraine; currently individual directorates pursue independent programs.

The EU is unwilling to treat Ukraine as a potential future member (it is not included in the "slow track" list) since it is unwilling to treat Ukraine as separate from Russia. The inclusion of Ukraine in the "slow track" group would be a political decision and dependent upon Ukraine's fulfilling certain criteria in economic-political reform.

Strategic Options

Ukraine's options are limited due to its geographic location, poor record of reform, domestic constraints, and unlikelihood of early EU, WEU, or NATO membership. Although the West supports a more robust reform process in Ukraine, it cannot offer Ukraine the ultimate "carrot"--EU, WEU, and NATO membership. The West is clear that it does not want Ukraine to help revive a new eastern Slavic or post-Soviet union. But the West remains unclear as to where Ukraine is to fit into the new European security architecture.

Ian Brzezinski, Senate Foreign Relations Committee *"Ukraine and the West"*

As Ukraine approaches its October presidential election, it finds itself part of a continent of dynamic change and competing priorities. In the last decade alone, Europe has been transformed by the collapse of the Soviet empire and the subsequent emergence of Ukraine, Belarus, Estonia, Latvia, and Lithuania as independent states. Unprecedented political and economic integration in Western Europe has been initiated by the EU, and these processes are now being extended to Central Europe. Last March, NATO brought itself to Ukraine's western frontier by granting membership to Poland, the Czech Republic, and Hungary.

These events and processes are important steps toward a Europe that is undivided, democratic, and secure. Nonetheless, Europe's future remains volatile. EU and NATO enlargement has only just begun. Their continuation will require great political and economic effort. Russia's transformation to a genuinely post-imperial democracy is far from assured. Bringing peace to the Balkans will pose significant military and financial challenges to NATO and the EU for the foreseeable future.

Just as important as any of the above to Europe's future is the future of Ukraine, a state whose resurgent national identity was no small factor in the Soviet Union's demise. During the 1990s, the West expended great effort and resources to assist the consolidation of Ukrainian independence. However, today Ukraine's chronic political and economic crises now undercut Kiev's potential to compete with the West's other priorities in Europe. They make uncertain what kind of state Ukraine will become, what sort of relationship it will have with the West, and ultimately what role it will play in this evolving continent.

The Ambiguity of Ukraine's Relationship With the West

After nearly eight years of independence, Ukraine is now an enduring reality in European affairs. It will not disappear from the map of Europe as it did earlier this century. The peaceful way Ukraine has consolidated its political independence has been Ukraine's most important contribution to post-Cold War Europe. In light of its geographic size--nearly equal to that of the Visegrad Four combined--and its difficult history with Russia, this is a remarkable accomplishment, one essential to ensuring Russia's emergence as a democratic, postimperial state. These factors helped generate great Western interest and hope for Ukraine.

Ukraine's relationship with the West has always been beleaguered with ambiguity. It lacks the clarity of direction and goals that distinguishes the West's relationship with other Central European countries. Whereas the Visegrad and Baltic countries have had their strongly voiced aspirations for NATO and EU membership endorsed by the West, Ukraine's future as a European state is an issue that both sides have great difficulty addressing.

One cause of this ambiguity has been the absence of consensus in Kiev. It is true that over the last two years, President Leonid Kuchma's government has more

assertively voiced its pro-Western orientation. It has declared Ukraine's aspiration to join the EU, and its officials now publicly signal that sometime in the future Ukraine will seek NATO membership. In contrast, the leftist leadership of Ukraine's parliament, the Supreme Rada, vocally advocates economic integration into the Commonwealth of Independent States or a Slavic Union with Belarus and Russia. (Attitudes of the Ukrainian public fluctuate between those of the government and Supreme Rada's dominant clique.)

The West's response to Ukrainian aspirations to join its core institutions has ranged from cool to indifferent. The EU responds dismissively to Ukraine's application for associate membership--a critical step toward full membership. This response has been disillusioning for those in Kiev who support reform and close relations with the West. And it is easy to understand why many Ukrainians fear that the EU is consciously excluding their country from Europe.

Today, Ukraine has a treaty on Partnership and Cooperation with the EU. The only other countries with such an agreement are Russia, Belarus, and Moldova. While a PC agreement broadens market access, it is essentially a static document compared to associate membership treaties, whose preambles explicitly declare that their purpose is to facilitate EU membership.

Associate members include the Czech Republic, Estonia, Poland, Romania, Macedonia, and Albania. The political and economic shortcomings of some of these countries exceed those of Kiev. Moreover, the EU's implementation of association agreements is making it difficult for countries, such as Poland, to sustain their efforts to deepen social and economic relations with Ukraine.

NATO, on the other hand, has energetically engaged Ukraine. An aggressive program of consultation was initiated through the 1997 NATO-Ukraine Charter. Allied and Partner forces now regularly exercise on Ukrainian territory and waters under the auspices of the Partnership for Peace Program. However, like the EU--albeit more tactfully--the Alliance refuses to address the issue of whether or not Ukrainian membership is a plausible objective.

Ukraine's Internal Stagnation

Contributing significantly to the West's unenthusiastic response to Kiev's European aspirations is Ukraine's failing internal situation. Over the last decade, Ukraine's GDP has steadily declined, and growth for 1999 is predicted to be negative four percent. Nearly 40 percent of the population is said to live at or below the poverty level. Most Ukrainians live at a standard below that which they experienced during the Soviet era. Decisive government action to turn around the economy is stymied by chronic corruption and a paralyzing political standoff between old-guard leftists and a center-right nomenklatura from the Soviet era whose commitment to real political and economic reform has yet to be proven.

