

EIR: How developed is the transportation system? Belarus is obviously in the center of Europe, and a main route for East-West trade. Is there still a need for further development of the transportation grid to facilitate increased trade?

Khvostov: There's still a lot to be done, especially with the transportation system to the European Union. We have started to discuss how to build the transportation grid for products to and from the European Union. Since we have a different rail gauge, all this changing of rail cars on the frontier with Poland could be made more efficient. Also we have good highways and good air transportation, pipelines going from Russia to the European Union. And I think it is in the interest of the European Union to invest in the transportation infrastructure in Belarus. We realized one project and set up a direct Berlin-to-Moscow highway through Minsk, which is very efficient.

EIR: In conclusion: The U.S. now is threatening some form of sanctions, targeting particularly diplomatic exchanges and travel. What effect do you think these will have? And are you concerned about any escalation by the United States which might impose more drastic economic sanctions? How would these affect Belarus? And how have the Europeans reacted to that?

Khvostov: We have to separate politics and the economics. From the political point of view, yes, there are declarations coming from the European Union and the member countries saying they don't like the political situation, and they won't recognize the government. But I think that is a violation of the provisions of the OSCE documents, which say that there should be no restrictions in cooperation within the European continent. This is important.

There is no fear in Belarus. We have Russia, China, India, Brazil. And from the political point of view, it would be a mistake, a shame, for the European Union not to propose cooperation. From the economic point of view, I would say that the countries of the European Union are also dependent on the products coming from Belarus. Look at that 45% of our production going to the European market. So that there will be an impact on their local economies. We are fully competitive in most of these products, which means there is a market, not only in Europe. There may be problems for Belarus in finding ways to channel this production to other markets, but we will easily do that. The Russian market will take everything we produce, but there is also Brazil and China. And from this point of view, I don't see a serious impact on our economy. On the contrary, I think that such an entity as the European Union should always be trying to find a way to ease the situation, rather than to set fire to the situation. To impose sanctions on travel—this will also be a violation of the norms of the Copenhagen Document, which provides that there should be no restrictions of travel from one country to another in Europe. But we are not frightened by this situation. Besides, the world is not so small!

Voters Lash 'Orange' President in Ukraine

by Rachel Douglas

"The opposition had nothing to offer anybody," was the comment I heard from one after another Belarusian acquaintance, in the wake of that country's election, with its failed, Western-backed attempt to stage yet another "color revolution" in Eastern Europe. One week later, on March 26, the Our Ukraine party of President Victor Yushchenko—the former opposition leader who was victorious in the Orange Revolution just 15 months before—failed miserably in Parliamentary elections. It turned out that he hadn't had anything to offer, either.

What happens in the economy matters to people in Ukraine, which suffered shock after shock during the 1990s, as industries shut down, workers fled abroad in search of jobs, leaving 1 million unemployed still in the country, and people's savings were wiped out by currency devaluations. The economic highlights of 2005 were: consumer price inflation running close to 15%, a surge in gasoline prices in the Spring, the natural gas price dispute with Russia's Gazprom at year's end (as the Russians pushed to impose world market prices), and the sale of one of the country's largest steel plants to the globalist Mittal empire.

Yushchenko boasted about his success in obtaining \$4.8 billion from Mittal in this reprivatization of Kryvorizhstal. His government had cancelled its first sale as having been underpriced and based on corruption. But the question of how to spend the proceeds was quickly swamped in factional squabbles, while the President's political opponents could argue with justification: "Mittal is going to shift the plant to using coal from mines Mittal owns in Kazakstan, double the amount of Ukrainian iron ore being exported to its plants in other countries, and reduce the product range to a handful of the cheapest products, which will be used as semimanufactures at Mittal Steel plants elsewhere. Thus 20% of Ukraine's own metal is simply being expropriated, and our domestic machine-building and construction industries will have to re-import essentially our own metal at the relevant prices."

Throughout it all, Yushchenko, a farm-sector accountant and banker, stuck to his posture that the way to a better life for Ukraine was to join the World Trade Organization and the European Union—the same European Union whose Maastricht basic documents require the free trade practices that are ravaging member countries. "Our place is in the European Union and my goal is 'Ukraine in United Europe,'" proclaimed Yushchenko in his inaugural speech in 2005.

A few days later, in Davos, Switzerland, at the World

Economic Forum, Yushchenko said his fervent hope was “to meet all the requirements necessary for joining the WTO by November.” That didn’t happen. In July, fistfights broke out in the Supreme Rada (Parliament) over some of the laws required for WTO accession. The goal remains on Ukraine’s agenda. Yushchenko fought all year to achieve recognition by the EU (announced in December 2005) and the United States (February 2006) of Ukraine as “a market economy.”

