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Ex-Prime Minister Yulia Tymoshenko (R) listens to a crying woman during a rally in front of Ukraine's parliament in Kyiv on Nov. 16. In the biggest anti-government protests for months, some 10,000 demonstrators gathered outside of parliament, where debates began on new tax legislation that critics say harms small entrepreneurs. (AFP)

Tymoshenko: Tax protest 'could ultimately bring' president down

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After a painful defeat to Viktor Yanukovich in the Feb. 7 presidential election, ex-Prime Minister Yulia Tymoshenko has recovered and is ready to challenge what she considers to be the president's misguided

policies. While on the defensive for much of the year, with aides the targets of ongoing criminal investigations, she is back on the offensive. She is enlivened by the grassroots demonstrations that have sprouted on the streets over Yanukovich's tax proposals. Tymoshenko once again sees an opportunity to rally the masses, much like she did during the 2004 Orange Revolution, which overturned a rigged presidential election. The Kyiv Post caught up with Tymoshenko for an interview in Kyiv on Nov. 17.

Kyiv Post: How important of a development are the recent big protests by small- and medium-sized business against the Ukrainian leadership's tax code?

Do you see this, perhaps, as possibly a last-ditch attempt by the nation's citizens to break the strong grip over this country by the oligarchs and their loyal leadership?

After all, citizens have shied away from going to the streets for years after losing faith in the nation's political leaders. But here they are again in big crowds, in a grassroots effort that is not this time led by big political leaders.

Yulia Tymoshenko: I see this as a turning point in the fight for Ukraine's independence, democracy and freedom. Very symbolically, it is happening on the eve of the anniversary of the Orange Revolution [Editor's note: Bigger protests are planned for Nov. 22, the 6th anniversary of the Orange Revolution, which overturned a presidential election rigged for current President Viktor Yanukovich.]

These protests are happening because small- and medium-sized business – with their very survival under threat – have made a decision to not put their heads down, to not emigrate out of the country. Instead they have gathered strength and courage to take the brave route, to fight and stand up for their interests. This is a noteworthy and important step in the history of Ukraine.

The current tax code was put together to serve oligarch clan interests who have abused the system for personal gain."

- Yulia Tymoshenko, opposition leader.

Leading up to this, there was without a doubt a lot disappointment with political leaders. But people have regained their courage and put fear aside. This is a sign that there is hope for Ukraine.

I am in complete solidarity with them. My political team is maximally supporting their position in parliament.

The current tax code was put together to serve oligarch clan interests who have abused the system for personal gain.

Through it, they now want to unfairly pass on the financial burden by imposing higher taxes not on themselves, but on small- and medium-sized business which are struggling to survive.

This situation is like a bomb waiting to explode. Ironically, it was set in motion by the current administration and could ultimately bring them down.

The protesters will succeed if they stick with it. Their will and strength is much stronger than that of the clan regime running Ukraine today. I believe this is the beginning of the end of this Ukrainian leadership.

KP: More specifically, what can your role be in this movement? You appeared at the Nov. 16 protest, but it seemed that the protest leaders were not so eager to have you and other politicians taking a lead role. They say their fight is apolitical, that they don't want politicians hijacking it for personal gain.

YT: I think Channel 5 has complete video coverage of my conversations with participants of the protests. I think these videos will portray a better picture of the situation than spin being spun by the pro-presidential regime.

I walked through the crowds and spoke with people.

I think these video reports show that people see us in union and this as our joint plight. They asked me to help protect them, and to lead this fight.

They asked for a renewal of Maidan (Orange Revolution-style protest). They asked for help in helping to organize and systemize their movement. We will hold talks with their leadership on uniting our efforts.

KP: But what we hear from leaders of these protests, such as Oleksandr Danylyuk, they don't want politicians, including you, to take over and turn their fight into a political one.

YT: My conversations with the crowds demonstrate that they support me. This could be just the position of certain leaders involved.

KP: So, you are confident that you are ready and capable to lead this movement most effectively and attain a result? Does it have to be you, in

particularly, or other politicians or a group of politicians supporting these protests?

YT: I am confident that consolidation is under way in the political realm ... not of sellout politicians, but consolidation of citizens that want to fight and defend their interests, in partnership with my team.

I would like to remind everyone that our political team has led the charge from the very beginning against this administration's so-called tax reform efforts.

KP: Are you saying that these protesters can't succeed without backing from a major political party?

YT: It's a two-way street. They have established themselves as a force to be reckoned with.

But they recognize that it is not enough to go on the streets. They recognize that it is crucial to have the political element in place to join and support them.