After a decade of billions of dollars of assistance, loans, and credits, Western governments are growing impatient with Ukraine's lack of progress. The Council of Europe is now considering suspending Ukraine's membership due to the latter's unfulfilled commitment to abolish capital punishment and its declining press freedoms. Suspension or expulsion from the Council of Europe would deny Kiev an important means to mitigate the now isolating effects of EU enlargement.

High levels of frustration with Ukraine are also very palpable in the US Congress, one of Ukraine's most generous and ardent supporters. While Congress continues to assure Ukraine high levels of US assistance (\$195 million for FY 1999), appropriations now include the unusual condition that assistance to Ukraine can only be released upon certification that Kiev is making tangible progress in economic reform and combating corruption.

Three Futures

Considering these circumstances, one can visualize three near-term futures for Ukraine after its fall presidential elections:

- The first is for a politically and economically failing Ukraine to turn eastward and seek economic reintegration into Russia. While this path has been rejected by President Kuchma, it has been vociferously advocated by the Speaker of the Supreme Rada and other leftist candidates challenging Kuchma in this October's presidential elections. If Kiev were to adopt this policy, it could lead to a deeply divided and unstable Ukraine and would prompt the reanimation of the worst elements of past Russian foreign policy.
- A second future that one cannot dismiss is a Ukraine that is a politically unstable economic basket case. (This is how a growing number in the West

perceive Ukraine today.) This future would likely prompt the West to curtail its economic assistance to Kiev. A decline in such engagement from the West would exacerbate Ukraine's internal divisions and weaknesses, rendering it more vulnerable to pressures from an assertive Russia.

- A third, and unfortunately unlikely, near-term future is for Ukraine to emerge as a stable, pro-Western democracy, one that meets the political and economic requirements necessary to integrate into NATO and the EU. However, for that to happen, Ukraine will have to make, on its own, the difficult internal decisions necessary to overcome its economic stagnation, its rampant corruption, and its polarized politics.

Until the components of the third scenario develop, it will be increasingly difficult for Kiev to compete with the priorities now dominating the West's European agenda: Russia, EU and NATO enlargement, and the Balkans. Kiev's mixed signals and disillusioning domestic realities reinforce the West's exaggerated fear of antagonizing Russia by expressly endorsing Ukrainian aspirations to join NATO and the EU. They undercut significantly, in Western eyes, the legitimacy and relevance of those aspirations. As long as Kiev's reforms remain in low gear, Ukraine will be increasingly seen--albeit wrongfully--as a liability rather than an asset in the West's effort to prompt a genuine reform in Russia.

Ukraine should be a central component of the West's strategy for Europe, and it would serve the West's interest to encourage Ukrainian aspirations to join the EU and NATO. However, after a decade of billions of dollars of Western assistance, the initiative must now come foremost from a Ukraine characterized by aggressive reform.

General Discussion

Participants agreed that Ukraine's integration into Europe would greatly support stability on the continent and within Ukraine itself. They noted, however, that unlike the countries of Central Europe, Ukraine itself is taking a meandering path toward European integration. Is this because of Ukraine's poor domestic reform record or the West's reluctance? Discussants felt that it is probably a bit of both. Ukraine is just too big to digest as a country for the EU. But the crucial question is whether Ukraine can develop a coherent reform program, and the prospects for that are dubious because Kiev's radical reformers are too small a force to propel it in that direction.

EU membership would be a unifying factor for Ukraine, but when the EU first approached Ukraine about a relationship, it raised debate there. Nevertheless, according to one speaker, Kuchma focused on the EU both because he recognized that the EU is beginning to lock down on which countries can join and because he knew that NATO membership could create difficulties in Ukraine's relationship with Russia. Given the long path to joining the EU, Kuchma's indications that he wants Ukraine to join the EU are really his way of waving the flag about his Western orientation without having to seriously pursue it.

The same speaker noted that the different historical paths of Central and Eastern Europe on the one hand and Western Europe on the other over the past century cannot be overcome in just a few years, but claimed that the differences can be mitigated. He opined that growing divisions would reflect a failure of Western policy.

Section Four **Society and Ukraine's Future**

Volodymyr Polokhalo, Editor-in-Chief, Ukrainian Scholarly Journal *Politychna dumka* (Political Thought) "*Ukraine in the Electoral Context*"

The political scene in Ukraine is stirring in anticipation of the presidential elections, which are to be held for the third time since independence. Unlike the cases in 1991 and 1994, the preparation of major political actors for the forthcoming elections began well in advance, practically right after the elections to the Verkhovna Rada (Parliament) of Ukraine in March last year.

In Ukraine, as in many other post-Soviet countries, the presidency is a new institution in the system of power but it is undoubtedly the apex of political life. The

elections themselves make it possible to uncover the logic and trends of political developments without waiting for the moment when the formation of the political system and the consolidation of the political regime and major political forces take on more or less clear-cut forms.

The majority of most influential parties and political leaders of present-day Ukraine are direct descendants of the Communist Party of Ukraine of Soviet times (obviously, except for the Rukh People's Movement of Ukraine, which was established during perestroika). The point is that the regime's liberalization in the second half of the 1980s led to, among other things, a rather rapid transmogrification of the value system and world outlook among functionaries of the top and medium echelons of the USSR Communist Party and Soviet apparatus. As a result, by the early 1990s the Party and its republican components enjoyed a rather heterogeneous ideological structure.

In August 1991 an orthodox group of the top leadership attempted to restore the Party's (and society's) ideological unity by staging a putsch, but instead, only accelerated centrifugal processes. The ban on activities of the republican Communist Party in Ukraine and, later, the lifting of the ban and the emergence of a number of Left-oriented parties, as well as the subsequent behavior of a portion of Ukraine's Communist Party apparatchiks, fail to obscure the original structure of the party and Soviet elite. One can discern at least five different groups, trends, or even "parties" within that structure, which was earlier referred to as the "Communist Party of Ukraine" and which in the first half of the 1990s formed a certain segment of the "pluralist political reality."

