



Ukraine Calls on Russian Troops to Withdraw

Ukraine has called for Russia to pull its troops out of Georgia and offered to join efforts to mediate as the conflict between Georgia and Russia escalated over the breakaway region of South Ossetia. With the Russian navy's involvement, Ukraine's Foreign Ministry said that it was reserving the right to bar Russian warships and vessels involved from returning to Ukrainian territory – in particular Sevastopol the port where Russia bases its Black Sea Fleet.



The Foreign Ministry of Ukraine released a statement saying: "Ukraine calls on the Russian Federation, as a permanent member of the UN Security Council, to pull out its troops from Georgia, to be reserved in its actions, and to exert the necessary influence upon the separatist regime of Tskhinvali in order to return to the bargaining table. A prerequisite of successful talks will be an immediate ceasefire, confirmation of the sovereignty and territorial integrity of Georgia by the Russian side, devotion to principles of good neighbourhood, refusal of

strong-arm tactics and the peaceful settlement of conflicts."

The statement expressed Ukraine's "deep concern" over the conflict and said that Ukraine is exploring ways to solve the situation working with the international community. Moreover, it stressed that Ukraine is ready to make a contribution to efforts to bring about a peaceful resolution.

The Russian Foreign Ministry made a surprise statement on its website saying: "The Ukrainian government, which has been enthusiastically arming Georgian troops from top to bottom, was in fact encouraging Georgia to attack and carry out ethnic cleansing in South Ossetia." It went onto say that the former-Soviet republic had "no moral right to teach others how to do things."

This is hardly the first time Russia has talked tough over Georgia. Recently, Foreign Minister Sergei Lavrov said that Georgia's ambition to join NATO "will lead to renewed bloodshed," adding, as if that was not enough, "we will do anything not to allow Georgia and Ukraine to join NATO."

Last April, NATO rebuffed Ukraine and Georgia's application to join the NATO Membership Action Plan. With conflict on Georgia's borders unlikely to be resolved quickly, most analysts doubt Georgia's membership aspirations will be embraced any time soon and that the former-Soviet state may have overestimated Western support.



Meanwhile, an international mission comprising UN and EU representatives have descended on Georgia's capital Tbilisi in the hope of brokering an unconditional ceasefire and resolving the conflict. On Sunday the Georgian government declared a unilateral ceasefire and said it had withdrawn all its troops from South Ossetia.

Ukraine's Deputy Prime Minister, Hryhoriy Nemyria, said, "We are deeply saddened by the events and call for an immediate cessation of hostilities. Russia should withdraw its forces and respect Georgian sovereignty. A peaceful settlement born out of mediation must be found."

The President of Georgia, Mikheil Saakashvili, has a good personal relationship with Ukraine's prime minister, Yulia Tymoshenko, and was the first foreign leader to congratulate her on her strong showing in the parliamentary election last September.

Deflation Recorded in July

The downward inflation trend has continued for the fifth consecutive month with deflation of 0.5 percent recorded in the month of July, compared to an increase of 0.8 percent in June. The figures released by the State Statistics Committee exceeded most analyst expectations and confirm that the government's anti-inflationary measures are working.

A pleased Prime Minister Yulia Tymoshenko congratulated the Cabinet of Ministers saying, "It is the first month we have deflation...all the anti-inflation measures we adopted are now producing results. We have deflation of 0.5 percent."



The premier and her economic advisers recognised that the government's anti-inflationary measures were given a boost by lower energy costs and a bumper harvest. Ukraine expects to harvest 43 million tonnes of grain this season, compared to a drought impacted 29.3 million tonnes last season.

Deflation Set to Continue

"All the right conditions are present for deflation in the coming months," said Minister for Finance, Viktor Pynzenyk. "Global oil prices have started to fall and the good harvest is expected to see food prices drop."

Food staples make up more than 50 percent of Ukraine's consumer price index and therefore have a big say in determining inflation.

The government's more liberal approach to the hryvnia exchange rate has also had a beneficial impact. In the past, the currency was pegged to the dollar within a tight range of UAH 5.00-5.06. In recent months the hryvnia was allowed to float in a wider band. On Monday it was at UAH 4.62 to the dollar.

