

Democratization in Post-Communist Countries
Lessons from the experiences of Poland and Ukraine

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Abstract

This study examines the factors contributing to the success of democratization in terms of its consolidation and sustainability in post-communist countries including the influence of economic freedom, the external powers and the process of democratization. How those factors determine the democratization outcome, and how they interact with each other, is significant as it relates to political theories of democratization and potential democratization outside Eastern Europe. By studying two cases, Poland and Ukraine, the external powers and the process of democratization has demonstrated a great influence on the political development of these two countries.

Introduction

This study will examine the factors contributing to the success of democratization in terms of its consolidation and sustainability in post-communist countries, specifically using the cases of Poland and Ukraine. It is clear that democracy has spread since the end of the Cold War. The United States and its democratic allies have been trying to encourage democracy around the world in order to help achieve regional and global stability. There is no doubt that the Soviet Union's dissolution created the opportunity for a new wave of democratization. However, some post-communist countries like Poland took the lead and rapidly consolidated democracy, whereas other countries like Ukraine encountered greater political and economic obstacles.

As two typical post-communist countries, Poland and Ukraine have some similarities and at the same time, are distinguished from each other. However, their democratic development has varied considerably. Of the post-communist countries like Poland and Ukraine, fifteen emerged from the Soviet Union and the other seven are commonly referred to as Central or Eastern Europe and Mongolia (Pittaway). Most of them have experienced or are experiencing political and economic transitions towards democracy and free market capitalism. The shift towards democracy in these regions provides examples for other countries which are or are about to liberalize from totalitarian regimes. The future outcome, whether democracy can be established, consolidated and sustained, is dependent upon the success of this transitional process.

Specifically, the dependent variable of democracy is defined as the institutionalized democracy measured by POLITY IV data set. Using comparative-case-based analysis

focusing on Poland and Ukraine since the dissolution of the USSR, three key factors which will determine the level of democratization in terms of consolidation and sustainability will be explored. They are the impact of economic freedom, the role of external powers (referring to foreign countries and international organizations), and the process of democratization. How those factors determine the democratization outcome, and how they interact with one another, is significant as it relates to political theories of democratization, and potential democratization outside Eastern Europe. No matter whether the outcomes of these democratization efforts are ultimately successes or failures, the world's remaining totalitarian countries can learn from their experiences, especially those countries which are still ruled solely by a communist party. How to transform from a one-party rule system and centrally planned economy peacefully and successfully is a major issue faced by political scientists, so this research may point to preferred means of democratization for states facing hurdles similar to those mentioned in the cases. There are still many states that could transition to democracy, and this point is especially noteworthy if one believes the standard modernization theory that from economic liberalization, democracy will naturally flow.

Overall, this study explores the key factors contributing to the establishment of a successful democratic system in terms of its consolidation and sustainability in the post-communist countries of Poland and Ukraine.

Literature Review

Dependent Variable: The Level of Democratization in Term of Consolidation and Sustainability

Although democracy is now widespread throughout the world, not every country has established a consolidated and sustainable democracy. This phenomenon is attributable to different factors, such as the process of democratization, economic development, political culture, and foreign powers and so forth. According to Howard Handelman, democratization is the process of moving from an authoritarian to a democratic regime (30). It starts when an authoritarian regime shows signs of collapsing or of negotiating a way to decentralize power, and ends with the formation of a government derived by popular election (Handelman 30). However, the newly democratic regime may not be consolidated, even after the transition period has finished. Consolidation can be defined as a process through which democratic norms (“rules of the game”) become accepted by all politically influential groups in society, including business, labor, rural landlords, professionals, the church, and the military and no important political actor attempts to return to a dictatorship (Handelman 30-1). Democratic norms refers to the consolidation of institutionalized democracy, including open and fair election, proper government procedures, and fair and just government policy outcomes (Handelman 30). As Handelman points out, only when democratic institutions, practices and values have become deeply entrenched can we say that a country has experienced democratic consolidation (31).

According to Valerie Bunce, the sustainability of democracy refers to persistence of democratic rule since its establishment (179). Usually, in examining this issue, scholars focus

their investigations on factors concerning sustainability, such as economic and demographic factors, political institutions, political parties, public opinion and behavior, and the decisions of political leaders (Bunce 179).

As far as the degree to which democratic regimes move toward democratic consolidation and sustainability, J.C. Sharman and Roger E. Kanet offer certain criteria that can be divided into three categories: when the power is exercised by abiding existing laws based on a constitution; when two or more parties compete with each other openly and fairly; and when both political elites and the general population accept the democratic idea and institutions (334).