- First are those who took up business during the perestroika period, making use of the property and funds of the Communist Party as well as solid connections with influential managers of the national economy. In the second half of the 1990s they joined various parties claiming to represent center-left and centrist orientations (the Agrarian Party, the People's Democratic Party, and so forth) or openly supported some of them. It is precisely they who are most often called the party of power. They either directly make decisions on behalf of the state or essentially influence the decision-making process.
- Second are those who tried to combine the orthodox Communist idea and an assemblage of Marxist-Leninist ideals with market-economy realities. Private ownership was already recognized by them as an agent of economic and political life, but exploitation of man by man was considered unacceptable. They formed a renewed Communist Party of Ukraine, whose party ticket at the 1998 elections to the Verkhovna Rada evinced this evolution in the formulation about "private producers who do not exploit other people's labor." Common to them also was a nostalgia for the "union of equal peoples" as the most attractive form of coexistence of nations.
- Third are those who have gradually but steadfastly drifted to social-democratic positions, breaking off with Communist sloganeering and orienting on the values of popular solidarity, justice, sovereignty, and independence. A significant portion of them joined the Socialist Party, which was formed during the ban on the Communist Party as its substitute, but consciously distanced itself after the ban was lifted from the classical dogmas of the Communist doctrine and tried to develop its own ideological foundation and slogans.
- The fourth are the bearers of radical, strictly Bolshevik views, advocates of restoring collectivist relations who articulate the interests of the poorest layers of the population; they are uncompromising critics of the authorities who speak for economic liberalization and act in accordance with liberal ideas. In Ukraine, they are represented by the Progressive Socialist Party (PSP) and by a number of public organizations that are less aggressively disposed to the powers that be but which wield little influence.
- Fifth are those who, for reasons of age or other reasons, failed or did not essay to make their political career during Soviet times. They are present in politics and have consciously disassociated themselves from the Leftist past, but basically have failed to clearly define their political orientations. They would support a charismatic leader if there was one, but instead they join forces in short-lived coalitions with politicians who now, to varying degree, control the main public resources and, hence, are capable of ensuring that the former realize their private interests or the interests of narrow interest groups, which are usually referred to in the press as "clans" or "oligarchies."

The above-mentioned political courses are most adequately reflected in and personified by the most likely candidates for the presidency--Natalia Vitrenko, Leonid Kuchma, Yevhen Marchuk, Oleksandr Moroz, Petro Symonenko and Oleksandr Tkachenko.

The future will be easily recognizable since it will probably look a lot like the present. Certain realities have formed in the national economy and the political life of

society, either spontaneously or as a result of intentional actions of the authorities, which remain either to be augmented or transformed or even pulled down. Today these realities manifest themselves as:

- The concentration of the greatest amount of capital with the central and local authorities and the transformation of governance into a profitmaking business.
- The federalization of the country, which has gone very far, as a result of the transaction exchanging a portion of the powers of the central authorities for the loyalty of regional elites.
- The politicization of public administration bodies, as a result of which appointments to major posts and removals from posts are carried out on the basis of political favoritism rather than professional competence and expertise.
- The loss of real economic manageability, the subjection of economic matters to fleeting political circumstances, the disregard for laws, and overall corruption.

It is not difficult to notice that, when theoretical concepts are formulated or new realities considered, political scientists do not always take into regard those changes taking place in Ukraine that have already been described. What are the changes occurring in the nonpolitical and, particularly, the sociocultural realm? Do the changes in these areas mean that the democratic prospects for post-Communist development and civil society formation are predetermined for us? Or is a totally different historical alternative more realistic to a number of societies, including Ukraine?

It seems that there is no direct dependence between institutional changes in the political and legal area (as in the economic area), on the one hand, and phenomena inherent in the social and cultural sphere of post-Communist societies, on the other. These divergent and manifold changes obviously differ significantly in character, parameters, scale, and time.

Moreover, a considerable gap is apparent today in Ukraine between the sociocultural world, the actual state of social integration (social norms and values, mentality, thinking and attitude of citizens to life realities, standards of behavior and socialization, moral and practical communicative experience), and between the officially declared general goals ("democracy," "lawful state," "civil society," and so forth).

Ukrainian society stepped out of a 70-year period spent in the former USSR without any preconditions for civilized democratic development: no features of civil society, no pro-democratic national elite, no fully developed national culture or national thinking. Therefore, the Ukrainian type of post-Communism emerges not as a transition to democracy, but as an evolutionary effect of the former Soviet political system, as a certain logical and natural inertia of Communist history. It is not strange that the Ukrainian post-Soviet society (in contrast to the Polish one, for instance) retains a good deal of essential features inherited from the past, which has a decisive impact on today's changes. This "past" will probably determine the tendencies of post-Communist development both in the nearest and distant future.

In their majority, the post-Soviet population in Ukraine remains indifferent to the inclusion of democratic standards and principles--in fact, the values of the civil society--into the sphere of their sociocultural life. This is a case of the "dead reaching out to drag down the living": the sprouts of civil society are pushed out to the periphery by the non-civil society.

In the end, we are apparently dealing with a hybrid type of social order and political regime, a modern variety of totalitarianism, under which the comprehensive control, systematic coercion, and violence (or the threat) is legitimately carried out by the post-Communist oligarchical power with respect to the majority of the people, with exploitation of democratic technologies. In contrast to "classical" totalitarianism, this variety of totalitarianism is implemented not in strict but in relatively mild forms through a variety of many-dimensional and stable dependencies (both overt and covert: sociocultural, legal, economic, and so forth).