But we are aware that the pro-presidential Regions Party is trying to corner and sabotage the efforts of these protesters, in part by putting in place synthetic leaders who could divide the movement and make the crowds feel that their effort has failed.

I will not allow such manipulations to succeed.

KP: What kind of tax code are you proposing?

YT: It would include these main points. Firstly, the tax militia must be disbanded. It is not needed. Our political team proposed such measures in the past.

Secondly, simplified tax regime must be preserved. It is used by people who barely survive financially, often working several jobs to make ends meet.

These are often people who do not have big revenues for their business, but create jobs that employ people that have nowhere else to turn to.

You can't look for extra sources of tax revenue from those that are barely surviving, barely keeping their families afloat.

Thirdly, we need to pool all of the complicated and separate social fund payments into one single social pension fund payment. And the rate needs to be cut sharply.



AFP

The current rate is too high. It keeps incomes hidden in the shadows, prevents them from being legalized. By reducing it, you can bring it all out into the open and increase the tax base and overall revenues.

Fourth, this government's proposed tax code sets up a clash between businesses on the simple tax regime and those in the regularly tax regime, making it complicated for them to do business together. This is destructive.

Fifth, tax privileges for big businesses, tax evasion and abuse through offshore tax havens, must be rooted out.

Sixth, we need to give businesses a fair opportunity to defend themselves in disputes with the tax administration.

When introducing such big tax changes you need to properly explain and give time to adjust."

- Yulia Tymoshenko, opposition leader.

The rights of the tax administration must be sharply reduced from current levels while the rights of businesses need to be increased substantially, so that they can have a fair chance in the courts.

And in this system, we can't allow any kinds of aggression or intimidation from the side of the tax administration until a court decision is made. In contrast, the tax code being proposed now establishes nothing short of a system of repression.

In terms of income tax, we have supported a differentiated tax rate system that taxes the rich more than the poor. We also support extra taxes on luxury items, like huge villas and estates.

In contrast, what do we see now?

A last minute rush to adopt the tax code months before it is to take force. The richest and biggest companies, with their special accountants, will have less trouble adjusting. But the poorest echelons of society will not have this luxury.

When introducing such big tax changes you need to properly explain and give time to adjust.

KP: What category (the rich or middle class) do you personally fall into as a taxpayer? You have been asked many times in the past about your personal wealth. Many of your critics point to your days as a leading player on Ukraine's gas trading market, and say you are extremely wealthy. Your family seems to live a wealthy lifestyle, but your official tax filings don't show this wealth.

YT: All of Ukraine's law enforcement authorities, which are today and have long been under control of the current administration, have roughly investigated me and my family for many years.

If there are any claims, they have all the instruments at their disposal to make their case and charges.

I wish that Ukraine's other politicians had to pass the same 'cleansing tests' that I have endured."

- Yulia Tymoshenko, opposition leader.

Before I became a politician, I was the head of the largest private company in Ukraine. (Tymoshenko headed United Energy Systems of Ukraine, which controlled gas sales in much of the country when Pavlo Lazarenko, convicted in the U.S. of fraud and money laundering, served as prime minister and her political ally). The money was made and declared and this did not disappear.

But I have now been in politics for some 13 years. They have counted each kopek that I earned. And found nothing. I wish that Ukraine's other politicians had to pass the same 'cleansing tests' that I have endured.

So, I spent half of my career in business, and half in politics. I think it's time to inspect those officials who never officially spent a day in business, or show any income, but have palaces in Crimea, for example. I don't have any of this.

KP: But your critics say such people have been, most recently, in your team. Investigations by Ukrainian journalists published in Ukrainska Pravda, for example, describe lawmaker Anton Yatsenko, who has been a member of your faction in parliament, as the so-called mafia head of the State Procurement Agency, where corruption was reportedly rampant.

Another political ally and allegedly neighbor of yours, Mr. Kozel, has headed a middleman company that generates large profits as a middleman controlling, as a monopoly, cargo shipments on the state railway.

YT: Let's take this step by step. Our political team led the initiative to adopt a new law cleaning up the tender process at the State Procurement Agency. It was approved with the World Bank.

And we adopted it in 2009 when I was prime minister. We cancelled what was adopted before, the law on tender processes, which existed. Our party voted unanimously, including Mr Yatsenko.

But tell me: why is the current administration talking, just making accusations? They need to act.

When I was prime minister, I did not have an ally in the general prosecutor. He was an ally of Viktor Yanukovich, appointed for the job as part of an agreement with then president Viktor Yushchenko. And a Yushchenko ally headed the Security Service. And he was loyal to Yanukovich.

As then, they today have all the powers at their disposal to investigate. I did not have any support in any investigations where we uncovered wrongdoing.

