

ICPS newsletter

Radicalisation of political competition in Ukraine creates the risk of a large-scale crisis

Regardless of the strong economic growth in Ukraine, the political situation is becoming ever less favourable in terms of needed reforms. The government's disbelief in its potential to democratically win the presidential election in 2004 is stimulating the intensification of a battle of "dirty technologies". This, in turn, is further undermining the population's trust in all politicians, and in the country's governing institutions. Meanwhile, Ukraine has to face a new challenge, with its relations with Russia demanding immediate reconsideration. The events of October are analysed in the upcoming issue of ICPS's journal *Political Commentary*, which is to be published this week

Foreign relations

The clash between Ukraine and Russia in the Kerch Strait soured relations between the two countries, and served as a wake-up call for Kyiv to more clearly elucidate for itself its own interests in these relations.

Simultaneously, Ukraine took a step forward in its relations with the European Union by signing a co-operation plan for the next few years that will promote a change from declarations to concrete joint projects—above all, in the economic field. Nevertheless, Ukraine's relations with the USA and EU are being jeopardised by the Ukrainian government's undemocratic behaviour in its conflicts with the opposition. This could cause a postponement in the adoption of decisions by the US that are important for Ukraine—granting the status of a market economy and agreeing to WTO accession—and could hinder the implementation of the EU's neighbour program.

In our opinion, the tensions connected with the dispute over Tuzla Island will ease; however, Ukraine's relations with Russia will receive a new impetus only if their cooperation is reoriented so that it takes into consideration both sides' interests. If this does not happen, the mistrust sown in the Kerch Strait will obstruct the development of any mutual projects. Furthermore, if Russia continues its unwanted pressure on Ukraine, it could lead to a noticeable chilling of relations and a rollback in the current level of cooperation. Any new escalation of the Tuzla conflict is hardly possible, but neither is success in Ukraine's negotiations with Russia on dividing the Azov Sea. The resolution of this problem may again be filed in a "deep drawer".

The worsening of Ukraine's relations with Washington and Brussels due to the Ukrainian

government's application of undemocratic means in its political battles is a serious risk that will continue to threaten these relations until the election next fall.

Political competition

Political battles within Ukraine have become more radical, in conjunction with the approaching presidential election in 2004. The risk of losing power after the election is driving the existing coalition of pro-government forces to act indecorously against their competitors from the opposition. In October, the main target was Viktor Yuschenko, who faced outrageous obstacles in trying to conduct meetings in Ukraine's regions. This attitude by the government increases the threat of large-scale political upheavals closer to the election.

The conflicts between the pro-government coalition and opposition forces will intensify, which will minimise the cooperation between them. This will have a negative effect on the productivity of national policy; in turn, this will further reduce the chances of the pro-government forces of nominating a strong candidate for the presidential election. Given these conditions, the current coalition will try even harder to restrict the powers of the future president by amending the Constitution. If this does not work, the coalition could either collapse even before the election or decide to retain power at all costs—even using flagrantly illegal means.

Government policy

The increased political conflicts that are emerging not as a result of clashing ideas but due to the use of underhanded methods is worsening conditions for the implementation

Soros Network think tanks discuss joint activities in Kyiv

On 7–8 November 2003, the International Centre for Policy Studies hosted a conference of think tanks of the Open Society Institute Network, which convened in Kyiv and brought together a record-high number of participants and observers. Representatives of 37 network organisations from 16 former Communist bloc countries discussed the necessity of combining the efforts of all organisations under an international association, able to perform supranational projects on topical issues for post-totalitarian countries.

Participants in the conference acknowledged the need for strengthening the impact of non-governmental organisations on the government policy of new democracies, and highlighted the need for cooperation between organisations experienced in dealing with problems of society transformation. At the next meeting, which is to take place in May 2004 in Moldova, participants will consider an action plan and drafts of charter documents for the new association of independent think tanks.

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of effective state policy. Reform of the system of government is suffering because its initiators are focusing exclusively on their own short-term goals; meanwhile, economic reforms—especially tax reform—have completely halted.

Ukraine may obtain tactical benefits from implementing the plan to expand its economic cooperation with the EU, but its desire to have closer political ties will not be fulfilled because of insufficient progress on democratic and economic reforms. Neither will they be ramped up in the year coming up to the presidential election, although partial results in reforming the tax and social security systems are likely.

Economic environment

Ukraine's vigorous economic growth continues, with GDP for January–October increasing by 7%. This growth has been possible thanks to favourable conditions for metals exports and also to expanded domestic demand, and it has permitted constant budget revenues. According to our estimates, Ukraine's real GDP growth at year-end will be 6.5%. The hryvnia–dollar exchange rate will remain stable, while prices will increase up to 8%. As earlier, we expect that the budget will be executed with a deficit of 0.5% GDP.