The present situation in Ukraine four months before the presidential election--with the left political spectrum of all shades against the incumbent President--has determined the two basic factors influencing the mood of the electorate: (a) their current socioeconomic status and (b) their foreign political leanings (toward Europe, toward Russia and the "Slavic Union," or a balanced foreign policy without expressly defined priorities). These, in turn, imply particular concepts of the future state system and its membership in political and nonpolitical unions. Both factors may supplement or prevail over each other.

The foreign political geography of contemporary Ukraine has been developing since its independence. According to data obtained through the monitoring survey conducted by the Ukrainian Institute of Sociology at the National Academy of Sciences and the Foundation for Democratic Initiatives in 1998, almost 48 percent of the population were oriented toward the CIS countries and a union with Russia and Belarus (5 percent for Russia alone), 13 percent believed it was necessary to integrate into European organizations and NATO, and 23 percent were insisting on keeping a similar distance from both these centers of influence and relying on our own resources (another 11 percent were uncertain or had other opinions). The above figures remained almost the same for the last five years; it means that this factor is stable in its effect on the mood of the electorate.

The results of the presidential elections in Ukraine may significantly reveal the real structure of the electorate. At the same time, some provisional conclusions can possibly be made on the basis of preferences expressed by respondents in surveys arranged by sociology centers and services with regard to the candidates.

One can distinguish five major categories of voters:

- Those who will be primarily concerned with their own economic status in making their choice and who adapted to the existing economy and feel themselves quite confident within it. These voters amount to 15 to 18 percent of the voting population. They sympathize with Kuchma and Marchuk; Tkachenko is also acceptable for some of them.
- Those who will be primarily concerned with their own economic status in making their choice but who failed to adapt and suffered the most from the redistribution of property and who see no prospects under the present state of affairs. These voters amount to some 20 percent, and Vitrenko is the mouthpiece of their despair and hopes.
- Those who are both concerned with their own economic status and are committed to the Communist idea, which traditionally presupposes the orientation towards certain unions. They comprise 10 to 15 percent of the voters and support Symonenko and Tkachenko.
- Ten to 15 percent of the voting population are concerned with their own economic status and support a "soft" socialist idea associated with Moroz.
- Fifteen to 20 percent is composed of those for whom the idea of statehood and European choice is more important than their economic status. This means, for example, that even officially unemployed people in western Ukraine and other oblasts will vote for a nonleft candidate. Only Kuchma and Marchuk can compete for these votes.

Among the five major categories of voters, two are mostly "economic," another two are mostly "economic and ideological," and one is mostly "statehood-oriented and patriotic." There is no absolute leader in the presidential campaign, and all candidates have some chances, for the political market has not yet been structured once and for all. There are two playing fields that do not overlap, where different candidates will compete for the vote. In one of the fields (30 to 35 percent of electors) Kuchma and Marchuk are major competitors. (It is too late for other candidates of the right and centrist parties to jump in, and even if are nominated they will only be able to play for the sake of participation itself, in order to "warm up" themselves and the parties and blocs they represent. Another field, where the electorate of left parties is concentrated (no more than 40 percent), will be shared by a minimum of three to maximum four nominees. One of them will certainly pass on to the second round.

The following perspective on the situation is now also quite clear: the President of Ukraine will be elected by only one-third of the electorate.

Dominique Arel, Brown University, Watson Institute *"Political Parties in Ukraine"*

When one examines the current state of the Ukrainian political system, three words come to mind: regionalization, fragmentation and, to a lesser, yet increasingly significant extent, polarization.

All the parties that were relatively successful electorally, with the exception of the rather disingenuous Greens, have their main constituency in one particular region of Ukraine. The Communists, although they did fairly well throughout Ukraine outside of the Western provinces, still get their most concentrated support in the industrial Donbas. The two Socialist parties have their base in lesser urban areas of the Left Bank, while the two agrarian parties (one of which is not

represented in parliament) obviously appeal to rural voters, yet are split along a south-west axis. Nationalist parties continue to capture the vote in Galicia and Volyn' (Volhynia) and to fall just about everywhere else. And three party lists, hurriedly put together at the last election around current or former high governmental officials, barely made it to parliament thanks to their popularity in one or a few oblasts--Dnipropetrovs'ka for Lazarenko's Hromada, Zakarpats'ka and Chernivets'ka for the Kravchuk-Marchuk coalition, and central Ukrainian oblasts for the governing party of Pustovoytenko.

Regionalization per se can breed fragmentation, as with the case of the two agrarian parties. Yet an important trend in Ukrainian politics is the extent to which rival parties born out of splits attempt to capture the same constituency. The trend began during the 1994 parliamentary elections, in what was then the most politically structured region of western Ukraine, with several nationalist parties intensely competing for seats. It hit the small, yet determined core of reformers whose leaders (Pynzenyk and Holovaty) shot themselves in the foot by running on different lists in the 1998 election and both striking out. It then spread to the east with the firebrand Vitrenko breaking away from the Socialists. It has accelerated in the past year with almost one third of parliamentary deputies joining new factions: the nationalist Rukh split in two shortly before Chornovil's death; the Socialist and Peasant parties, which shared the same party list, are now divided in their loyalty to Moroz or Tkachenko; Lazarenko's sidekick Tymoshenko brought two-third of Hromada's deputies with her in her Fatherland faction after the former Prime Minister fled the country, and even the governing party, NDP, spawned a new faction called "Revival of Regions."