Today, Yanukovich has control over all of law enforcement and the courts.



AFP

And so, they are investigating Yuriy Lutsenko (interior minister under Tymoshenko's government and a current ally) in connection with a meager Hr 40,000 violation.

Meanwhile, the current government is spending millions from the state's stabilization fund to pay top international law firms that were hired by the government to uncover wrongdoings against me, their political opponent.

We know that the International Monetary Fund wants Ukraine to cut wasteful expenses, to narrow the budget deficit.

But why is nobody seeing what is going on [with the RosUkrEnergocase and at the] Olympic Stadium reconstruction project in Kyiv?

When I was prime minister, the cost of this project was Hr 2.4 billion, and I was urging for it to be cut by an additional 40 percent because I saw that the cost of this project had been artificially inflated.

But this Friday I saw the government doubled the cost of this project to Hr 4.5 billion. This is obviously rooted in corruption, siphoning budget funds out through inflated costs.

As such, this reconstruction will end up costing twice as much as the much better quality stadium that was just recently built from scratch in Donetsk.

KP: Still, despite all of this, it seems many citizens and protesters on the streets remain very much disappointed in all of Ukraine's politicians: in you, former President Viktor Yushchenko as well as Yanukovich.

They hear such corruption allegations each day, but nobody is prosecuted. Moreover, I think that many people think that members of your team were also engaged in such corruption. What guarantees can you provide that it won't happen again?

YT: I want to completely deny the thesis that I took something from the state when I was prime minister.

KP: If not you, then perhaps members of your political team were involved in corruption?

YT: I'm sorry, but if all they were able to find with all their control over law enforcement and the courts is a Hr 40,000 charge against Lutsenko ... [and a few other smaller cases against other members of my government], then we have to ask ... why they haven't found anything bigger despite all of their attempts.

Ultimately, no other political team is facing or would survive the investigations and checks that our team has been battered with.

Thus, I would ask the protesters on the street not to be tricked by the dirty PR, but to unite – foremost now as we are on the eve of a parliamentary elections – in defense of the country's future.

KP: How confident are you that the next parliamentary election will be held in 2011, and not in 2012? [Editor's note: Due to this fall's switch back to Ukraine's previous constitution, the Constitutional Court and parliament are to decide soon whether the next parliamentary election is to be held in 2011 or 2012.]

YT: You can't be sure of anything with the current administration in power.

Thus, I didn't say I am confident that the next election will be held in 2011. But I am confident that, according to any sober interpretation of the constitution, it should be held in 2011.

They [current authorities] don't see Ukraine as a country, with democracy and freedoms for citizens. They see it as a mega-corporation of their own, and it's a joint stock closed company. And all the resources and population is their assets."

- Yulia Tymoshenko, opposition leader.

KP: How will you and your supporters respond if Ukraine's leadership moves the election back to 2012?

YT: My team is preparing for the election to be held in March 2011. I believe the elections will happen on this date. And according to the constitution, the electoral campaign has to start on Nov. 22.

The current leadership, I think is contemplating whether to hold the election in 2011 ... quickly rushing into it before their popularity falls further, or whether to move back the parliamentary election all the way back to 2015.

You see, they don't see Ukraine as a country, with democracy and freedoms for citizens. They see it as a mega-corporation of their own, and it's a joint stock closed company. And all the resources and population is their assets.

KP: But isn't the average citizens also to blame here because they are not taking or buying their shares in this would-be corporation, nor are they demanding dividends?

YT: I remember very well what it was like in the Soviet Union. We didn't have rights, democracy or freedoms, but we had the basics and lived happy lives because we simply didn't know how much better life can be. We didn't know what we were being deprived of. This was our happiness. We were told that the rest of the world lived in horrible conditions.

You know, this is why the free media and objective reporting that is disappearing under Yanukovich is so crucial. Without it, citizens don't know that they have the right to a larger share, be it rights or the wealth of their nation.

Today, we know that about a third of the population has access to Internet media, where they can find objective information.

But unfortunately, some 70 percent still rely on television channels which have become brainwashing instruments again.

Thus, they are vulnerable to the false illusions that today Ukraine has a prosperous economy with massive rebuilding under way, that there is stability, not corruption.

They are thus being manipulated by these illusions being spread on the airways, such as that Ukraine's president today is greeted with the highest honors by the entire world.

If we want to start honestly reforming the country, we need to start not with the tax code, or land reform, and the like.

We need to start with the fundamentals: bringing back freedom of speech, cutting the influence of oligarchs and establishing a just court system. Yanukovich has done the exact opposition. Our team has the will and political strength to come in and get it done.

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