



FRISHBERG
& PARTNERS
ATTORNEYS AT LAW



UKRAINIAN POLITICAL UPDATE BY TARAS KUZIO

FEBRUARY 21, 2008



Alex Frishberg: Ladies and Gentlemen, please allow me to introduce to you our speaker, Dr. Taras Kuzio. For those of you who do not know Mr. Kuzio or his work, he has been following Ukrainian politics since the early 1990's. He knows everything there is to know about the inner workings of Ukrainian government as well as each individual politician. Therefore his opinions are accurate, sometimes harsh, but always perceptive and interesting. So with your permission, I will open up the floor to Dr. Kuzio, who will speak as long as he wants to. Afterwards we will have a question and answer session, hopefully without anyone being slapped around, as was the case recently between Kiev's Mayor and the Minister of Internal Affairs.

Taras Kuzio: Thank you, Alex, for such a short introduction. But don't you worry, I'll compensate in length. What we have since the September 2007 pre-term elections is, in many ways, what we hoped would have been the case after the Orange Revolution of 2005, which is a breakthrough in Ukraine. In that sense I believe we should be cautiously optimistic. This is, after all, the third free election since 2004, and also the fourth election in which pro-Western reformers have won. And despite the problems that go on between Tymoshenko and Yushchenko, it's a more credible coalition than what certain international organizations and media reports talking about the Serbian pro-Western reformers who recently won Serbia's elections, and it's stretching the imagination to say that Kostunitsa is a reformer and not a nationalist. So in that sense Ukraine has passed many tests, and if you look at the three regions, which are striving to join the European Union, namely Turkey, Western Balkans and Ukraine, then Ukraine is by far, by all the judgments of think tanks and international organizations, Ukraine is the most free, the most democratic of those three regions and countries. But of course it is the only one of those three which is not in the EU membership queue.

What's also interesting and gives grounds for optimism is that we didn't have after the 2007 September elections a repeat of the disaster that occurred in the 2006 elections, where the Orange forces won the election, but then lost the coalition and government because President Yushchenko didn't want to see Tymoshenko return as prime minister. Also what's interesting in Ukraine is that the elections results were not contested. Think of Armenia and Georgia, where there is so little trust between the political forces that the opposition does not believe in the honesty of the election results in Georgia and Armenia. Now, of course that could change if the Party of Regions got less votes than last time. So that makes Ukraine different from, say, these two Trans-Caucasian countries.



Also, the Tymoshenko government is making the right noises, if that's the correct word to use, in three critical areas: (1) corruption; (2) rule of law; and especially, (3) over energy issues. The Tymoshenko block is the only large political force in Ukraine which has campaigned against using the intermediary, *RosUkrEnergo*. The Party of Regions and Victor Yushchenko have been willing to use

RosUkrEnergo, whereas Tymoshenko block has been quite consistent in opposing it. I also think that she has learned many lessons from 2005 and the mistakes are not repeated today. For example, she does not react against every criticism against her and she's not always in the news or involved in controversial issues. We can thank some very good people around Tymoshenko, and I would certainly commend Hryhoriy Nemyria, who was on our last panel, who is a big influence on her. He was very influential in moving her party from potentially joining the Socialist International to joining the center-right group, the European People's Party, in the European Parliament.

What's also very positive here is that if you look at the 27 post-Communist states, the countries which have done best in democratization then Parliamentary systems, not Presidential systems, dominate Central-Eastern Europe, whereas Presidential systems dominate the CIS. Ukraine's move, therefore, towards a Parliamentary system is a positive step for Ukraine. It psychologically and politically moves Ukraine from Eurasia to Europe. And on that issue, we have a consensus of Ukraine's elites that they don't want to return to the old constitution. So what most people are talking about today is improving the current constitution, and not going back to the Kuchma constitution. It's a good consensus to have.

What, then, are the potential threats and problems? Well, obviously, the issue of cooperation between the President and the Parliament and government. We don't know, for example, where the revised constitution, which Victor Yushchenko is talking about, is going. One of the major problems, I would hope, any revised constitution should deal with is the issue of Parliamentary Speaker and Head of the Presidential Administration. I think that it's absolutely ridiculous that to have the Head of the Presidential Secretariat comment every day on government policy and make demands to the government. Presidential chief of staff Victor Baloga should be a state civil servant. Both of these positions should be taken away from the political parties and made into neutral positions. And I think that if you put it this way, the Party of Regions would agree with this move.

And then we have a situation where President Victor Yushenko has been unable to work with two of his three Prime Ministers up until the last election. So I don't think it's just a problem of Tymoshenko. Yushenko could work with a technocrat, Yekhanurov, but not with the two party leaders who both have strong personalities, Yanukovich and Tymoshenko.



I wrote an article in November of last year about how “Our Ukraine” is the weakest link in the Orange coalition, and in the last week seven members of that party, including Baloga, have resigned from it. If somebody in “Our Ukraine” does not understand why their ratings are declining to less than 10% then they should return to the real world. They are declining because they promised to unite into a single party, which they haven't done. So now there are nine parties, where you have nine mini-hetmans in “Our Ukraine.” Seven of these nine belong to parties which are “paperovy” [i.e. they exist only on paper].

And when you have such a situation, or if members of “Our Ukraine,” such as Ivan Plushch, refuse to join the coalition, to sign the coalition accord, when that was clearly stated in the 2007 election campaign and President Yushenko campaigned for an Orange democratic coalition. How can these seven people stay as members of the Parliament yet not be in “Our Ukraine. They should resign their seats. Such actions makes “Our Ukraine” less likely to become a serious political force.

Victor Baloga is thinking of creating a new political force of disaffected members of “Our Ukraine” and the so-called “pragmatic wing” of Party of Regions, whatever that is, to include Renat Akhmetov, Raisa Bohatiorova, Borys Kolesnikov, that is obviously looking towards the 2009 elections. I don't think that the project will work. My own view is that Yushenko can only win the 2009 elections if he goes into the elections together with Tymoshenko. If he tries to go by himself, or even with the Party of Regions, he will not be re-elected I just can't imagine Donetsk voting for Yushenko, even if Akhmetov himself instructs them all to vote for Yushenko!