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Anders Åslund, a professor at the Peterson Institute for International Economics, advocates abandoning pegging the hryvnia to the dollar. Instead, he suggests the National Bank should allow the currency to float and keep a lid on inflation through tighter monetary policy, in particular by the use of real interest rates.

"A financial catastrophe can and must be avoided, but only if the hryvnia is swiftly allowed to float," said Mr Åslund.

This month's positive figures reveal that for the first seven months of the year, cumulative consumer price rises slowed to 14.9 percent from 15.5 percent at the half-year mark. This sneaks in under the government's 2008 target of 15.9 percent.

The Presidential Secretariat First Deputy Head Oleksandr Shlapak regards the government's annual target as optimistic. "According to our calculations, by the end of the year, inflation will be a little bit higher than the 15.9 percent level forecasted by the Cabinet of Ministers when making changes to the national budget, and [will in fact] total 18 percent."

Ms Tymoshenko said that for the month of July, 21 regions recorded deflation compared to 8 regions "working helter-skelter and producing inflation."

Sevastopol topped the deflation league with 2.5 percent, followed by Zakarpattia at 1.4 percent and the Luhansk region at 1.3 percent.

The premier expressed her readiness to dismiss governors of those regions which show the worst inflation indices next month. "If some region shows inflation against the background of the overall deflation next month then documents will be submitted for the discharge of the relevant governor," said Ms Tymoshenko, who has repeatedly called on the regions to play their part in fighting rising prices.

In July the inflationary league was topped by the Khmelnytskyi region at 0.5 percent, followed by the Chernihiv and Zhytomyr regions with 0.3 percent inflation.



As the Flood Waters Subside

Ukraine's politicians are busy picking through the bones of the recent devastating flood that ravaged Western Ukraine, leaving 38 people dead, including 8 children, and thousands homeless. While the United Nations publicly praised the government on its efforts on tackling the aftermath of the natural disaster, some politicians now appear intent on scoring political points rather than focusing on relief issues.

The 5-day storms, which began on 23 July, caused severe flooding in 6 oblasts – Ivano-Frankivsk, Lviv, Vynnytsia, Chernivtsi, Transcarpathia and Ternopil. More than 40,000 homes were flooded, 20,000 people evacuated and tens of thousands of hectares of agricultural land left under water.



The disaster saw politicians of every faction band together in support of the flood victims. On 31 July an emergency session of the Verkhovna Rada approved a disaster relief budget with UAH 5.8 billion (\$1.2 billion) set aside to help those affected. The budget was signed into law on 1 August.



▲ Prime Minister Yulia Tymoshenko is briefed on emergency relief efforts by advisers on her visit to Western Ukraine.

Millennium Capital analyst James Hydzik wrote: "One useful aspect of Ukrainian politics is that internecine fighting gets set aside when there is an externally caused crisis."

National Focus

Ukraine's First Deputy Prime Minister, Oleksandr Turchynov, was made head of a national committee tasked with co-ordinating the nation's relief effort. Yuriy Shandra, the Minister for Emergencies and Yuriy Yekhanurov, Minister for Defence, were appointed his deputies.

Reinforcing the seriousness of the task facing the committee, President Viktor Yushchenko declared a three-month state of emergency in the six worst affected regions.

Things moved quickly. By 1 August more than 10,500 relief workers were in place and aid poured into the affected regions. Water was drained from 38,600 houses and 62 highways and bridges repaired. Also, by this time, advance payments had begun, ranging from UAH 5,000 (\$1,080) for those whose houses were destroyed to UAH 1,000 (\$215) for those whose houses had been damaged.

The Socialist Party attacked the advance payment scheme. In what looked like a cheap shot aimed at the government, Stanislav Mykolayenko, Secretary of the Socialist Party's Political Council, said, "Let Prime Minister Yulia Tymoshenko try and repair her apartment on 1,000 hryvnia."

International Aid

Offers of international aid and support from the UN, EU, NATO and a host of countries were co-ordinated by the Ministry of Foreign Affairs. "We welcome the support and expertise being offered from countries near and far," said a government spokesperson.