In existing research focusing on democratization, scholars pay a great deal of attention to the factors influencing the creation and success of democracy. Ronald Inglehart and Christian Welzel have discovered the significance of modernization on the development of democracy. The democratization process is influenced by modernization combined with social and cultural transitions in the long term (Inglehart and Welzel 38). For instance, it would lead to specialization, urbanization, a rising education level, a rising life expectancy, and rapid economic growth (Inglehart and Welzel 34). Combined with industrialization, modernization will encourage political participation and make the establishment of democratic political institutions increasing likely (Inglehart and Welzel 34).

R. J. Rummel tried to explain the factors influencing democratization from a comprehensive point of view, involving the process of democratization, foreign powers, economic development and the role of culture. By analyzing different cases, Rummel concludes that the speed and the direction of regime transition are related to democratization.

According to empirical studies, an incremental process is favored more than rapid transition since democratic institutions need time to take roots, and the top-down process has more often ended in an unstable democracy than a bottom-up process because government elites are less likely to give up their previous authority right off; however, both of these conditions are neither necessary nor sufficient for democracy establishment, let alone its stability (Rummel). Democracy has also been created and aided by foreign powers, such as the democracies of Japan and West Germany which were created under the aid of the United States, as well as some countries, such as Canada, New Zealand and Australia, which are the former colonies of Great Britain, so they directly inherit the democratic institutions (Rummel).

Besides those factors, economic development plays a significant role in democratization. Rummel contends that democracy cannot take root in a country where poverty and inequality are rampant. Based on the statistical analysis, Adam Przeworski concludes that democracy merely survives in a low income country or in a country with greatly unequal income distribution (265-66). Last but not least, the role of political culture, the soil for fostering democracy, has been emphasized by many democratic theorists. It refers to a willingness to negotiate, to compromise, to accommodate, and to lose (Rummel). Other conditions, such as the importance of a vigorous, bourgeois middle class, the necessity for a depoliticized military or the balance of party system have also been proposed and studied (Rummel).

Independent Variable 1: Economic Freedom

The correlation between the level of democracy and economic freedom has been focused on by many social scientists, many of whom manage to find out the cause-effect relations between them. For those countries which are currently or are about to experience democratization, it is noteworthy to understand the mutual effect on one another because the failed economic reform would cause backsliding from newly established democracies to autocratic governments. Also, the democracies may meet more obstacles than autocratic countries to free their economy because of less support of large groups for economic reform.

Social scientists are interested in the question of whether political democracy leads to economic freedom or vice versa. Based on review of recent literature, more scholars focus on investigating the effect of political democracy on the economic freedom from different perspectives. Richard Roll and John Talbott argue that one of the key effects of democracy on economic growth relies on the different information flow in democratic countries versus autocratic countries. In democratic countries, democratic institutions and institutionalized liberal practices offer channels for the government to hear from citizens about the effectiveness of the economic policy by elections, media reports, surveys conducted by non-governmental organizations and so on. In contrast, in autocratic countries, leaders are isolated from civil society; as a result, they do not know how government policy influences the economic operation (Roll and Talbott79). Therefore, in the democratic country information transparency and effective feedback from civil society about economic policy lead to more effective economic decisions which causes the economy to run more efficiently.

Other scholars assess the correlation between democracy and economic freedom more

critically and they point out the effect of democracy on economic freedom varies and not all of it has a positive and robust effect (Lundström 977). Susannam Lundström evaluates the economic freedom from four categories: money and inflation, government operation and regulation, taking and discriminatory taxation, and restraints on international exchange (Lundström 969). After running regression model, she finds out the positive and robust effect of democracy on government operation and regulation and restraints on international exchange, and no evident effect of democracy on takings and discriminatory taxation and money and inflation (Lundström 969). This research demonstrates that democracy can cause less reliance on government role on allocating resources and can encourage a free market and free trade between nations, but have nothing to do with monetary and fiscal policy operated.

Other scholars pay more attention to the role of economic freedom in affecting democracy. Steven Fish believes economic reform has a positive relationship with democratization and reveals the role of economic liberalization on undermining authoritarian regime predominately because rapid liberalization helps to decentralize economic power (Anderson 82). As a result, it provides the financial basis for the emergence and development of civil organizations that can check the growth of totalitarianism (Anderson 82). On the contrary, the highly centralized economic power restricts the growth of private and social organizations , although those civil organizations could become the potential political opposites to restrain the government and promote democracy (Anderson 82).