I think that the alliance between Yushenko and Tymoshenko would be very good for Ukraine. They have very different personalities and equally different interests, and it's just a question of

promoting trust between them and dividing up their responsibilities. But I would mention one issue that nobody talks about, which is the gender factor. I do think there is a gender factor as well as a personality factor. Yushenko finds it very difficult to work with Tymoshenko, who is a strong woman, as well as a strong personality.

In conclusion, I think that Ukraine's best bet would be to have a continued Yushenko-Tymoshenko alliance. In such a situation, Yushenko could easily win the 2009 elections. If that does not happen, if they split, then voters would be forced to choose between Yushenko or Tymoshenko with Tymoshenko winning.



I don't think Yanukovich has any chances of being re-elected as Ukraine's President for a variety of reasons. One reason is that central Ukraine decides Ukraine's elections, and somebody from Donetsk will never win central Ukraine. Central Ukraine is Ukraine's Ohio, it's a region with a large swing vote. In 1994 central Ukraine voted for Kuchma and in 2004 it voted for

Yushenko, and if it was a choice say, in the second round, between Yanukovich and Tymoshenko, Tymoshenko would win as one reason is because she dominates central Ukraine. Also, take a look at Tymoshenko's ratings today. The Tymoshenko block is approximately 10% higher in popularity than the Party of Regions. If the Party of Regions were serious about winning the 2009 Presidential elections, it would change its leader as they're not going to win with Yanukovich.

But I would be highly concerned if Yushenko was moving to repeat the September, 2005 crisis when he removed Tymoshenko because the only person who would lose from that would be Yushenko. If Yushenko gets rid of the Tymoshenko government, his ratings will plummet. I have long worried that people around Yushenko are sycophants, and I don't think he realizes, or he's not told, the realities around him. Instead, he's includes people around him telling how great he's doing instead of advisers and staff who are both loyal and critical. We have two scenarios: Tymoshenko continues as Prime Minister until the next elections and they fight the elections together. If that happens, Yushenko will win because it would be a combined coalition of the Orange camp versus Yanukovich. If they split, Tymoshenko will obviously then stand in the Presidential elections and she will win.

Apart from these domestic issues, Ukraine has moved on with WTO, of course. We have a paradoxical Ukrainian foreign policy. NATO wants Ukraine to join, but the population is saying, “maybe not.” Whereas the population wants to join the European Union, but the European Union is saying, “sorry.” On energy issues, we’re going in the right direction with the removal of



RosUkrEnergo and gradual increase in Ukraine’s price of energy from \$50 in 2004 to \$180 this year for 1,000 cubic metres of gas. I’m glad that Ukraine is less of a gas junkie then it used to be, and that its economy can survive this gradual increase.



Question: Do you really think that America is ready to elect its first black President?

Taras Kuzio: If in Virginia, the home of the Confederacy, the majority of white voters voted for Barack Obama, then yes. There are great similarities to Ukraine in 2004. Obama is the candidate of change. That might not mean anything, but he’s a candidate of change, just like

Yuschenko was in 2004, and he attracts young voters who don’t usually go to vote. Just like in Ukraine, young people in the West don’t vote. Turnout in the American Presidential elections is very low. But here, you have an election where young people are energized by Obama, just as they were energized in Ukraine in 2004 and Georgia in 2003.

Alex Frishberg: In this context, I just wanted to draw your attention to the fact that we have among us a representative of the new generation of Ukrainian leaders, a gentleman sitting to my left, Mr.



Igor Shevchenko. Because of the disillusionment of young people with the current leaders we have in Ukraine, which are basically the same old leaders of the last two decades, there is a new wave of leaders coming up. This is one of them sitting here and you will probably see his face on the television over the next few years. If you are interested, you can take a look at the brochures of his new organization and see what is going on with the younger generation of leaders.

Taras Kuzio: The difference between the United States, Canada and Europe is that in the United States people are very religious that is tied up with American nationalism. Sixty percent of Americans go to church every week. In Canada and Europe, people go to church once a year, maybe twice a year. In Britain, the Church of England is a state church, but the churches are closing because people are not going to church. The American people go to church and that church is tied into politics. That is why American conservatives are different from conservatives elsewhere and you have a religious fundamental wing.

You don't have this in Europe or Canada to that extent. In American, religion even drives foreign policy. In that sense, religious conservatives in American don't see McCain as a conservative. But, if he is facing Clinton, then they'll vote for him because they hate Clinton. Like in the Ukrainian elections four years ago, where you had people like Yanukovych with very high negative ratings, Clinton has high negative ratings because of the Bill Clinton era. See! The problem with McCain is his age — he is 70 years old. If you are a young voter in the USA, will you vote for McCain?

Question: Do you see any other presidential contenders for the next Ukrainian presidential elections?

Taras Kuzio: No, it is too early. It is impossible for someone to become a serious candidate by next year.

Question: How about (former Defence Minister) Anatoliy Hrytsenko?

Taras Kuzio: I like him. One of Yushchenko's really bad policy moves was removing the most popular Minister in the government, Hrytsenko. He was highly respected in Brussels. But, rational logic doesn't always apply. People like Hrytsenko and Lutsenko are young enough to stand in the 2014 elections. There is plenty of time. However, next year it will be the same faces.

Question: Do you think there is any chance that the next President could be elected not by the people but by the Parliament?

Taras Kuzio: A full Parliamentary system? No, because that would require a change of the Constitution, and you would need to have 300 votes for that. Yushchenko does some irrational things, but he is not going to support his position being removed completely. I don't think that Ukraine is ready for that. Ukrainians want a Hetman, they want a leader, even if it is a symbolic leader. I think that a full parliamentary system is possible down the road, but at the moment, because of the political culture in Ukraine, there is still a need for some kind of leader of the country who is not a member of the Parliament.