Polarization can occur when ideologically opposed parties are powerful enough to render a political compromise over a highly charged issue elusive or very fragile. In the 1994-98 parliament, even though the neo-Communist Left and the nationalist Right were rhetorically poles apart, parliament was rarely polarized on actual votes. This has changed since the last election for two main reasons. First, even though the overall balance between left and right had not been significantly affected by the results of the 1998 elections, it changed sufficiently at the margin to allow the Left to carry extremely close votes on defining issues. The votes to join the CIS Inter-Parliamentary Assembly, to denounce the bombing of Serbia as an "aggressive" act and to support the renuclearization of Ukraine, were all obtained with the barest of majorities, sometimes with the very minimum of 225 votes. (Very close votes can have very significant long-term impact. Yel'tsin, after all, was elected Chairman of the Russian Parliament with a majority of two votes in 1990).

Second, the new speaker of parliament, Tkachenko, has been much more willing than his predecessor Moroz to push forward divisive votes. In Ukraine, although economic issues dominate debates, the most divisive questions pertain to Russia. Disagreements over the symbolic aspect of the Russian question (state emblems and status of languages) came to a head during the adoption of the Constitution in 1996. A compromise was arrived at, thanks to the almost herculean efforts of Marchuk and Moroz, whereby the Communists conceded the "nationalist" state emblems and the sole official status of Ukrainian in return for vagueness over the legal usage of Russian and the maintenance of Crimea's political autonomy. In the 1994-97 parliament, there were no votes over the foreign policy orientation of Ukraine. With Tkachenko at the helm, however, they have become a regular feature, a shift further crystallized by the precedent-breaking NATO war in Yugoslavia. For four years, Ukraine had been pursuing an increasingly pro-Western, pro-"European" foreign policy, getting progressively closer to NATO, over Russia's objections. The Ukrainian parliament, itself divided down the middle, is now increasingly objecting.

What are the chances for reform in the current political party landscape? With the hard Left fixated on the past and the Right fixated on the Russian threat (with its more pragmatic, economy-focused subset sabotaging its own electoral chances due to infighting), the hope in 1998 was for a new wave of businessmen to lead parliament in making hard choices. However, it is becoming increasingly clear that the so-called centrist deputies are interested in playing the patronage game, which means currying favor with the state to obtain regional monopolies or privileged access to sources of revenues, and remaining uninterested in streamlining tax laws or, on the whole, in making more transparent and equitable the rule of law.

The tragedy of the past four years in Ukraine, considering the expectations generated early on in his mandate, is how little interested Kuchma has become in establishing the true foundations of reform in Ukraine, despite the empty rhetoric of supporting IMF-mandated reforms (whose efficacy, in any case, are increasingly called into question in the West). Kuchma's power rests increasingly on the politics of personal enrichment by beneficiaries of the state at the expense of the state's capacity to address very serious socio-economic problems. The financial impudence of Lazarenko and Volkov do not appear to be deviations from the prevailing norm. In the current state of party politics, the initiative to break the current norm can only emanate from the presidential office, a likelihood that, four months before the election, does not appear quite plausible with the increasing possibility that Kuchma will be involved in a runoff with a leader of the hard (Symonenko, Vitrenko) or corrupt (Tkachenko) Left.

Dmytro Vydrin, European Institute of Integration and Development, Kiev *"Issues in Ukraine's Forthcoming Presidential Election"*

Several postulates underlie an analysis of the possible future development of the foreign and regional policy of Ukraine after the presidential elections.

- *Postulate 1.* In what concerns the shaping of the foreign and domestic policies of their nation, the Ukrainian community, the so-called people, have no more influence than they have, say, in the shaping of the foreign and domestic policies of the United States or Japan. First of all, that is because no civic society has been formed in Ukraine as of yet, with its traditional institutions and mechanisms of people's response to political challenges. Secondly, because the specifics of Ukrainian democracy reside in the nation being governed, within a closed circle and virtually without any control, by an absolute minority that is referred to as the national elite. Thus, the elite, and not the people, serve as the societal system-building factor in our country.
- *Postulate 2.* In order to understand the Ukrainian elite, including its official leaders (the presidents), and to project their potential actions, decisions or deeds which determine the fate of the country, it is more important to know not their political orientation, beliefs or convictions, but their personal characteristics: the intellectual level, integrity, fairness, individual interests and predilections. These personal characteristics are considered more stable and significant in their effects on the conditions in Ukraine and on the course taken by the country than the ideological image of the leaders, which is prone to swift changes.
- *Postulate 3.* To understand the Ukrainian elite and to project what kind of influence it is going to exert on the country, even more important than to know their personal characteristics would be to know the typology of these people, that is, the social type to which they belong, and to learn the specifics of the "corporate string" onto which they are threaded and which basically defines the personal, private characteristics of its individual representatives.

Assuming that these postulates are really true, it would be fairly easy to project the future of Ukraine, including its potential relations with the East and the West, between the center and the regions, between the leaders and the people, between the ruling government and the opposition, and so on. For example, let us take a look at the present-day situation. Currently Ukraine is dominated by the post-Soviet bureaucratic elite. Like any other elite (political, military, religious, or economic), this elite has its own positive features as well as drawbacks, its own generic specifics. Several of its typical features and stereotypes include:

- Power and hierarchy are of the absolute and highest worth (higher than money, higher than even life itself).
- The country, state, people, common citizens are the tools of the power, the means for attaining the power and authority.
- The current objectives of the government officials are more important than the long-term strategic objectives of the country.
- Dignity, pride, and free thinking are those features that prevent people from being good performers and specialists.
- The opposition are those who obstruct the elite in being effective rulers.
- Stability is a situation when nobody criticizes the authority.
- Strategic foreign partners are the countries who extend credits and ask no questions as to how those credits are expended.
- Potential foreign enemies are the countries who either do not extend credits or demand that they are paid back.
- Reforms are the recommendations of the IMF that do not have to be implemented, but for which money can be obtained.
- Regions are places inhabited by second-grade people, who lack either the brains or the money to live in the capital.