Both Prime Minister Tymoshenko and President Yushchenko made trips to the stricken areas to be briefed first-hand on the relief effort. Ms Tymoshenko visited the Chernivtski region where she reviewed emergency reconstruction at the Kalynivskiy market, the village of Kam'yanka and farms of the Hylbotyskiy region. The president made a working visit to the Zakarpattya and Lviv oblasts.



▲ Prime Minister Tymoshenko addressing the people during her trip to the flood-stricken Western Ukraine. Aid has poured into the region and reconstruction work begun.



The prime minister praised the combined efforts of the government. "Such a severe natural disaster has proved to all that our government team is very strong and can accept such grave challenges and respond properly to them," she said.

"I want to thank the whole government team which did its best to overcome this natural catastrophe," said Ms Tymoshenko.

The Finger of Blame

Sadly, not everyone was as congratulatory as the premier. On Friday it was reported that President Yushchenko sent a scathing letter to the Cabinet of Ministers complaining that vital humanitarian aid was held up at the border awaiting customs clearance. "It is not the first time when humanitarian aid is left without clearance at the border customs, while those hit by the flood do not receive the necessary support, particularly living essentials. Moreover, the government's inactivity produces an impression that Ukraine cannot even receive stocks of materials for free to eliminate the aftermath of the natural disaster," said the letter.

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The allegation was strenuously denied by Mr Turchynov. "We analysed the information set out in the letter and I should state that this information is not true," he said after a meeting with the heads of ministries and agencies involved in the relief effort.

According to Interfax, "Representatives of the Foreign Ministry, State Customs Service and State Border Service confirmed Turchynov's claims."

"As of today, there is no humanitarian aid waiting at the border. All of the freight received customs clearance," said acting head of the State Customs Service Anatoliy Hutnyk.

"The president was given incorrect information and unfortunately it was submitted to the mass media without being checked," said Mr Turchynov.

Don't Rain on my Parade

The president's office also reacted negatively to a letter from the premier suggesting that the Independence Day military parade be cancelled and that funds earmarked for the event – about UAH 70 million (\$14.4 million) – be diverted to the disaster relief fund.

The letter was viewed by the president's chief of staff, Viktor Baloha, as an example of political one-upmanship. "The prime minister's letter is just another attempt to speculate on the problems of the country, this time on the ecological disaster," said Mr Baloha.

"Such a suggestion is absurd," said a BYUT spokesperson, "our first concern is for the victims of the flood and the second is to ensure that the proper provisions are put in place to prevent such a disaster from happening again." The same official described reports that the president was donating his August monthly salary to the relief effort as "a noble gesture."

Flood Prevention Measures

To prevent a reoccurrence of the floods the prime minister promised to implement the flood defence programme first proposed by her government in 2005. At the time, financing for the programme was shelved when the Tymoshenko government resigned. The programme involves raising the level of dams, coastal protection, developing dry reservoirs, special river outlets as well as implementing an early-warning system.



The need to spend more resources on flood prevention is evident. An article in Zerkalo Nedeli agreed, saying "it would be better to spend more on preventing disasters so as not to have to deal with their consequences." The article went on to say that the impact of the floods was more severe in Ukraine due to the lack of preventative measures. "Those who live close to the Romanian border say that on the other side authorities cope with such emergencies much more effectively. After the previous floods they built high dikes, so their villages were safe while the flood was washing away Ukrainian houses."

The floods in Ukraine showed that the country's political leaders can band together in a common cause. The emergency session of the Verkhovna Rada passed the flood relief budget despite the parliamentary recess – breaking into a seemingly sacrosanct holiday which, only weeks before, saw most lawmakers content to head off to the sun without passing long-awaited 2008 budget amendments. Furthermore, the disaster illustrated that both branches of government can work together effectively, putting in place the huge resources needed to tackle the consequences of the worst flood in more than a century.

Only in the aftermath did the old rivalries re-emerge and the finger pointing take place – the resumption of political backbiting and point scoring. "We need to move beyond all that," said Prime Minister Tymoshenko, "let us behave with dignity and show the people how we care by pulling together to serve them to the best of our abilities. As public servants, this is our duty."

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