Actually in recent years, an increasing number of scholars realize that market capitalism does not lead to democracy directly. Given the economic development model in the 20th century, such as Chile, Taiwan, China and so forth, capitalism may even prosper better in

non-democratic countries (Burkhart 238). On the one hand, the government introduces a free market mechanism into the country, deregulating and lessening restraints on market movement and develops export-led growth economy to carry on free trade across the border. On the other hand, the government increases the control on media and the military to reinforce the authoritarian regime alongside the accumulated wealth. Nevertheless, Ross E. Burkhart argues that the reason of capitalism can favor democratic development relying on its effects on socioeconomic changes (238).

It is the reason that many people believe in the articulation of modernization theory on building a stable democracy. Modernization relates to urbanization, industrialization, higher education and other socioeconomic changes, which will eventually encourage mass participation in politics and consummate rule of law and other domestic institutions making the establishment of democratic political institutions increasingly likely in the long run (Inglehart and Welzel 34). Specifically, privatization and industrialization can cultivate the educated middle-class, which is one of the biggest impetuses for developing liberal democracy (Inglehart and Welzel 37). Moreover, a high level of economic development gives people more economic security, which leads to more tolerance and trust of different groups and political opinions (Inglehart and Welzel 37). Also, after the enhancement of living standards, people need channels to express their opinions and participate in the government decision-making process (Inglehart and Welzel 37). Overall, Inglehart and Welzel emphasize that modernization does not result in democracy directly, but makes democratization more possible by socioeconomic changes in the long-run. Thus, this research represents another test for this debated level of causality.

Independent Variable 2: The Role of Foreign Powers

Although some scholars hold that democratization is the outcome of the domestic political process, the different paths toward democratization of post-communist countries after the Cold War were heavily influenced by external factors, especially the relationship of post-communist countries with the West and Russia. The specific forms of external pressures on democratization from the West are diffusion, diplomatic or military pressure, multilateral political conditionality, democracy assistance programs, and the activities of transnational human rights and democracy networks (Levitsky and Lucan 21). Under these pressures, the post Cold-War environment can be divided into two dimensions: Western leverage, which means merely resistance to external pressure, and linkage to the West, which means the closeness of a country's ties to the United States, the European Union, and Western-led multilateral institutions (Levitsky and Lucan 21). Both leverage and linkage hamper the existence of authoritarianism by increasing its cost of governance during the post-Cold War period (Levitsky and Lucan 21).

According to Steven Levitsky and Way Lucan's analysis, at least three factors determine the level of Western leverage. These are the hard power of the authoritarian country, the importance of issues on Western foreign policy agendas, and access to external powers (21-2). Specifically, an authoritarian state with a less developed economy is more likely to be democratized by external powers than a state with substantial military or economic power, such as China and Russia (Levitsky and Lucan 21). Also, the leverage tends to lessen in countries where Western powers have critical economic and security interests (Levitsky and Lucan 21). As far as Western linkage, there are five dimensions of note: economic linkage,

which means direct foreign investment, capital flow and foreign assistance in and out; geopolitical linkage, or closeness to Western governments and Western-led alliances and organizations; social linkage, which means the number of tourists, migrants, foreign residents and the rate of elite education in the West in a specific time period; communication linkage, or the connection throughout telecommunications and the internet; and finally transnational civil society linkages, which are the links to international NGOs, churches, political parties and other civil organizations (Levitsky and Lucan 22-3). Among those linkages, the geopolitical linkage is the most important one, since countries near the United States or the EU “are generally characterized by greater economic interaction, a larger number of intergovernmental and inter-organizational connections, and higher cross-border flows of people and information” (Levitsky and Lucan 23). Overall, the effect of leverage on democratizing post Cold-War autocracies is less sufficient than the effect of linkage on contributing to democratization, since the linkage creates multilateral pressure that few autocrats can afford to ignore (Levitsky and Lucan 33).

As one part of the Western linkage, regional international organizations, especially referring to the European Union and NATO, play important roles in promoting democratization in post-communist countries. According to Jon C. Pevehouse, international organizations can influence the domestic regime transformation through three mechanisms (519). First of all, the external pressure from regional international organizations (IOs) can undermine authoritarian rule in two ways, which are sanctions on trade and financial benefits, or diplomatic isolation (which helps to de-legitimize a domestic regime) (Pevehouse 522). Second, domestic elite groups have to or would like to accept the political liberalization

under the pressure and benefits of IO membership. For instance, regional IOs can provide some credits to key groups that can alleviate their fears of democracy, or regional IOs can persuade elites to become less hostile to the democratization through the socialization process (Pevehouse 524).

Among those regional IOs, the European Union plays the most important role in promoting democracy in the European neighborhood. The study of Frank Schimmelfennig and Hanno Scholtz shows the strong effects of EU political conditionality on democracy in the neighboring countries, where the EU provides the potential candidate country the possibility of membership in return for political reform (187). Even if the membership promise is uncertain and lacks credibility, the impact of EU political conditionality is still statistically strong and robust (Schimmelfennig and Scholtz 207). One of the most important implications of these studies lies in the discovery that the impact of EU political conditionality varies across levels of democratization. It is smallest in authoritarian countries and in countries that have already accomplished a high level of democracy; on the contrary, EU membership has the strongest effect on promoting democratic consolidation in countries that have already experienced some democratization (Schimmelfennig and Scholtz 207 & 211).

Independent Variable 3: The Process of Democratization

Democratization is a transitional process from an authoritarian regime to an established democratic government. How to transition greatly relates to the stability of a new regime; as a result, different scholars hold diverse perspectives toward the process of democratization. R.J.

Rummel argues in his article “Democratization” that a slow and incremental democracy can develop a more stable democracy than a revolutionary transition. During this long period of time, as the demands for an extension of rights and voting power gradually increase, the democratic culture and institutions can take deep roots. Also, the authoritarian leaders feel less intimidated, so the establishment of democracy tends to meet with less resistance. For instance, the regime of Great Britain is one example of the gradual change over centuries, from a monarchy to one of the most stable and lasting democracies. However, Rummel admits that an incremental process is neither necessary nor sufficient for democracy, let alone for its stability. After all, American democracy was achieved by the American Revolution in a relatively short period of time without showing any sign of instability. Besides the rate of change, direction is another factor influencing democratization. Given the argument made by Rummel, when democratization is carried out by the old government elites themselves in a top-down process, it has more often ended in an unstable democracy than a bottom-up approach launched by the lower class. Indeed, few authoritarian leaders are willing to abandon all of their privilege to the people, and without revolutionary pressure and pro-democratic violence from below, they are less likely to concede (Rummel).

Donald Share establishes a model for the forms of democratization transition, dividing the process into four subtypes, which are incremental democratization, transition through protracted revolutionary struggle, transition through transaction, and transition through rupture (revolution, coup, collapse and extrication) (530). The logic behind this set up lies in Share’s idea of dividing these four types into two different categories: the pace of democratization (rapid or gradual), and democratization by regime leaders or against them

(530). Incremental democratization and transition through protracted revolutionary struggle are gradual processes, and transition through transaction and transition through rupture are rapid processes. At the same time, incremental democratization and transition through transaction are tolerated by regime leaders, whereas transition through protracted revolutionary struggle and transition through rupture are actions against regime leaders (Share 530). Along with his analysis, the participation or consent of the authoritarian leaders is the key to the success of the transitional process. Furthermore, the rapid transition to democracy can lead to political instability and a newly established democracy is hard to sustain.

Jan Pakulski et.al. emphasize the role of old elites in the process of democratization. In light of their research, a democracy can be established and consolidated “only when broad support for democratic procedures and institutions, as well as a shared acceptance of norms of accommodation and cooperation, develops among political elites (145).” In general, the change in elite relations and behavior to a large extent determines regime change, and in countries where democracy has taken root, old government elites would contribute to the establishment and strengthening of democratic institutions (Pakulski etc. 145).

As far as the democratization carried out in East Central Europe, those countries follow the trend of third-wave democracies which is characterized by introducing competitive elections before establishing the basic institutional framework of a modern state such as rule of law, institutions of civil society and the accountability of governors (Rose and Shin 331). Actually, electoral competition alone is not sufficient to establish a consolidated democracy without basic democratic principles and the accompanying institutions. According to Richard

Rose and Dol Chull Shin, a stable democracy must follow the modernization of the state which is based on the rule of law, multiple institutions of civil society (333). The importance of rule of law rests on its coerciveness, in constraining the power of the governors and its predictability, so that governors may administrate rationally (Rose and Shin 333). The existence of the civil organization, which is independent of the government, favors forming an oppositional party (Rose and Shin 333). Although the democratic elections were held in 1990 in all countries in the East Central European region, whether a consolidated and functioning political order can be built remains dubious at best.

The Research Design

Type of Study

The research follows a case-based approach which is based on the systematic information collection and comparison of evidence in one or more cases to answer a narrowly defined research question and test hypotheses. This approach is chosen because of the limited amount of population of post-communist countries and the implication of the conclusion, which can be adapted into other cases. Case-based research allows people to look at the complexities of specific cases and can yield interesting findings that contribute important knowledge to the social science (Roselle and Spray 35).

Specifically, this is a comparative-case-based research project focusing on two most different cases and the relationship between a single dependent variable and a series of independent variables identified in the scholarly literature and in hypotheses (Roselle and Spray 35).

Case Selection:

As two typical post-communist countries, Poland and Ukraine share a common place and at the same time, are distinguished from each other. However, their democratic development is widely different. Democratic development is defined in terms of institutionalized democracy. Poland has established a stable democratic political system, while Ukraine has faced a far more troubled and uneven democratization. An investigation of factors influencing their democratization can be used for reference to those democratizing states.

The specific time period discussed for Poland starts with its first legislature election and presidency in 1989 and lasts until the latest presidential election in 2005, and for Ukraine since its independence from the Soviet Union in 1991 to 2005, the second year of the latest presidential election held in 2004. 1989 for Poland and 1991 for Ukraine are their starting points for democratization, and the year of their latest presidential election can illustrate the outcome of a decade of democratic reform. Although these two countries are former East European satellites of the USSR, the political development between them is distinct. The Soviet system sunk deeper roots in Ukraine than Poland. Ukraine was known as Little Russia since it became part of the USSR in the mid-seventeenth century; it had never been independent before the dissolution of the USSR aside from the time period during 1917-1921 (Solchanyk 13). They have shared large proportionate common culture as most Ukrainians can speak Russian and intermarriage is common between the two (Solchanyk 13). Compared to Ukraine, one of 15 Soviet Socialist Republics, Poland was just a member of the Warsaw Pact Organization. Consequently, Russia has a greater influence on Ukraine than Poland.

Given the evident distinction, these two cases are the most variable.

Operationalization Model and Hypotheses

The dependent variable of this study is the level of democratization in terms of its consolidation and sustainability. To this end, the level of democratization is measured through accessing the dataset, POLITY IV, analyzing three aspects of executive recruitment, constraints on executive authority, and political competition for comparative and quantitative analysis. This evaluation is defined by empirical conditions rather than inherent nature for quantitative analysis.

Three independent variables will be set for illustrating the hypothesis: (1) economic freedom, (2) the influence of external powers and (3) the process of democratization.

Economic freedom refers to freedom of personal choice, the market as allocation mechanism, freedom to enter and compete in markets and the protection of property rights (Gwartney 5). The economic freedom is measured by economic freedom index by accessing Economic Freedom of the World, 2008 Annual Report for both countries. The Economic freedom index measures the degree to which the policies and institutions of countries are supportive of economic freedom. Among those standards to evaluate economic freedom, the size of government owned enterprises, freedom of trade and freedom of investment are three important factors (Lawson al. 3). The hypothesis that **economic freedom influences the success of political development** will be tested.

The external powers are defined as the role of foreign countries and international organizations chiefly focusing on EU and Russia in founding, sustaining, or undermining new

democracies. By measuring the connection between these two countries and the above countries and blocs from three perspectives, economic, social and political relations, the hypothesis that **the external powers influence the success of domestic political development** will be tested. Specifically, the economic connection is evaluated by major trading partners and the proportion of import and export goods to and from these countries. Social connection is evaluated by historical origins and the demographic factor of ethnicity. Political connection is evaluated by organizations and blocs that Poland and Ukraine joined, and treaties and agreements they signed after the dissolution of the Soviet Union.

The process of democratization is defined as the rate and direction of transitional process. It is measured by the period of time used to achieve the different level of institutional democracy, which is incremental or rapid, and qualitative description of the transitional process, which is bottom-up (initiated by mass population and civil organizations) or top-down (initiated by government elites) . The hypothesis that **the process of democratization influences the success of the political development** will be tested.

The Research Analysis

Case one: Poland

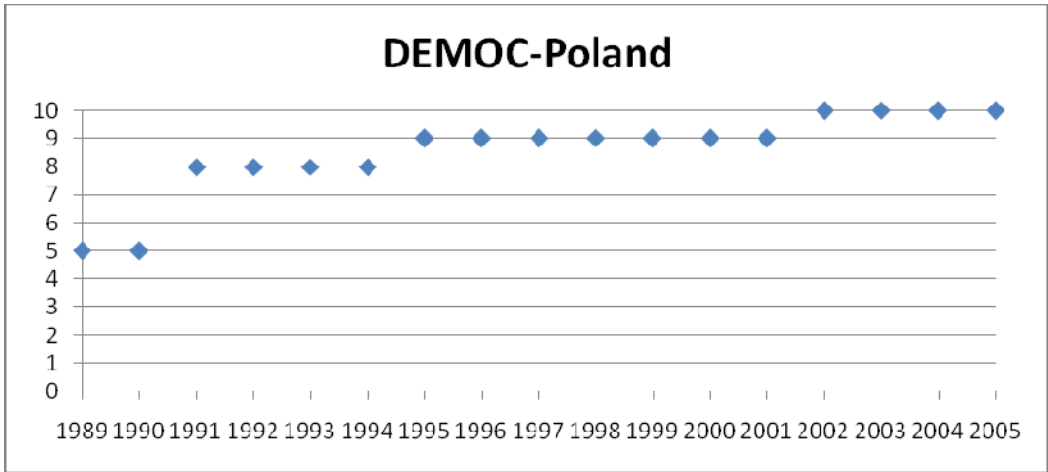
Dependent Variable: level of democratization in terms of its consolidation and sustainability

The democratic consolidation and sustainability means that democracy has been institutionalized, and it can remain stable and not return to dictatorship. For comparative and quantitative analysis, the Polity IV dataset will be used for this research project.¹ The

¹ According to criteria set, global regimes are categorized into three types by giving scores for autocracies (-10

institutionalized democracy is measured from three essential and interdependent aspects: “the presence of institutions and procedures through which citizens can express preference about alternative policies and leaders, the existence of institutionalized constraints on the exercise of power by the executive, and the guarantee of civil liberties to all citizens in their daily lives and in acts of political participation” (“Polity IV”). Since the time period chosen for Poland started from 1989 and ended with 2005, the scores for evaluating institutionalized democracy in Poland during this period of time are as follows:

Figure 1:



Source: *Polity IV Country Report 2006: Poland*

In figure 1 above, the score variation represents the power transition occurring either in executive or legislative branches. Poland has been an institutional democracy since 1991, so the score increased from 5 (an anocracy) to 8 (a democracy) because of system transition. From that time on, its democracy developed toward sustainability and consolidation. Competitive election is the one way to embody the presence of institutions and procedures through which citizens can express effective preferences about alternative policies and

to -6), anocracies, mixed authority regimes (-5 to +5) and democracies (+6 to +10) (Polity IV).

leaders. Since the early 1980s, the Solidarity movement in Poland emerged calling for free labor unions, and finally threw out the rule of the Polish communist party, the Polish United Worker's Party, which dominated the nation since the late 1940s ("Polity IV Country Report 2006: Poland"). In 1989, under the reform pressure from the Gorbachev government in the Soviet Union, Poland with other Central and Eastern European countries experienced "pact" transition, in which old elites participated in constructing a new regime. The Polish government agreed to restore the rights of Catholic churches, to loosen the control of media, and to enact a new pluralist constitution ("Polity IV Country Report 2006: Poland"). Since then, a parliamentary democracy was gradually established which limited the presidential power to a large extent. In Poland, the president is elected by popular vote for a five-year term, with a second term possible ("Polity IV Country Report 2006: Poland"). In 1989 Solidarity won the legislative election and formed a coalition government ("Polity IV Country Report 2006: Poland"). Tadeusz Mazowiecki became the nation's first noncommunist premier ("Polity IV Country Report 2006: Poland"). In the 1990 presidential election, the Solidarity leader Lech Walesa replaced Communist president Wojciech Jaruzelski ("Polity IV Country Report 2006: Poland"). Both legislature election held in 1989 and the presidential election held in 1990 increased the level for institutional democracy for Poland from 5 to 8.

However, the Walesa government had been suffering from a hardship of economic transition from a command economy to a free market economy, which made the political coalition fragile. In the 1995 presidential election, Walesa lost to a former communist minister, Aleksander Kwasniewski, a party representative of the Democratic Left Alliance

(SLD) (“Polity IV Country Report 2006: Poland”). The open and fair power transition from 1994 to 1995 enhanced the level of institutional democracy from 8 to 9. On September 23, 2001, Poland held the legislative election and Solidarity’s election coalition was almost swept out of parliament (Paramio 7). This election indicated that politics in Poland, developed around Solidarity since the 1980s, came to an end (Paramio 7). