Leaders dither while Ukraine goes broke

THE QUESTION on everyone's lips in Kiev today is whether Ukraine is missing out on its chance to build independence. The second most populous republic of the old Soviet Union, providing 25 per cent of its annual GDP, is stuck in an economic quagmire.

The Central Bank in Moscow drastically cut the flow of roubles into the republic in the first six months of this year, from the promised 9bn (£3.6bn at the commercial rate) to less than 3bn. Leonid Kravchuk, chairman of the Ukrainian Supreme Soviet, said: "We simply do not have enough money in circulation." With 25 per cent of banknotes wearing out each year, and price and wage rises in the offing, the state may soon be unable to pay workers in roubles. Mr Kravchuk says the only solution is the new Ukrainian currency – but that is a year to 18 months away.

The Ukrainian Prime Minister, Vitold Fokin, once believed in wholesale prices, but his government is now unable to pay the purchase price of grain for want of paper roubles. Agricultural produce is smuggled past Ukrainian customs posts for barter deals in Russia or sale for roubles at higher Russian wholesale prices. Ukraine has collected only 10 million of the 17 million tons required for its grain reserve.

The government has already announced that, despite Ukrainian grain production of 54 million tons a year, it will have to import cereals from East European neighbours.

Newspapers have recently been printing front-page articles reassuring readers that bread is not about to be rationed. However, an MP from southern Ukraine has spoken of panic-buying in his constituency, and the former Communist Party daily, *Pravda Ukrainy*, gave prominence to a report on haystack-burning by farmers who did not want to sell to the state.

From Susan Viets in Kiev

To persuade chairmen of collective farms to sell, the government has set up a special fund of sought-after consumer durables. A Soviet Zhiguli car can be purchased for 200 tons of bread, a video camera for 40 tons, a refrigerator for 20.

However, the root of Ukraine's problems lies in its turgid politics. While parliament did manage to pass a liberal law on investment, it has been catapulted into a confused economic world regulated by the contradictory plan launched by Mr Fokin last spring which advocated privatisation while prohibiting free prices.

"We are talking about a period of revolution from above ... but those in control of the government are psychologically not prepared for reform," said the deputy chairman of parliament, Volodymyr Gryniov. While the Narodna Rada democratic parliamentary faction was able to force the dissolution of the Ukrainian Communist Party and sack the pro-coup procurator-general in the days following parliament's 24 August Act of Independence, its political momentum has since then fizzled.

It failed in its attempt to fire the hardline head of Gostelradio, Mykola Okhmakevich, and has been unable to force the resignation of any of the government's elderly ministers, all former Communists.

"These ministers don't understand the principles of the market economy ... we need a younger generation in place," says the economic council chairman of Rukh, the opposition movement, Oleksandr Savchenko. "Even three to four good people would be enough to start the transition to a market economy but I'm afraid this government won't be able to do it."

The cautiousness of Mr Kravchuk has become an obstacle in the wheel of revolution. "I believe Ukraine must be stable and that we don't need immediate radical changes as Rukh says ... I don't agree that we need to sack anyone immediately," he said recently.

The glimmer of hope lies in the 1 December election to the newly created presidential post. More than 30 candidates have come out but the front runners are Mr Kravchuk and the Rukh governor of western Ukraine, Lvov province, Vyacheslav Chornovil.

"Maybe a president, once elected, will improve the situation. Maybe he will be able to change the government," says Mr Savchenko.