In the March 26 election, as one of Yushchenko’s aides eloquently put it, “the result received by the Our Ukraine bloc was connected, in part, with the low level of popularity of the party in power.” That result was 13.94%, as against Yushchenko’s 39% in the first round of the 2004 Presidential election, and the 52% with which he was elected in the repeat running of the second round, during the “orange” insurgency.

Four other parties will enter the Supreme Rada, the highest vote-getter being the Party of Regions (32.12%), led by the man Yushchenko defeated in 2004, ex-Premier Victor Yanukovich. The Bloc of Yulia Tymoshenko, co-figurehead of the orange revolution, got 22.27%, the Socialist Party (Alexander Moroz)—5.67%, and the Communist Party (Pyotr Symonenko)—3.66%. The People’s Opposition bloc of economist Natalia Vitrenko came within a hair’s breadth of the 3% threshold for entry into the Supreme Rada, being credited with 2.93% of the vote. By the end of the week after the vote, Vitrenko, Yushchenko, Tymoshenko, and Speaker of the Supreme Rada, Volodymyr Lytvyn, whose bloc got 2.43%, had all charged that vote fraud took place. The paper ballots are now to be recounted at Central Election Commission headquarters.

Coalition Government?

Negotiations over a new coalition government have started, but any agreement reached will go into effect only after May 10, when the new Supreme Rada convenes. Constitutional changes, forced by the Orange Revolution and effective Jan. 1, 2006, have cut the Ukrainian President’s powers, including those to form a government, and enhanced those of the Parliament.

Yulia Tymoshenko continued the “orange” operation into this election, exploiting her dismissal by Yushchenko from the post of Prime Minister on Sept. 8. They had clashed since early 2005. Where Yushchenko was prepared to reconsider about 30 major privatizations, Tymoshenko wanted to review 3,000 of them with an eye towards cancellation and resale. When gasoline prices spiked last Spring, Tymoshenko slapped a cap on them, which Yushchenko lifted a month later. Thus Tymoshenko, who has a shady business background, and who last year was captured on tape talking about Ukrainian voters as “biomass,” cast herself as a populist. Having been out of office during the natural gas price showdown with Gazprom, she campaigned on promises to cancel the agreement.

Tymoshenko had expert image-makers, keeping her

Ukrainian peasant hairdo, but switching the “orange” motif for a red heart, styled as if hastily drawn with lipstick on a white background, and captioned “Vote Yulia’s Bloc.” Even with only 22% of the total vote, Tymoshenko came in first in 14 out of Ukraine’s 24 regions. Yanukovich won decisively in the eastern and southern areas.

On March 28 Yushchenko held separate talks with Yanukovich, Tymoshenko, and Moroz. Socialist Party leader Moroz is circulating a memorandum as the basis for a coalition government, in which one noteworthy point is dropping the intention to enter NATO. His party is a potential partner in a new, sure-to-fail “orange” coalition with Yushchenko and Tymoshenko. As for a possible coalition, Foreign Minister Boris Tarasyuk of the Our Ukraine-Party of Regions (who took the point in a nasty clash with Russia over Black Sea Fleet facilities in Crimea in January 2006, on the heels of the natural gas price wars), revealed that Yushchenko had laid out three conditions to Yanukovich for coalition talks: Drop Yanukovich’s advocacy of “soft federalism,” i.e., some disconnection between the way the east and west of Ukraine are governed; stop demanding that Russian have the status of an official language alongside Ukrainian; and reorient from Russia towards the European Union.

Taras Chornovil, a member of the Party of Regions executive committee, said March 28 that one of the options for Yanukovich’s party is “to go into opposition and wait for an ‘orange’ coalition to be destroyed from within. Then we’ll be able to dictate our terms in the creation of a new coalition.” Chornovil said that “the best coalition would be a left center one, but that is unlikely to happen. If Lytvyn’s bloc had entered the Supreme Rada, we would have had a chance to form a government with them and the Communists.” Chornovil expressed skepticism about the Our Ukraine-Party of Regions scenario, commenting that grand coalitions have an unimpressive history in various countries, including Germany.

Asked what positions the Party of Regions would seek in any coalition government, Chornovil said, “We are prepared to assume responsibility for the entire economic policy area. Given a completely free hand, we would be able to get the economic situation out of the crisis.” Party of Regions candidates frequently mentioned their Strategy for the Economic Development of Ukraine, although its content was not widely known to voters. It is far from impressive, especially insofar as it pays lip-service to the achievement of a “post-industrial” economy as an end goal. But it rightly stresses Ukraine’s skilled labor and scientific capabilities as the country’s greatest strength, recognizes that repairing rail systems and other infrastructure is important, and advocates government action to promote basic science, technological experimentation, and incentives for domestic manufacturing, including the aerospace sector. In a setting where the failure of globalization will force changes in the economic policies of other major nations, it is an outlook that could lead to something viable for Ukraine.