Public opinion

Ukraine's economic successes are not impressing the general population; citizens' trust in government institutions

and all politicians, without exception, is falling at an accelerated pace. Although Mr. Yushenko still has the best ratings as the presidential election approaches, they do not guarantee him victory. The intensified political conflicts, which are accompanied by dirty technologies and distorted reporting in the mass media, will exacerbate the trend of falling trust on the part of the population in government institutions and politicians. At the same time, the patriotic behaviour of some pro-government and opposition politicians during the clash in the Kerch Strait could raise their ratings in upcoming months; in particular, Mr. Yushenko stands to benefit in this regard. In contrast, Mr. Yanukovich's rating could suffer in conjunction with the underhanded methods used against Yushenko in

Donetsk—a city that is associated with the Prime Minister. ■

Political Commentary offers the international community a monthly review of trends and forecasts concerning the ongoing development of Ukraine's domestic and foreign policy, allowing readers to better understand the levels and directions of changes and facilitating investors' assessment of political risks. To sign up for a regular subscription to this bulletin, please contact Maksym Korepanov at tel. +380-44-236-5464 or e-mail marketing@icps.kiev.ua. For more information on the political situation in Ukraine you are welcome to contact Ehor Sobolev at tel. +380-44-236-4477 or by e-mail esobolev@icps.kiev.ua. The Political Commentary archives are available on the ICPS web site at <http://www.icps.kiev.ua/>.

Regional NGOs continue public policy analysis

Work is ongoing on the program "Development of the Capacity of Regional Centres for Policy Analysis at the Local Level", under the framework of which non-governmental organisations, selected on a competitive basis, are implementing to analyse local socioeconomic policy in Ukraine's regions and are being trained by ICPS and the Razumkov UCEPS

On 12–13 October 2003, a regular meeting of the program was held during which network participants reported on the status of their projects:

- The DONBAS Regional Development Agency (Donetsk) presented its first data from the analysis of local policy to support the development of depressed territories, and announced the results of public hearings held in September 2003;
- The Kolomyia Region Economic Development Association identified the socioeconomic development priorities of its city, and focused on studying problems of the housing and communal sector, since this particular area was designated as a top priority not only by the city experts but also by the residents themselves during the public hearings;
- The Mykolaiv Association of Business Employers is looking at policy problems in local taxation, among which are unreconciled interests of different stakeholders and the absence of a single government body to organise and coordinate local taxation activities;
- The Western Ukrainian Resource Centre for Human Rights and Community Initiatives (Stryi, Lviv oblast) is analysing labour migration from rural communities in a particular microregion of Stryi raion. Based on the results of public hearings held in September 2003,

areas for further research have been specified;

- The Trostianets Region Business Association is designing a policy analysis paper aimed at eliminating faults in procedures for public engagement in setting the city's development priorities, which hampers effective budget allocation and development of effective local policy;
- The Centre for Municipal and Regional Development (Drohobych, Lviv oblast) noted that the main obstacle to effective local development planning was the absence of viable mechanisms for public engagement in economic and social development planning in the cities of Drohobych and Boryslav, and is channeling its efforts to overcome this problem.

A month before, a seminar on strategic planning took place as part of the program. In the course of the sessions, representatives of the six regional community organisations learned about the basics of strategic planning, design of development programs, strategy development stages, as well as methods for assessment. During the consulting part of the seminar, participants had a chance to discuss first drafts of analytical papers being developed by them on different topics of local socioeconomic development. Also, seminar participants expressed the desire to establish a network of non-governmental research organisations to

Impact studied of local authorities on economic development

A project which aimed to study the role of Ukrainian local self-government bodies in the economic development of their regions under decentralised government has been completed. In the course of the project "The Role of Local Self-government Bodies in Economic Development of Regions", the possibilities of local self-government bodies were studied as regards stimulating local economic development in the legal and economic aspects, and the authorities and limitations of local government bodies were identified with regard to economic development. The project outputs were an analytical report and recommendations for boosting the effectiveness of state local development policy in Ukraine.

The project was commissioned by the Open Society Institute's program "Local Government and Public Service Reform Initiative" (LGI) in October 2002. For further information, please contact Volodymyr Hnat at tel. +380-44-236-4116 or e-mail vhnat@icps.kiev.ua.

further perform joint interregional projects and engage in a regular exchange of information and experience between program participants. ■

The program "Development of the Capacity of Regional Centres for Policy Analysis at the Local Level" is carried out under the guidance and methodological support of the International Centre for Policy Studies jointly with the Razumkov Ukrainian Centre for Economic and Political Studies, and sponsored by the International Renaissance Foundation. For further information, please contact Volodymyr Hnat at tel. +38-044-236-4116 or e-mail vhnat@icps.kiev.ua.

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