These attitudes and stereotypes are not openly declared but are tacitly taken into account by the present-day establishment and determine the directions, type, and nature of Ukrainian foreign and domestic policies. Is it possible to foresee a radical change, akin to a revolution, in these stereotypes? And, consequently, is it possible to foresee a revolution or simply a reform in the policies? It seems that the answer is no. So far, one may say: "The revolution has ended--forget about it!" The reason is because the present-day Ukrainian elite is all-through monochromatic and uniform, the opposition included. Whoever among the potential

presidential candidates comes to power, all the said attitudes and, therefore, the underlying policy foundations would be retained.

Today, there are four real presidential contenders in the country: Kuchma, Moroz, Marchuk, and Tkachenko. They are worthy and respected persons, and influential politicians--if anything, because they have undergone a rigorous real-life screening and selection process. As of today, each of these politicians in my opinion has about an equal chance of becoming the next President. We know that there are ratings according to which Kuchma's supporters, for instance, are estimated at 16 to 18 percent, and Tkachenko's supporters, at 2 to 3 percent. However, advance ratings are of little worth in Ukraine, because the electorate in Ukraine is virtually devoid of the political momentum that would make their voting predictable. The existence of this kind of momentum is mainly inherent in democracies with a solid voting experience, in the countries where a substantial proportion of the population has some property, which forces the people to attach great importance to their choice so as not to put their property in jeopardy. In the case of Ukraine, as experience shows, the situation with the elections can dramatically change within but two or three weeks. This is why the chances of all of these contenders appear so far to be equal. It may sound paradoxical, but in a situation of such random or slipshod voting, a mistake or a misstep committed by one of the candidates may not dramatically diminish but increase his chances, as it might coincide with a random change in the opinions or preferences of a significant portion of the electorate. One of our humorists has coined a famous phrase: "One awkward movement--and you are a father." Today's Ukraine is capable of generating a situation that could be characterized by a phrase: "One awkward movement--and you are the father of the nation."

Most intriguing, however, is that no matter which of the aforementioned candidates wins, there would be no fundamental changes either in the foreign policy or in the domestic policy. Why do I have no doubts that one of this foursome is going to win? Because all of them are blazing representatives of the bureaucratic populism on which our people have been brought up. The essence of this bureaucratic populism resides in the similar opening statements of the programs proposed by the candidates of this kind: "I (the State, the Government) will give you (wages, pensions, freedom)." And it is exactly for this populism that at least 70 percent of the population are willing to vote today because, according to the statistics, exactly thus many individuals receive their money from the state and only 7 percent get their income from private businesses. Why do I believe that policy would not undergo a radical change under any of these candidates? With all due respect for them as individuals, they are all similar in that they possess the same generic common feature: they are all representatives of the bureaucratic nomenklatura. This generic feature resides in the motto: "Any ideology for power, but not power for any ideology!" This is why upon coming to power they, same as the establishment that rules today, would take only those actions that, in their belief, would reinforce their ruling power. Thus, today we consider Tkachenko to be a pro-Slav politician. But if he finds out that in order to reinforce his power, Ukraine will have to join NATO or have a fine relationship with the IMF, he would become best friends with NATO and the IMF--the objects of his present-day sharp criticism. Marchuk is seen as a pro-Western politician. But if he feels that his power depends on the Russian oil and gas, he would demonstrate his friendship with the eastern neighbor in every way possible. This is why I assert that:

- Firstly, for objective reasons, the immortal bureaucratic elite will remain in power in Ukraine.
- Secondly, fundamental changes in Ukrainian foreign and domestic policy are impossible.

To be more precise, a fundamental, robust domestic and foreign policy has not been feasible for some time. I do not consider this conclusion pessimistic, firstly, because such is the natural course of events; and secondly, because a new kind of elite is already growing in Ukraine--an economic elite raised on the laws of private business and entrepreneurship.

The motto of the new elite as addressed to the people would most probably be not "I will give you" but "You will be able to get." I count among this new elite, for example, one of our most prominent politicians, Yuliya Tymoshenko, Head of the Budget Committee of the Ukrainian Parliament. However, the time for such politicians has not yet come, although it is rapidly growing nearer.

General Discussion

The general commentator noted that he took away from the discussion that, despite its many problems, Ukraine ironically has become inherently stable, its society firmly balanced among big interests. Some participants expressed confidence that Kiev would manage to balance its relations with Russia and avoid the fate of a Yugoslavia.

But Ukraine's is a bleak stability. One speaker claimed that Kiev has built a classic patrimonial system, such as those seen in Latin America. Kiev may have achieved a degree of permanence, therefore, he claimed, but nonetheless there can be substantial variation in patrimonial systems. From that perspective, the coming election is not a null set or a zero sum game, but rather has a lot riding on it. If one discounts society having no influence, one has to look at what candidates represent. In this regard, participants disagreed as to whether the slate of presidential candidates represent a series of sharply drawn choices or various shades on the same spectrum; whether a continuation of present leadership would preserve possibilities for reform and transformation or simply preserve the present distribution of wealth and prerogative.

Participants generally agreed that a radical shift is not on the near term agenda because the current elites--whom they see as a cynical product of the Brezhnev stagnation--would fear the loss of power. But, one argued, one should not count on the ameliorating influence of a new generation either because they too are becoming corrupted. Several participants urged that the West not be too ambitious in terms of objectives and keep in mind the politics of the possible.

Appendix A

Conference Agenda

Ukraine: Continuing Challenges of the Transition

Meridian International Center
1630 Crescent Place, N.W.
Washington, D.C. 20009
Wednesday, 30 June 1999

8:30 a.m.

Registration and Coffee

9:00 a.m.

Introductory Remarks

Ellen Laipson, National Intelligence Council

George Kolt, National Intelligence Council

9:15 a.m.