Question: What chance does “Parliamentarism” have to survive ahead of the presidential elections, considering that both Yushchenko and Tymoshenko are interested in strengthening the powers of the President? Maybe in different times? Tymoshenko is obviously interested in doing this a little later while she is still Prime Minister. Yushchenko immediately. What chances does the Parliamentary-Presidential system have to survive?



Taras Kuzio: I think that Ukraine's Parliamentary-Presidential system will survive because Ukraine's elites, including its business and political elites, do not want to go back to the Kuchma presidential Constitution.

Question: But the two big players?

Taras Kuzio: They are not in favor of going back to the old system.

Question: Not going back, but very similar, let's say? It is clear they want more powers.

Taras Kuzio: They want more powers, but the key question is: are you going to go back to a system where the government is controlled by the President or the government is controlled by the Parliamentary coalition? I don't think that this crucial particular aspect of the Constitution is going to change. I think there will still be a Parliamentary system in the sense of a winning Parliamentary coalition creates the government and the government comes under Parliament. I don't think that will change in any revised Constitution.

Question: We already have problems in having a government that is responsible before Parliament and the President. This situation in the media, which is one of the main causes of the political crisis, can even become worse if some of the powers are shifted to the President, even not changing the nature of the Parliamentary system.

Taras Kuzio: Right. I personally think that the problem is the Constitution itself. The Constitution, as it currently stands, is a Constitution that I believe still has a lot of strong powers for the President. For example, controlling regional governors, the Security Service, the procuracy, foreign affairs and defense and, if your coalition is in power, the Ministries of Internal Affairs and Justice. It is still a very powerful presidency. So, I don't think that the problem is the Constitution; I think that the problem is the person. I think that Yushchenko would be a weak President under any Constitution. I think he has been convinced that the problem is the Constitution, but the problem is really Yushchenko not being able to exercise his powers as an leader. I think that if it was Yanukovych or Tymoshenko in power as President under the 2006 Constitution, there would be a strong presidency.

When you talk to people on the street in Ukraine, they say that there is a lack of a "Hospodar" — a lack of a person in charge of the country. This viewpoint has to do with personality, not with the

Constitution. I think that the crucial factor is that there will be no return to a Presidential form of system where the government is under the control of the President because Ukraine's elites do not want that, including business and political elites who had enough of Kuchma playing off elites and oligarch. I think we are talking about a reform of the Constitution, not really a fundamental change. We'll have to see if these reforms will go through Parliament because you will need 300 votes in the second reading.

Question: There is a risk that they may pass a law of a constitutional nature and sort of readjust the balance of power between the Prime Minister and the President. The same way the Party of Regions did with the Cabinet of Ministers. This would be more dangerous than a proper Constitutional crisis.

Taras Kuzio: Yes, it is always easier when you have “full Parliamentary” or “full Presidential” systems than when you have a “semi-Parliamentary” or “semi-Presidential” system, which is more complex because powers need to be divided. I think this is a problem that is going to persist. I still believe that the elites have opted for a Parliamentary system. Also,



a Parliamentary system is more in tune with Ukraine's political culture — just look at the Cossack tradition. A parliamentary system also suits Ukraine's regional diversity. In that sense Russia is different — a strong Presidential system is more in tune with Russian culture.

Question: Which would be roughly the percentage that allegedly Akhmetov controls in the Party of Regions?

Taras Kuzio: I am a bit skeptical about the so-called “pragmatic wing” of the Party of Regions, but anything is possible in Ukraine's politics.

Question: May I ask one strategic question? What would be your version of the “Ukrainian national idea”? What can and should unite the country? This is probably the biggest problem now.

Taras Kuzio: I think that we underestimate the degree to which Ukraine already has a strong national idea or identity. Remember that there is a strong legacy from the Soviet era of a strong attachment to the territory of Ukraine. Whenever the Russian Parliament in the 1990s made a claim on the territory of Ukraine, a majority of Ukrainians, both Eastern and Western, voted in



Parliament to support Ukraine's territorial integrity. When Tymoshenko blocked the proposed sale by the Yanukovich government of the gas pipelines, she was able to mobilize 420 votes in Parliament, including from the Party of Regions.

We often underestimate the degree to which there is already a strong patriotism and territorial nationalism in Ukraine. The problems is more over issues of language and culture and, to some degree, how you look at history. You have to continue in some ways what was developed under Kuchma with a very liberal language policy. I don't see the reason why Russian should be elevated to a second state language. You already have a very tolerant language policy in this country. If you go to any kiosk, most of the publications are in Russian, not in Ukrainian.

In terms of national unity, I think that where the problem lies is more in terms of how the political forces should refrain from using very divisive issues, particularly in elections. The Party of Regions is most guilty of this. For example, the Party of Regions only seems to be in opposition to NATO when it is itself in opposition. When it is in government, it is in favor of NATO.

Question: The "Baloga" project was a political force or platform for Yushchenko's re-election.

Taras Kuzio: I think the Baloga project will fail because Ukraine is not Russia, as Kuchma told us four years ago. You can't create by state administrative resources and political force a victort in the next elections. Ukraine is too regionally diverse and has democratically advanced. Every time the authorities have tried to create a party of power since Kuchma has always failed. Have we all forgotten Valeriy Pustovoitenko's NDP? In 1997 they were the party of power organized by Roman Besmertniy. He was so unsuccessful with the NDP that they invited him to assist in building Peoples Union-Our Ukraine and he failed a second time. Now, he is going to try a third time with Bologa's project, but I don't think it is going to work. There is one region of Ukraine

where you can use state administrative resources to get the vote where you have machine politics (in the American sense of that term). This region is Donetsk – it is the only place in Ukraine.

Question: Maybe this explains the logic of the Baloga plan? The last elections showed that Yushchenko doesn't have a niche in the Orange electorate anymore. So the only chance left is to obtain votes in other regions that could be ensured by certain people, certain allies. Maybe this is the logic behind the Baloga project?

