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It can be called a tale of two countries. Both Ukraine and Moldova, republics of the Soviet Union until declaring independence in 1991, recently held parliamentary elections. In Ukraine, voters elected more center-right pro-business legislators to office than communists and left-wing socialists. In neighboring Moldova, years of economic decline in this mostly agricultural country brought the Communist Party back to power.

Ukraine's March 31 parliamentary election was a major victory for pro-business parties. Final election results point to economic reformers holding a solid majority in that country's 450-seat parliament, with the communist and socialist parties occupying less than 100 seats. However, pro-business deputies can be split into two groups: pro-

## Ukraine Election Boosts Pro-Business Factions

A Report by Myron Wasyluk, The PBN Company's Senior Vice President and Managing Director•Ukraine.

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## Ukraine at a Glance

Statistics on Ukraine's Government and Economy and PBN's Kyiv Operations.

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## Democracy Tastes Bitter in Moldova

A Report by Vica Guzun, The PBN Company's Managing Director•Moldova.

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## Moldova at a Glance

Statistics on Moldova's Government and Economy and PBN's Chisinau Operations.

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democracy legislators, who share western political values on the one hand; and those aligned with sitting President Leonid Kuchma, who rules with semi-authoritarian methods from the Soviet past.

In the neighboring small country of Moldova, the Communist Party holds an overwhelming majority in the parliament as well as the presidency for the first time since that country won independence in 1991. However, recent government edicts have led to a sustained and growing popular uprising. What has been called a fight for the soul of the country recently culminated in an 80,000-strong protest on April 1 which brought out students, politicians, professionals and homemakers concerned that their hard-fought freedoms and independence were being eroded away by the communist-dominated government.

This edition of Access PBN contains dispatches from two senior PBN staffers on the political situation in Ukraine and Moldova. In the first, The PBN Company's Senior Vice President Myron Wasyluk explains that while the pro-business factions have won a ruling majority in the parliament, internal discord and disagreements threaten their ability to lead. Victoria Guzun, who has served as The PBN Company's Managing Director in Moldova since 1993, provides insight on the social and political strife that calls into questions the very independence of the country.

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## Ukraine Election Boosts Pro-Business Factions

Four of the six winning political parties in Ukraine's March 31 parliamentary election are pro-business, giving renewed optimism that meaningful economic reforms will finally be realized in Ukraine, a country that is the size of France with a population of 50 million.

Early vote counts show that a coalition of reformist democratic forces led by Victor Yushchenko won 120 seats, which is slightly more than a fourth of the mandates in Ukraine's legislature. They were followed by the "For United Ukraine" bloc with 110 seats, which is headed by President Leonid Kuchma's Chief of Staff, Volodymyr Lytvyn.

Despite their control of the country's two most popular television stations, Social Democrats and their leader Victor Medvechuk won only 27 seats. Julia Tymoshenko, a democratic opposition leader and ardent Kuchma critic who openly opposes the oligarch business barons around him, placed fourth in the poll with 24 seats.

Together these four blocs make up the pro-business parties and account for slightly more than 280 seats in the 450-seat chamber. Another 70 seats in the legislature were won by independent candidates, many yet unknown in the capital. A simple majority of 226 votes is needed to pass legislation, while changes to the constitution require 301 votes.

For the first time in independent Ukraine's history, communists and their socialist brethren, the remaining two parties elected to office, have less than 100 seats in the legislature and will be unable to block economic reform legislation. But, as the political trading begins to form a ruling majority, the left could be decisive in determining who leads parliament.

### Points of Divergence

Wounds inflicted during the campaign fight among the pro-

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**Kyiv, March 31, 2002**  
**Mr. Yushchenko of the top vote-getting party holds a news conference, while Ukrainian voters go to the polls to support their democratic rights.**  
**photos: © Irex ProMedia**

business political groups will be slow in healing. While they were once united in 1999 by then Prime Minister Yushchenko, the four pro-business parties today differ on support for sitting President Leonid Kuchma and on fundamentals such as western democratic values, free markets and transparency.

Immediately after the election, political forces began coalescing around Lytvyn and Yushchenko. The Lytvyn bloc wasted little time in calling on Yushchenko and Medvechuk to form a majority. But Yushchenko has ruled out any formal coalition with the Social Democrats, who ousted him from the Prime Minister's seat last spring. Yushchenko is also deeply bruised from the campaign fight with heavy-handed state bureaucrats controlled by Lytvyn, who harassed his campaign workers, shut down pre-election rallies and instituted a virtual ban on nationwide and regional television coverage. Bolstered by a strong showing in the polls, the Yushchenko camp is wary of being used once again as a fig leaf masking the dubious business practices of pro-Kuchma allies.

Many analysts predict that talks between Lytvyn and Yushchenko will be difficult, as such an alliance is certain to strain fragile relations within Yushchenko's own party and among opposition democrats. The talks are all the more difficult, as among the potential majority leaders are a number of presidential contenders interested in favorable positioning before the 2004 poll.

Within the democratic camp all eyes are on Yushchenko. Many hope he will take the next step in uniting Julia Tymoshenko with independently elected deputies and coalescing with the business community to form a powerful democratic bloc that challenges the ruling regime. Pro-business deputies from the eastern Donetsk and Luhansk regions could be swayed to join the Yushchenko camp. While this scenario has some merit, it is unlikely that the pragmatic Yushchenko will begin his parliamentary tenure picking a fight with President Kuchma. As well, media talk of a linkage between Yushchenko, Tymoshenko and the Socialists' Moroz is more unlikely given that reform oriented democrats will not sacrifice their support for the fundamental issue of land privatization by bringing Moroz into their ranks.