The Political System

How is the Ukrainian national identity evolving?; the development of civil society; center/regional relations; the case of Crimea; dynamics of national decisionmaking.

Chair: Wayne Limberg, US Department of State

Andrew Wilson, School of Slavonic and East European Studies, London

Victor Pasisnichenko, Kharkiv Pedagogical University and Kennan

Institute
Viktor Zablotsky, Independent Journalist (Kiev) and Kennan Institute
Roman Solchanyk, Rand Corporation
Vyacheslav Pikhovshek, Ukrainian Center for Independent Political
Research (Kiev)

11:00 a.m.

Break

11:15 a.m.

The Economy

Status of economic reforms; how is the average Ukrainian faring?; how is the economy working?; an investor's view.

Chair: John Danylyk, US Department of State
Alexander Pivovarsky, Harvard Institute for International Development
Raphael Shen, University of Detroit
Vitalij Garber, Garber International Associates

12:30 p.m.

Lunch

1:30

Ukraine and the International System

Kiev and Moscow, Kiev in its regional context; Kiev and the West.

Chair: Thomas Zamostny, Central Intelligence Agency
Sherman Garnett, Carnegie Endowment
Taras Kuzio, University of North London
Ian Brzezinski, Senate Foreign Relations Committee

2:45

Break

3:00

Society and Ukraine's Future

State and society; political parties, issues in the election.

Chair: George Kolt, National Intelligence Council
Volodymyr Polokhalo, Editor-in-Chief, *Political Thought*
Dominique Arel, Brown University

Dmytro Vydrin, European Institute of Integration and Development (Kiev)

General Commentator: Adrian Karatnycky, Freedom House

4:30

Closing Remarks

4:45

Adjournment

Appendix B

Speaker Biographies

Ellen Laipson was appointed Vice Chairman for Estimates at the National Intelligence Council in July 1997. She previously served as Special Assistant to US Permanent Representative Madeleine Albright at the U.S. Mission to the United Nations. From 1993 to 1995 she was Director for Near East and South Asian Affairs on the staff of the National Security Council. Dr. Laipson also served from 1990-93 as the National Intelligence Officer for Near East and South Asia.

George Kolt has served since 1992 as National Intelligence Officer for Russia and Eurasia in the National Intelligence Council. Early in his career, he specialized in Soviet and European Affairs while serving in politico-military, intelligence and academic assignments in the Air Force. He was detailed to the National Intelligence Council in 1981 as the Assistant National Intelligence Officer for the USSR, and then served from 1984 to 1986 as the National Intelligence Officer for Europe. After retiring from the Air Force, he headed the Directorate of Intelligence's Office of Soviet and then Slavic and Eurasian Analysis from 1986 to 1989.

Wayne Limberg is Chief of the Foreign Policy and Western Republics Division in the Bureau of Intelligence and Research's Office of Russian and European Analysis at the US Department of State. Dr. Limberg has taught at Georgetown and American Universities, the National War College, and the University of London. He has traveled extensively in the former Soviet Union and has represented the United States at various NATO talks.

Andrew Wilson is a Lecturer in Ukrainian Studies at the School of Slavonic and East European Studies in London. He is also a former Senior Research Fellow at Sidney Sussex, Cambridge. Dr. Wilson has published many books concerning Ukrainian affairs and is currently working on a publication entitled *The Ukrainians: The Unexpected Nation*.

Victor Pasisnichenko is currently a Scholar at the Kennan Institute of the Woodrow Wilson Center. He is Associate Professor in the Politics and Sociology Department at Kharkiv Pedagogical University, as well as International Programs Director of the Kharkiv Foundation's Center for Educational Initiatives. He has done extensive research on culture and civil society and contributed to numerous publications and reports.

Viktor Zablotsky is a journalist for the Ukrainian Independent TV corporation "Inter." Mr. Zablotsky is visiting the United States as a USIA Regional Exchange Scholar at the Kennan Institute of the Woodrow Wilson International Center for Scholars. He has taught political history at the Kiev National University of Economics and is currently working on a project entitled, "The Ukrainian Intellectuals and the Fall of Communism: Invention of the National Discourse."

Roman Solchanyk is a consultant at the Rand Corporation in Santa Monica, CA, where he specializes in Russian, Ukrainian, and Eurasian affairs. Before joining

RAND in 1994, he worked for many years as an analyst at the Radio Free Europe-Radio Liberty Research Institute in Munich. Mr. Solchanyk has published widely on Ukraine's domestic and foreign policies and has recently completed a book on Ukrainian-Russian relations.

Vyacheslav Pikhovshek is the Founder and Director of the Ukrainian Center for Independent Political Research. Mr. Pikhovshek hosts a political talk-show, the "Fifth Corner," in addition to organizing information exchange activities and international conferences on political parties, parliamentarism, foreign defense and security policies. He has also made numerous contributions to the Ukrainian national press on domestic and foreign policy issues.

John Danylyk is Chief of the Economies in Transition Division in the Office of Economic Analysis of the Bureau of Intelligence and Research (INR) of the US State Department. He is also the Bureau's Senior Economic Analyst on the former Soviet Union. Mr. Danylyk began his analytical career in 1965 at the Central Intelligence Agency, where he spent 14 years in the Office of Economic Research. In June 1979, he was detailed to INR's Office of Economic Analysis, where he served as the Chief of the Communist Economic Relations Division. He transferred permanently to the Department of State in February 1982.

Alexander Pivovarsky is a Development Associate at the Harvard Institute for International Development. His work has focused on the problems of economic transition in Ukraine, and he has been instrumental in establishing the HIID Macroeconomic Advisory Project in Kiev. Mr. Pivovarsky has taught courses on investment appraisal at Harvard's Program on Investment Appraisal and Management as well as management and public finance courses at Harvard designed for tax policy officials from Kyrgyzstan, Uzbekistan, Kazakhstan and Turkmenistan. He also served as economic policy adviser to a Deputy Prime Minister of Ukraine in 1997.