Taras Kuzio: I think it is stretching the definition behind the word “logic”, but I know what you are saying. Anything is possible but I will predict that this third attempt to create a party of power will again fail. Even if Donetsk votes 99% for Yushchenko, Donetsk is not Ukraine. It is not going to happen in the rest of Ukraine. In the last elections in September of 2007 Tymoshenko received 20% in many Eastern and Southern Ukrainian regions . There are two possible scenarios because time is so limited before next year's elections. If the Orange Coalition goes into the elections together then Yushchenko will win. If they go into the elections separate, then Tymoshenko will win.

Question: On which conditions can they go together?

Taras Kuzio: I think politicians have to learn to make compromises to work together. You have 18 or 19 parties in in the Italian coalition and it is difficult, but you have to compromise. If I knew Yushchenko personally I would tell him that if he wanted to be re-elected he would have to work together with Tymoshenko. Bohatiorova and Akhmetov are not going to ensure Yushchenko's re-election.



Question: If you consider the lobbyists who are behind these politicians, because it is important who is backing them and their entourage.

Taras Kuzio: Money doesn't win elections in Ukraine. That is one of the myths of 2004 when Yanukovich and Russia threw in huge amounts of money, but, as we saw then, it doesn't automatically mean you win the elections. Ukraine's elites really underestimate Ukrainian citizens and voters – they are far more intelligent than the elites realize. The Baloga project



shows how cut off from reality Ukraine's elites are and how they just don't understand that voters won't vote for this project.

Question: But, for Baloga himself, it may be very beneficial...

Taras Kuzio: Maybe that is his strategy and he doesn't care about Yushchenko. My previous

point was that if Yushchenko removes Tymoshenko for a second time, it will be the end of Yushchenko.

Question: Would you think that Yushchenko is hypnotized by Bologa?

Taras Kuzio: I think that Yushchenko is very arrogant and he doesn't listen to anybody. I think that he has sycophants around him and, therefore, I don't think that he sees reality as it is. In that sense, Yanukovych (I may not like him as a politician) is far more intelligent because Yanukovych realizes his limitations.

Question: So, your feeling would be that Ukraine needs Yushchenko?

Taras Kuzio: Ukraine needs Yushchenko and Tymoshenko who together could do transform Ukraine. I think that Yushchenko, by his nature, is a democrat. He is democratically inclined and a patriot and, for those kinds of reasons, he could do a lot for Ukraine together with Tymoshenko. But, they have to work together. Think of 2007 compared to 2006. In 2007 Our Ukraine received one Oblast (region) and in 2006 four oblasts voted for them. If I were an Our Ukraine strategist, I would understand that something is wrong here. I received the same number of votes, but the number of regions I won was reduced — so there is something wrong and something must be changed. Obviously, they don't hear the message voters are sending them and Ukraine's elites are too cut off from the average voter.

Question: May I ask another question while we are watching this other public struggle between a number of political figures. How comfortable will foreign business be in Ukraine? Do they have to lobby their own interests? Are their interests secure?

Taras Kuzio: Foreign investors (at least mid-size and small foreign investors) are not affected by political issues in Parliament and elsewhere. Ukraine has moved on so much that politics and economics are separated. Ukraine is like Italy and Poland where politics can be problematic, but the economy continues to grow. To some extent Yushchenko has not been completely successful in separating business from politics.



Comment from audience: Well, the people I speak to in different businesses are indifferent to any political development as long as there is no crisis. These sort of internal positionings of Baloga, etc. do not affect their business or interests. They are indifferent. Obviously, the ideal state is stability, but there is not great instability at the moment. The country is functioning. People in general encourage the idea that there should be a lot more reform of the legal system. People I have spoken to have been quite encouraged about the attempts to clean up the borders. Some people personally affected currently don't like the situation on the border, as they have boats and trucks waiting. But, in general for people who have invested a lot of money into Ukraine, they like the idea.

Comment from the audience: I think there are two sensitive areas. One is taxes. The American Chamber of Commerce has stated (and we've noticed) that the tax authorities have become more aggressive and that there is more pressure to fulfill their quotas. They are sometimes using very strange techniques for this.

The second point I think is re-privatization. Prime Minister Tymoshenko already saw that the idea of re-privatization, if not communicated very well, can lose foreign investment. I'm not sure if she has learned her lesson because at the moment the feedback she gives doesn't lead to that conclusion.

Comment from the audience: She is under a lot of pressure. Many people say that "this is a bad idea, but this one is good."

Question: Have you heard Prime Minister Tymoshenko limit herself to a very clear number of re-privatizations?



Comment from the audience: 28.

Question: Is this the last number?

Comment from the audience: Yes.

Question: That then is the question. It is a great communication problem.

Taras Kuzio: I don't think that Tymoshenko is going to go on a mass re-privatization spree. There is an

alternative viewpoint that Ukraine's only ever honest privatization was undertaken by Tymoshenko in the case of Kryvoryzhstal. Yes, re-privatization and oil price capping were two of her worst policies in 2005. She now understands that they were damaging to her. But, let's recall that the Yanukovich government, the one that is leaving now, was far worse in oil and gas capping and grain export quotas. One British-American gas company (Cardinal Resources) was forced out of Ukraine. I can't see that there would be support for mass re-privatization.

Question: You did mention that Ukraine was far ahead of Romania in terms of corruption in 1999. But, I've heard Romanians complaining about corruption in Ukraine now!

Taras Kuzio: It is probably a sign of the problem in Europe that every country from France eastward thinks it is worse to the east of them. Asia begins to the east of Paris!

Question: The problem may be that there is corruption everywhere, but we don't really have any corruption in Sweden. So, while it is difficult for Swedes to understand Ukrainians, it is just as difficult for Ukrainians to understand Swedes. The problem is that if you live here for 30 years, how are you supposed to understand other countries without corruption. When European contingents complain about corruption in Ukraine, correct me if I'm wrong, they probably think that it is something they have to say but really they have the same problems.