If Lytvyn is unsuccessful in uniting with Yushchenko, his second option is to coalesce with Social Democrats, independents and communists. With Social Democratic media resources, Lytvyn could isolate and severely damage Yushchenko. But, given the latter's strong showing among voters in this past election, such a move by Lytvyn would be widely unpopular and would provide Yushchenko the platform from which to challenge the regime in the upcoming 2004 presidential election.

### **Election Reforms**

The March 31, 2002 elections also represented significant progress in Ukraine's election reform efforts. Both U.S. and European official observers indicated that the March 31 parliamentary poll represented significant progress over the 1998 parliamentary elections. Russia's Ambassador to

Ukraine, Victor Chernomyrdin, also proclaimed that the March 31 elections were “democratic and transparent.”

However, the elections were not without criticism and controversy, both within and outside Ukraine’s borders. Claims that the Government of Ukraine did not provide an even playing field for all parties and favored only those not critical of the incumbent regime has prompted follow-up missions from American and European international organizations to assess the extent to which international commitments and standards for democracy were actually met.

Ukrainians are accustomed to Byzantine political deals brokered behind closed doors. Time will tell whether reformers bolstered in the March 31 poll will give in to the old ways or open a new door in the history of independent Ukraine.

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## Ukraine at a Glance

### Ukraine at a Glance

Population:	50,500,000
Size:	603,700 sq.km
Current President:	Leonid Kuchma
Most Recent Presidential Election:	October 1999
Next Presidential Election:	October 2004
Size of Parliament:	450 Members
Most Recent Parliamentary Election:	March 31, 2002
Next Parliamentary Elections:	March 2006
Year of Independence:	August 24, 1991
Total GDP:	USD 39.6 billion
GDP Growth 2001:	9.1%
Official Unemployment Rate:	2.3%

### PBN in Ukraine

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## Democracy Tastes Bitter in Moldova

Though Moldova, the smallest of the former Soviet republics, obtained its independence in 1991, nobody can tell for sure how long it will last. The threat to this fragile independence came with the victory of the Communist Party in the winter 2001 parliamentary elections. As one of the poorest European countries, the Moldovan population turned back to the Communist Party, based on promises of economic progress and with nostalgic memories of Soviet times. Today, the Communist Party holds a solid majority in the country's 101 member Parliament as well as the presidency, with the election of Vladimir Voronin in April 2001.

At stake, as summarized in a recent *Wall Street Journal* article, is the country's "soul" and future of independence, economic reform and social liberties. On one side are the Communist Party and the Russian community, which favors closer ties with Russia and a return to many of the previous Soviet policies. On the other side are sympathizers of the Christian Democratic Party who favor close relations with Romania and the West.

The government's recent decision to mandate a Russian language curriculum starting in the second grade and a revisionist history of Moldova, with a decidedly pro-Soviet bent prompted a series of populist demonstrations by a citizenry increasingly worried about their freedoms and independence being stripped away.

Other factors behind the protests include the governing party's failure to improve economic conditions and the imminent default on Moldova's international debt. If and when this happens later in the year, protests and the political crisis could grow dramatically.

### Protesters to the Street

Thousands of students, professors, doctors, journalists and many others have united in anti-communist protests that have already lasted more than three months. The largest took place on April 1, with 80,000 protestors taking to the street around the clock. Protesters have spread tents near the parliament's headquarters and official residence of President Voronin and spend days and nights chanting anti-communist slogans, dancing and playing football and rugby. They block the main street from traffic and commerce, despite a heavy police presence.

The street demonstrations intensified with the disappearance of

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**An estimated 80,000 Moldovans took to the streets on April 1 to protest communist leadership.**

Christian Democratic Deputy Vlad Cubreacov, well-known for the initiation and support of the anti-communist campaign. More oil was thrown on the flames when the government imposed censorship on the mass media, and lifted the parliamentary immunity of two opposition party leaders, Iurie Rosca and Stefan Secareanu, leaving them open to prosecution for their role in organizing the protests.

So far, the Communist leadership regards the protests and meetings as illegal and the protestors' demands as absurd. However, faced with growing opposition, the Government has suspended both of its earlier education edicts on mandatory Russian training and revisionist Moldovan history.

We, who live and work in Moldova, marvel at the lack of unanimity on these fundamental questions. There are those who want to speak their own language and study their own history, which they see as part of the history of the Western world and style of life. There are those that live in the past, with a pro-Soviet orientation. Regrettably, there are also those who are confused, misguided by the propaganda and uncertain where the truth lies. It might be typical for a fledgling democracy. But how bitter can its early fruits taste?

My colleagues and I at The PBN Company have lived through the highs and lows of this nation's transition. Unfortunately, we report that the current state of affairs in Moldova is as turbulent as ever. However, we are confident that the very "soul" of our nation is resilient and optimistic that common sense will prevail, allowing Moldova to resume development along the road to democracy and economic prosperity.

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## Moldova at a Glance

Moldova at a Glance	
Population:	4,431,570
Size:	33,700 sq. km
Current President:	Vladimir Voronin
Most Recent Presidential Election:	April 4, 2001
Next Presidential Election:	2005
Size of Parliament:	101 members
Most Recent Parliamentary Election:	February 25, 2001
Next Parliamentary Elections:	2005
Year of Independence:	August 27, 1991
Total GDP:	USD 1.6 billion
GDP Growth 2001:	6.1%
Official Unemployment Rate:	2%
Unemployment rate by International Labor Organization:	6.3%

### PBN in Moldova

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