Raphael Shen is a Professor of Economics at the University of Detroit/Mercy, where he has taught since 1977. Dr. Shen is a former Senior Research Fellow at Georgetown University's Kennedy Institute and has done extensive research on the economies of the former Soviet Union and China. He is the author of *Ukraine's Economic Reform: Obstacles, Errors, Lessons*.

Vitalij Garber is Chairman and CEO of Garber International Associates, Inc. He has extensive industrial experience in forming partnerships and joint ventures. He has been the principal advisor on privatization and defense conversion to the Minister of Engineering, Military-Industrial Complex and Conversion and the Government of Ukraine. Dr. Garber was an Assistant Secretary General at NATO from 1981 to 1985. He was also the Deputy Undersecretary of Defense for International Programs and Technology from 1977 to 1981, where he was responsible for all international activities in research, development, and acquisition.

Thomas Zamostny is Manager of the Transitioning States Issue in the Office of Russian and European Analysis at the Central Intelligence Agency. He has served in Senior Analyst positions in the Directorate of Intelligence, the Foreign Broadcast Information Service, the National Intelligence Council, and as a member of the State Department's Policy Planning Staff.

Sherman Garnett is Senior Associate at the Carnegie Endowment for International Peace, specializing in the foreign and security policies of Russia, Ukraine and other states of the former USSR. He directs the Project for Security and National Identity in the Former USSR, a project focusing on the dilemmas of statehood, integration, ethnic identity, and security in the former USSR. Prior to joining the Endowment in 1994, he spent 11 years in the US Government, most recently as the Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia. His most recent book was *Keystone in the Arch: Ukraine in the New Political Geography of Central and Eastern Europe*, published in 1997.

Taras Kuzio is an Honorary Visiting Research Fellow at the Ukraine Center of the University of North London. In 1998, Dr. Kuzio was appointed Head of Mission at the NATO Information and Documentation Center in Kiev. Dr. Kuzio is also the author of numerous articles in academic journals on Ukrainian and post-Soviet questions and a regular contributor to Oxford Analytica and Jane's Intelligence Review on Ukraine.

Ian Brzezinski is Legislative Assistant for National Security Affairs in the Office of Senator William Roth (R-DE). As such he drafts and coordinates legislation on defense and foreign policy and related articles and speeches for the Senator. He also manages the NATO Observer Group and is the Secretary of the US Senate Delegation to the NATO Parliamentary Assembly. Prior to joining Senator Roth's office, Mr. Brzezinski was Director for International Security Programs at the Council of Advisors to the Parliament of Ukraine in Kiev. While in Ukraine, he also served as the Executive Director of the CSIS American-Ukrainian Advisory Committee.

Volodymyr Polokhalo is Editor-in-Chief of the scholarly journal, *Politychna dumka (Political Thought)*, an international political science journal published in three languages and distributed in 32 countries. He is also President of the Institute of Postcommunist Society, an all-Ukrainian governmental organization for socio-political scholars. Mr. Polokhalo is currently researching the political process in Central European countries, political power in postcommunist societies, nongovernmental organizations, and the problem of civil society-making in Ukraine.

Dominique Arel is an Assistant Professor at Brown University's Watson Institute for International Studies, as well as Research Scholar on the Project on Integration and Disintegration in the Former Soviet Union Implications for Regional and Global Security. His areas of interest include national conflicts in Eastern Europe and the former Soviet Union, specifically regional and linguistic problems in Ukraine since the breakup of the USSR and their implications for regional security. Dr. Arel also has taught at Wesleyan, Columbia, McGill, and Duke Universities.

Dmytro Vydrin, a political scientist who specializes in Ukrainian domestic political affairs, is currently Director of the European Institute of Integration and Development. In the past, he has served as a political adviser to President Kuchma and to former Prime Minister Marchuk and also as Director of the International Institute of Global and Regional Security.

Adrian Karatnycky is President of Freedom House, a nonpartisan, nonprofit organization that promotes democracy, civil society, and the rule of law and monitors democratic change, political rights, and civil liberties around the world. He is Editor and Director of *Freedom in the World*, the annual survey of political rights and civil liberties. Prior to becoming President of Freedom House in 1993, Mr. Karatnycky served as Assistant to the President of the AFL-CIO from 1991 to 1993. From 1986 to 1991, he was Director of Research at the AFL-CIO Department of International Affairs. He is coauthor of three books and has written numerous articles on democracy and East European and post-Soviet affairs.

The National Intelligence Council	
The National Intelligence Council (NIC) manages the Intelligence Community's estimative process, incorporating the best available expertise inside and outside the government. It reports to the Director of Central Intelligence in his capacity as head of the US Intelligence Community and speaks authoritatively on substantive issues for the Community as a whole.	
Chairman (concurrently Assistant Director of Central Intelligence for Analysis and Production)	John Gannon
Vice Chairman	Ellen Laipson
Director, Senior Review, Production, and Analysis	Stuart A. Cohen
National Intelligence Officers	
Africa	Robert Houdek
At-Large	Stuart A. Cohen
East Asia	Robert Sutter
Economics & Global Issues	David Gordon
Europe	Barry F. Lowenkron
General Purpose Forces	John Landry
Latin America	Fulton Armstrong
Near East and South Asia	Paul R. Pillar

Russia and Eurasia	George Kolt
Science & Technology	Lawrence Gershwin
Strategic & Nuclear Programs	Robert D Walpole
Warning	Robert Vickers

Footnotes

¹ This survey is undertaken every year by the World Economics Forum and Harvard Institute for International Development.

[NIC Publications](#)