Taras Kuzio: I think that people living locally may have some interesting ideas. But, you have to differentiate between high level massive abuse of office and corruption and small-time corruption. I think it is going to be a very long haul to completely remove small types of corruption. I think you are right in that there are cultural approaches to this, even in the European Union.

Question: What is the reason for Tymoshenko joining the liberal European movement? What is the logic behind this?

Taras Kuzio: I think that it is the logic that the parties in general in Ukraine are evolving. Fatherland was created in 1999 by Tymoshenko as a moderate, center-left party, but you always had a liberal and business-liberal centrist wing. The choices would have always been the Socialist International or the centre-right European Peoples Party-European Democrats. I can't speak on behalf of Fatherland party, but they felt that it would be more akin to a moderate, centre-right than a centre-left party.

Question: How can economic changes, specifically inflation, influence the current system?

Taras Kuzio: The last four years, and again this is one of the biggest myths about Tymoshenko, the biggest inflation was under the Yanukovych governments in 2004 and 2007. These were not under the Tymoshenko government, but under the Yanukovych governments. Tymoshenko was in power in 2005 and that is not when there was the biggest inflation. These are the official statistics — 2004 inflation was higher, it was lower in 2005 and 2006, but it was higher again in 2007.



Comment from the audience: I think you have to look at the nature of inflation. Right now Tymoshenko has been working for 2-3 months. Look at how much money was put into the system over the last half year. What will happen in 6 months or a year? Specialists are already saying that there will be serious problems with the trade deficit by the end of the year. What is going to happen next?

Taras Kuzio: What would you regard as a crisis? In the last four years inflation has been between 9% and 15%. Your prediction is that it will be higher than 15%? Tymoshenko must realize that anything like that would be very damaging to her either as Prime Minister or as a potential Presidential candidate. I would think that she would be worried and cautious about this. Maybe, therefore, we're too concerned that it is going to go in that direction?

I think the biggest issue, going back to the privatization issue, is that, Tymoshenko is hoping to cover a big proportion of the money she's returning from the Oshchad Bank lost Soviet savings from privatization. Yushchenko keeps trying to block that. I don't think it is because he is in favor of not privatizing, but it is more an issue of popularity. If the privatization proceeds don't come



in, where do you obtain the funds to cover Oshchad Bank savings

Question: When you say that Ukrainians complain all the time, isn't that one of the real dangers now? If you talk to people and compare now with the dark times of the 1990s, many state that it was much better in the 1990s. Or, that it was much better in the Soviet

Union. It might be just rhetoric, but if a certain number of people believe that I think that is a danger for democracy in the mid-term run. One of the goods things for Ukraine is that there is no Vladimir Putin around.

Alex Frishberg: Actually, that is a great question and I would like to follow up. Do you think it would be useful for Ukraine to have a Putin-like character? Or, do you think that Ukraine is quite well off now with former “bandits” having taken over the government?

Taras Kuzio: A Putin - type could never take over in Ukraine, because Ukraine is so different from Russia in a whole range of issues. For one thing, Ukraine is less wealthy than Russia, so there has been far more to steal in Russia.

Alex Frishberg: The question is not whether it is possible, but whether it would be beneficial if it occurred.

Taras Kuzio: No, it wouldn't be good, but it also wouldn't be possible. Putin is a product of the post-Soviet transition in Russia. In the Soviet Union, Russian identity and Soviet power were completely intertwined. So, it is not unusual or surprising to some scholars in the West to say that Putin, a former KGB officer, has come to power in Russia. That would not be possible in Ukraine or another former Soviet republic. Remember what happened in 1991 – there was a great difference between Moscow and Kiev. After the failed coup in Moscow in 1991, Yeltsin just took over Soviet power in Moscow. There were Soviet institutions in Moscow that Gorbachev basically lost in 1991 that Yeltsin took over. So, Russia started its transition “top heavy” with massive numbers of people in the KGB, defense, foreign affairs, police, etc.

Ukraine was very different, like the other Soviet republics, because it began building its state from the bottom up. There were few institutions in Kiev in 1991. There wasn't a defense ministry, there was a KGB, but it was minute compared to that in Moscow. In that sense, Putin and the return

of the KGB to power in Russia is a very Russian phenomenon.

The other major difference is that the ideology of Putin (great power Russian nationalism) is an ideology again peculiar to Russia, which would not work in Ukraine. No President can win an election in Ukraine on a radical, nationalistic platform because of regional and linguistic diversity.



Alex Frishberg: Do you have any comments about the Russian President's comments of turning its nuclear weapons on Ukraine should it join NATO?

Taras Kuzio: I'm very glad that Putin said that. It just decreases his stature in the West as well as elsewhere. It was heavily criticized by US Secretary of State Condoleezza Rice. Putin is a very intelligent and good strategist, but he often makes very major mistakes, such as during the 2006 gas crisis when he believed that Western Europeans would support Russia and not Ukraine. When he makes comments like this on nuclear weapons, it just worsens his image even more in the West where it is already quite low. The threat was rather ridiculous because Ukraine would never host an American defense shield (and, thankfully, if a Democrat wins the 2008 US elections there will be no such thing). I think it is a mythical issue – only the Czech Republic and Poland agreed to host the defense shield. Ukraine would never agree to host it, so it is completely theoretical.

The real issue, of course, was Russia's hostility to Ukraine joining NATO. The defense shield issue was sort of thrown in there to confuse everybody by making US policy central to NATO.

Comment from the audience: It was a PR stunt that seemed to backfire?

Taras Kuzio: Yes, it completely backfired.

Comment from the audience: It was a message to Russian to Ukrainian audiences. Everyone knows that.

Taras Kuzio: But, it damages Putin's image even more in the West. It maybe good for Russians and Eastern Ukrainians, but in the civilized world it makes him look like a thug. Could you

imagine the US and Canada sitting together and the US threatening to target missiles on Canada?

Alex Frishberg: What about the scandals that plagued the Kuchma and Yushchenko regimes that have never been solved? Would you attribute the lack of resolution to, let's say, the Gongadze murder or Yuriy Kravchenko's suicide to the lack of power of the President? What other explanation can you give as to why he never even found out who poisoned him?



Taras Kuzio: I'll start on the last point and then go back. I don't understand how someone can fail to be angry that they were poisoned. Any normal person would be very angry and would want revenge. So, you are right – it is very confusing on the poisoning issue.

With respect to the general question, there are many factors at work here. I think that Yushchenko's personality and politics, going back to his time in government and as National Bank chairman, point to the fact as to why he has been like that since he has been in power. We all tend to forget the "Kuchmagate" crisis in 2000-2001. If you re-read that period of time, you will understand why Yushchenko has done little since the Orange Revolution on these issues. Why? In 2000-2001, when the "Kuchmagate" scandal began, Yushchenko's Prime Minister and his political supporters in Parliament, including Bessmertniy who was President Kuchma's representative in Parliament, defended Kuchma. The only political forces demanding Kuchma's impeachment were the Socialists and Tymoshenko.

During that period of time Yushchenko, Plusch and Kuchma signed an open letter in February of 2001 attacking the demonstrators as "fascists"? Yushchenko never complained, never protested and never resigned when Tymoshenko was arrested as Deputy Prime Minister. Yushchenko never resigned when there was a scandal surrounding the President involving a murder. We have to ask ourselves – if the Yushchenko government had never been removed in April of 2001, would Yushchenko not have served Kuchma to the end of his second term. Yushchenko would have been glad for Kuchma to make him his official successor. There is no question in my mind about that.

But, when Yushchenko was forced into opposition in April 2001, he created Our Ukraine, after which Yushchenko and Our Ukraine could never decide if they were in opposition. Between 2001 and 2003, there were two groups in opposition – there were Tymoshenko and the Socialists, who said that Kuchma should be impeached. There was Yushchenko and Our Ukraine who opposed impeachment and favoured roundtables with the authorities. After the 2002 elections, Yushchenko wanted to create a coalition with pro-Kuchma centrists, but only on the condition that Viktor Medvedchuk's Social Democratic United Party was not included.

Alex Frishberg: There was one attempt on Tymoshenko's part to actually do some damage to Kuchma when he was in Karloviye Varyi at his family's retreat. Tymoshenko asked him to come back to Ukraine and answer questions in front of the police about Gongadze's murder. But, it was dropped.

Taras Kuzio: Tymoshenko has always been very different on that score, as was the pre-2006 Socialist Party leader Oleksandr Moroz. Yushchenko and those so-called "Derzhavniki" in Our Ukraine were always willing to turn the other cheek and forget abuse of office in the interests of the Ukrainian state. The reason was that the opposition in 2001-2004 included two political forces: (i) Yushchenko and Our Ukraine, including Poroshenko who was head of the Our Ukraine campaign in 2002 and Besmertniy former President's representative in Parliament, and (ii) the more radical group led by Tymoshenko. And, the roots of today's differences go back to then. Yushchenko was always willing to cut a deal. During the Orange Revolution, there was Tymoshenko, who was very happy to lead the crowds on the streets because she is a revolutionary and a very good speaker, and Yushchenko, who was forced to become a revolutionary. Yushchenko was made into a revolutionary by Medvedchuk and others – it was not his natural condition to be a revolutionary. He was far more happy when the European Union became involved and launched the roundtables. Kuchma only agreed to the roundtable because of the huge numbers of people on the streets. At the roundtables, Kuchma cut a deal and one of the deals was immunity.



Remember when Yushchenko served Kuchma from 1994 until 2001 as National Bank chairman and Prime Minister? During all that corruption Yushchenko never said a thing. Yekhanurov was head of the State Property Fund during the worst period of privatization in the 1990s.



The “Kuchmagate” scandal issue is quite interesting as there are two different groups of people who say basically the same thing, but accuse different people. Yushchenko and his people believed that it was a Russian plot. Some people in the Ukrainian Diaspora right wing believe that as well. Whereas, Kuchma and centrists claimed that it was an American plot. In reality, it was a domestic plot (Yevhen Marchuk,

in particular, was involved). Russia and the US became involved later and used the situation to their benefit, but it doesn’t mean to say that they were involved from the beginning. The plot was to follow Russia in the sense of Yeltsin stepping down before the end of his term and transferring power to Putin. After kompromat was used against Kuchma he would step down before the end of his term and transfer power to Marchuk, who was then in Medvedchuk’s Social Democratic united party. Remember they paid Kroll associates in New York one million dollars to do a ridiculous due diligence investigation and also they had hired former Financial Times reporter Charles Clover to do the “PR” documentary for the 2002 elections that claimed “Kuchmagate” was an American conspiracy. The idea of an American conspiracy was brought from Russia – the so-called “Brzezinski Conspiracy”.

Question: As you have great knowledge of many figures going way back, I just wanted to ask a few questions on some former big figures. Do you see any chance of a comeback of Medvedchuk, Moroz or Lytvyn?

Taras Kuzio: I think of the three only the Socialists as they did have a respectful niche in Ukrainian politics from 1991-2007. But, the Socialists cannot come back to big politics with the discredited Moroz as their leader. As to the Social Democratic united Party I doubt that this party will come back, even though Medvedchuk resigned as its leader. During the Kuchma era there were three oligarchic pro-Kuchma parties – Labour Ukraine (Trudova Ukrayina), the “krysha” for one wing of the Dnipropetrovsk clan, the Party of Regions, the “krysha” for the Donetsk clan, and the Social Democratic united Party (SDPUo) who were called the Kiev clan but they had

little popularity in Kiev. The SDPUo was the only pro-Kuchma party without a home base. The Party of Regions had a strong home base in Donetsk and Labour Ukraine, to some extent, had a somewhat strong home base in Dnipropetrovsk (there was the problem that Viktor Pinchuk [Interpipe] and Ihor Kolomoyskiy [Pryvat] competed). The SDPUo tried to create a home base in Transcarpathia, but it has a very small population and it is not a wealthy region of Ukraine. So, if you don't have a home base, you can't really stay in politics because you don't have popularity. The SDPUo tried to act as the party which would counter Yushchenko in Western Ukraine by destroying his businesses. For example, Medvedchuk's brother was the head of the tax administration in Lviv. However, Western and Central Ukraine is "Orange" territory and it was therefore impossible for the SDPUo to gain popularity there.

There is also one thing that is not very well known in politics – Yanukovych dislikes Kuchma and Medvedchuk since the 2004 elections. Yanukovych believes that Medvedchuk, Lytvyn and Kuchma betrayed him in 2004, which they actually did do because the EU created a roundtable where backroom deals were done. Basically, Kuchma received what he wanted – personal immunity. There is a very famous quote,



which is published in Andrew Wilson's book on the Orange Revolution, dealing with Kuchma 3 days after the Orange Revolution begins (after the second round of the elections on November 21st) where Putin is in Brazil and Kuchma rings him and asks him what to do? Kuchma asks, "There are thousands of people on the streets, what do I do?" Putin replied "I don't know, you are the President of the country! But, if it was up to me, you would have two choices: (i) declare a state of emergency or (ii) agree with the Central Election Committee that Yanukovych is elected." Kuchma's response was "I can't let that bandit into power!" That first weekend after the second round, Yanukovych went back to Donetsk and organised the separatist congress in Severodonetsk he felt that Lytvyn, Medvedchuk and Kuchma betrayed him. Yanukovych has no interest in Medvedchuk reviving because he believes that Lytvyn and Medvedchuk were part of the central elite that saved their own skins. The whole compromise in December of 2004, where Yushchenko supported Constitutional reforms in 2006 in return for changing the Presidential election law to ensure Yushchenko's election, was Lytvyn's project.

Question: So Lytvyn and Yanukovych will not go together?



Taras Kuzio: No. You can't say never. Lytvin will go with anybody. Someone asked about the lack of ideology in Ukrainian parties; well Lytvin is the best example of an ideologically amorphous politician. Would he go with Yanukovich? Yes, he could go with either Yanukovich or with Yushchenko.

Question: The question that has been bugging me for the last 6 or 8 months is this: Was the Lytvin election project in 2007 an Orange project?

Taras Kuzio: It was an Akhmetov/Poroshenko project.

Question: For what purpose?

Taras Kuzio: Lytvin and Poroshenko are old friends. Poroshenko was first elected to Parliament in 1998 and joined the SDPUo faction. In 2000, he separated from the SDPUo and created his own faction called "Solidarnost" (Solidarity), and he received funding for that from Kuchma. Kuchma was very afraid that the SDPUo were becoming too big and he wanted to apply the old tactic of "divide and rule". So a pro-Kuchma centrist alternative was created to the SDPUo - Solidarity. A lot of Solidarity's deputies came from the Peasant (Selyanska) Party. They left Socialists with whom they had fought the 1998 elections – they were bought out and given free apartments. This is all in the Melnychenko tapes and it is really fascinating. Kuchma, Lytvin and Kravchenko, the former Minister of Interior, hated and feared Medvedchuk and the SDPUo. Kravchenko hated Medvedchuk. They were very afraid of his attempt to take over power. Remember, in 2000, there was no Party of Regions as it was created in late 2001. Kuchma was afraid of the SDPUo because in the 1998 and 1999 elections they had funded Kuchma's election campaign through Oleksandr Volkov and Ihor Bakay (using Naftogaz Ukraine funds). Volkov and Bakay were linked to Medvedchuk. Poroshenko and Yushchenko offered to Kuchma to make Lytvin the head of Our Ukraine in the 2002 elections.

Question: What is the pragmatic purpose for Lytvin being in Parliament for Poroshenko and/or Akhmetov? Why bring this person to Parliament? Because, without them, he couldn't have won the election, right?

Taras Kuzio: Well, you need money to win an election and you have to receive that money from somewhere. And, a second reason is to strengthen the so-called "pragmatic business wing" in

parliament and in the Party of Regions. If there is going to be a new Bologan project created in Parliament, it will be created by this new “centrist” force.

Question: How long do you think that this “forced marriage” of Tymoshenko and Yushchenko is going to last? It is very dangerous for the President, of course, to have Tymoshenko in opposition,



but it is also very dangerous for him to have her as Prime Minister. She is delivering on all of her election promises and her ratings are going up. Obviously, she will leave the moment she wants. This time we will not have a scenario like in 2005. She knows when she has to quit.

Taras Kuzio: I think that is the wrong reading of Tymoshenko. I really do believe that she has not made a decision to stand in the 2009 elections. I think it is a mistake to say that she has already decided she is going to run. She is being quite honest when she says that her decision to run in 2009 is dependent upon her relationship with Yushchenko. If I were an advisor to Yushchenko, I would tell him that it is better to have Tymoshenko inside than outside. If her popularity goes up, then Yushchenko’s popularity goes up if they fight an election together.

Question: There is only one way I can imagine her not running in the 2009 elections. That is if they keep the Constitution with a strong Prime Minister, and they have a sort of “gentlemen’s agreement” that Tymoshenko does what she wants. This is unacceptable for Yushchenko, especially if you have Bologan and other people around him, who want to manage the country. So, how do you see the compatibility of these two ambitions? It is obvious that she will absolutely run because there will be no way that Yushchenko would keep such a strong political leader and strong personality on his side.

Taras Kuzio: I think you’ve said it. It is not just what she is doing; it is a combination of things, her personality. If you look at the three Prime Ministers that Yushchenko has had up until last year’s elections, the one he felt most comfortable with was a technocrat, Yuriy Yekhanurov. If the project is to bring Bologan in as the new technocratic Prime Minister that would satisfy Yushchenko, but it would be his death warrant. He will not survive the removal of Tymoshenko because part of Ukrainian political culture is to support the underdog. Ukrainians have a very strong sense of justice and what happened to Tymoshenko in September of 2005 seemed to them to be wrong as she had been the key to the Orange Revolution.

I understand your logic and where it is going, but if it goes in that direction, Yushchenko is really signing his own death warrant. He would just make her into a Martyr, especially after her elections promises (like returning Oshchad Bank savings) having been fulfilled. Under the 1996 Constitution, the President could remove the government. In the 2006 Constitution, the only way the President can remove the government is by pulling his faction out of the coalition.



Question: What do you think about the resignation from Our Ukraine of seven persons?

Taras Kuzio: Those seven persons should be “men or women of honor” and resign their seats.

Question: It will be a minority government in the end because those deputies would clearly not vote?

Taras Kuzio: There is no such thing as a minority government in the Constitution. Those seven people said that they would continue to stay in the orange coalition, but not as members of Our Ukraine.

Comment from the audience: They will continue to keep their seats, but not vote and necessarily support the coalition. They will stay as faction members. What do you think is the risk?

Taras Kuzio: If that happens, then there is no coalition and you have an acting government until new elections.

Question: And, Tymoshenko will not quit?

Taras Kuzio: No, she will be the Prime Minister during the acting government until the next elections.

Comment from the audience: The Constitution says that Parliament elected through a pre-term election cannot be disbanded during the following 12 months. But, if Parliament does not work for 30 days in a row, the President has the right to disband it.

Taras Kuzio: Yes, it is true that the President has the right to disband Parliament if it doesn't work for 30 consecutive days. But, this is only a right; he doesn't have to act on such right.

Question: But, we know the President will disband Parliament if he has a chance?

Taras Kuzio: No, we don't know with Yushchenko. I flew into Ukraine on April 2nd of last year. Nobody expected him to sign a Decree then. Nobody expected Yushchenko to remove Tymoshenko in September of 2005. Two to three weeks before on Independence Day (August 24th) Yushchenko told the crowds in Kiev that this is the best government in Europe. But, two weeks later he removed the government!

Comment from the audience: I think that Ukraine will be consolidated into a political landscape with two parties. There will simply be a pro-Western party and a pro-Russian party.



Taras Kuzio: Usually you only have two parties in systems like America, Canada or Britain. With a proportional system (especially with a low threshold of 3 percent), you will always have small parties coming in, such as Our Ukraine, who could receive 10 percent.

Comment from the audience: The Communist party will not be around in 5 years.

Comment from the audience: And, Lytvyn wouldn't have qualified without corruption and financing from these parties. Excluding those factors, there are only 3 legitimate parties and Our Ukraine is about to die in 2 years. I think it will just be a bi-polar system.

Taras Kuzio: And, I think they will probably increase the threshold to 4 percent, which would ruin Lytvyn's chances to enter parliament.

Comment from the audience: A journalist from Channel 5 was sacked in January because Poroshenko was annoyed by his reporting. One of the things he was fired for was when he started digging into the role of financing for Lytvyn's campaign and the fact that a lot of voters were bribed. I asked the journalist and he said he just was fired for investigative journalism. What do you think of this situation? Are journalists allowed to do investigative reporting? His answer basically was that it depends on who the owner of the media resource is.

Taras Kuzio: So, he was investigating Lytvyn's funding from Poroshenko?

**Comment from the audience:**

One thing that shocked me was that Lytvi was elected. After 2004, he was pretty much finished.

Taras Kuzio: I agree with you that Lytvin was finished. However, Yushchenko, Poroshenko and Pliushch were very close to him and they were thankful to him for two things.

Firstly, for keeping Parliament

open during the Orange Revolution and for allowing Parliament to vote no confidence in the Yanukovych government and voting to overturn the central election decision making Yanukov. Secondly, during the roundtables.

Comment from the audience: I think that Ukrainians made their voting decisions based on their emotions. The emotional issues are always culture, language, etc. After living here for 3 years, I am convinced that this is a huge factor in people's voting.

Taras Kuzio: But, when these things are asked in opinion polls, these things are usually low down on the list of voter priorities.

Taras Kuzio: Does language matter when you vote?

Comment from the audience: Well, someone from Kiev is usually bi-lingual. But, if you go to Eastern Ukraine, they are not bi-lingual.



Taras Kuzio: Again, Eastern Ukraine and Southern Ukraine is not one group as we saw in the elections. In Eastern Ukraine 70-80% voted for Yanukovych but Kherson voted 45-50% and Sumy 80% for Yushchenko. It certainly is the case that the Crimea and Donetsk are hard-line



anti-orange. I'm always cautious because it is wrong to lump the whole of Eastern Ukraine together. Tymoshenko did very well in the last elections in some regions of Eastern Ukraine.

Question: Who do you think will be the next President of Ukraine?

Taras Kuzio: Yushchenko or Tymoshenko. Yushchenko only if he fights the elections with Tymoshenko. It will never be Yanukovych.

Question: Even if the Party of Regions put forth a better candidate than Yanukovych?

Taras Kuzio: It is too late.

Question: There is too much invested in Yanukovych?

Taras Kuzio: It is simply too late. There is only one and a half year until the elections.

Comment from the audience: But a year ago no one knew who Mike Huckabee was.



Taras Kuzio: Yes, and where is Huckabee now? Huckabee has a voter base — religious fundamentalists in the Republican Party.

Comment from the audience: My theory is that the Party of Regions have a certain group of voters who will vote for whatever candidate is put forth by them.

Taras Kuzio: This is only true in Donetsk but not throughout Ukraine. I agree with you that Donetsk in that sense is like Russia as machine politics works. But, the whole of Ukraine is unlike Donetsk.

Question: But, you would agree that Yanukovych's peek has already passed.

Taras Kuzio: He is finished. The Party of Regions has to take two steps. Firstly, it has to change its leader to someone without the baggage of criminality and of election fraud. Secondly, they also need to bring intellectual blood in because after Yevhen Kushnarov's death they are weak in this regard.

Alex Frishberg: On this note, I would like to thank our guest speaker, Mr. Taras Kuzio, for his insights into the murky waters of Ukrainian politics.



