



BREAKING NEWS FROM UKRAINE

• NEW PRIME MINISTER

President Leonid Kravchuk named a state mining executive on September 22 as acting Prime Minister to replace outgoing Leonid Kuchma. Yuchym Zviahytsky, 60, had served since June as deputy premier in Kuchma's government and was closely identified with reactionary interests in parliament who advocate continued large-scale state involvement in industry and close economic ties with neighbouring Russia. Zviahytsky, who was nominated acting prime minister on September 22, will stay on until Kravchuk proposes a new candidate.

• DEFENCE MINISTER STEPS DOWN

Defence Minister Konstantyn Morozov resigned October 4, citing conflicts with hardliners in Parliament and worries about the effects of Moscow's political crisis on Ukraine. President Kravchuk appointed General Ivan Bizhan, 52, acting defence minister.

• PRESIDENT TAKES CHARGE OF ECONOMY

President Kravchuk issued a decree September 27 giving him full control of the executive branch of government after parliament demanded he assume responsibility for Ukraine's faltering economy. The decree followed parliament's approval for early legislative and presidential elections in 1994. Kravchuk said he was taking over the administration and decree-making powers of government in order to have full control of the economy.

• KRAVCHUK TEAM TO OVERSEE REFORMS

President Kravchuk appointed a mixed team of reformers and conservatives on September 28 to consolidate his pledge to speed reforms and overcome Ukraine's economic crisis. Kravchuk named the coordinating committee a day after he took over direct control of government to implement reforms. The committee brings together parliamentary chairman Ivan Pliushch, acting Prime Minister Yuchym Zviahytsky, Central Bank chief Viktor Yushchenko, Finance Minister Hryhory Pyatachenko, two economists and two bankers.

*** *Exclusive to the Monitor* ***

ECONOMIC AND FOREIGN POLICY ISSUES CONFRONTING UKRAINE

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In Ukraine, the process of economic transition has encountered a number of obstacles, a major one being the lack of a proper legal framework for the operation of a market economy.

The Supreme Rada (Parliament) accepted *in theory* that private property is to have the same rights as public and state property. However, Parliament was too afraid to turn land and other objects of the economy into a commodity, subjected to the laws of private property. The mechanisms of carrying out our privatization have yet to be established. Worried by the threat of unemployment and by rampant speculation, some deputies favour a moratorium on privatization until such time as there occurs a semblance of economic stabilization. Nostalgia for the communist era - when all were equal in poverty - has engulfed some people, especially those of the older generation. Many officials at the local level sabotage even the timid measures of privatization which were enacted. The heads of collective farms and the directors of enterprises are mostly against privatization. The old system suited them; the state assumed all responsibility and they did not have to think for themselves or show initiative. Under these conditions, we have been unable to create a sizable propertied middle class who are the basis of the stability and prosperity of all modern contemporary societies.

DEVELOPMENT OF MARKET RELATIONS

Nonetheless, the development of market relations has begun. We have more than 6,000 private farms whose level of productivity is much higher than the

collective farm sector. We have private restaurants and hotels, even private factories and mines as well as numerous joint-stock agricultural and industrial enterprises: this, too, is the economic reality of Ukraine.

A characteristic feature of this period is the reorientation of many enterprises from the Eastern to Western markets, and the development of serious partnerships with Polish, German and Austrian companies. An example is the Ternopil enterprise, Vatra, a factory which produces six million light-bulbs annually. Unable to secure supplies from Russia and Belarus, the factory had to suspend its activities. Vatra directors began to seek needed materials in Poland - found them - and now they have a joint venture with the Belgian company, Schroeder, and work also with Siemens and General Electric. Today, Vatra products are sold in Germany.

The most important achievement of our economy in the last year is the success that many of our enterprises have had in securing Ukrainian suppliers for their component parts. For example, until recently, the Lviv bus factory was entirely dependent upon other republics for its supplies. Today, they have found reliable suppliers closer to home right in Ukraine.

Ukraine is in a position to supply Western markets with unique and competitive products. For example, it is well known that we build some of the best transport airplanes and space