Independence Years
Dashed Hopes and Lost Opportunities
“You can’t be a real country unless you have a beer and an airline — it helps if you have some kind of football team, or some nuclear weapons, but at the very least you need a beer.”

Frank Zappa
Rukh

• Leadership -- intellectuals, nationalists
• March 1990 elections to Supreme Soviet
  • Win 25%, compared to Baltic Equivalent of 90%
  • Geographic divisions
• Out of touch with people's concerns
To Be or Not to Be

• Not a clear path to Independence as in Baltics

• Evolved toward independence from concept of more limited sovereignty

• Kravchuk, communist, elected chair of Parliament 1991
Failed Coup
Moscow August 19, 1991
Independence Realized

- August 24 Parliament votes for Independence
- December 1 Ukrainian Referendum
- December 7-8 Belavezha Accord
Budapest Agreement
December 1994

- Ukraine, Belarus and Kazakhstan sign NPT as non-nuclear states
- U.S, UK and Russia sign Budapest agreement
- Protect the three against threats to territorial integrity and political independence
Leonid Kravchuk
1991-94

• 1991 Elected with 61%
• No Mandate for Reform
• Soviet Style Politics
• Cautiously embraces Ukrainian Nationalism
• Nationalists - Democrats never build momentum
Leonid Kuchma
1994-2005

• Russophone

• Ties to oligarchs, Organized crime

• Increasing Authoritarianism, control of economy, media

• Launches economic reform, but no follow-through

• Passes first post-Soviet Constitution
  • Little bit for right, left and center

• 1999 elections get even dirtier
Economy

- 1993 inflation reaches 5,371%
- 1994-96 Some stability, but GDP half of 1991 levels
- Persistent trade and budget deficits
- Service Culture grows
- Barter
- Kravchuk - prints money, handouts to regional elites
Privatization
Slow and Distorted

• Asset stripping, sole tenders, rigged auctions,

• “Biznez” — getting permit, tax holiday to export what is already produced

• Tolling — divert production to shell companies owned by bosses to sell at market price

• Most money outside banking system

• Shadow economy: 23% employment 55% GDP
Bread Basket's Underutilized Potential

- Land formally privatized in early 2000s....but not tradeable
- Some leasing, but undervalued
- Semi-private monopsonists
- State ownings include grain elevators
Mineral Resources

- Estimated 5% of world's mineral resources
- Biggest supply of titanium
- 3rd largest supply of iron ore
- 27% GDP and 35-40% total exports (2007-2009)
- Very murky, corrupt ownership and control
Energy Issues

• Dependency on Russia
• Pricing, Politics and the Economy
• Corruption
• Lack of Reform
• Russian “weapon”
Gas Pipelines
Russia-Europe
Coal Sector

- Stopped privatization from 2004-2010
- Largest producing company owned by Akmetov
- In 2011 120 or 140 coal mines still state-owned
- Huge reserves, but inefficient, under capitalized
Military

• Inherits 800,000 Soviet officers and soldiers

• Conscripts and NCOs return home

• 75,000 Russian officers — choice to swear allegiance to Ukraine or return home
  • 10,000 refuse

• Crisis over Black Sea Fleet in 1992
  • 1995 agree to divide it (18% to Ukraine)
  • Agree Russian Fleet remain until 2017.
  • Friendship Treaty in 1997 (Duma ratifies in 1999)

• 1994 Ukraine signs Partnership for Peace agreement with NATO
Modest Recovery and Rise of Viktor Yusheneko

- Good policies under Yusheneko as chairman of National Bank
- 1998 Cooperation Agreement with EU goes into force
- Prime Minister in 1999 until forced out by Kuchma May 2001
- Economy grew by 6% in 2000; 9.2% in 2001
- March 2002 elections
  - “Our Ukraine” 31%; radicals and communists 45%
  - Kuchma buys off independents to form coalition
Orange Revolution November 2004
Election Fraud

• Kuchma two term limit - Yankovich is chosen successor

• November 21 Presidential runoff

• Exit polls show Yushenko with 52%, Yankovich 43%

• Election results: Yanukovich over Yushenko by 2.5%

• Central Election Commission Manipulation of Results
Revolution

• 17 days of protests on Maidan
• Yushenko declares his self President
• Calls for nationwide strike
• Yanukovich demands force but Ministry of Interior and Secret Service forces support people
• New elections December 26 - Yushenko 52%; Yanukovich 44%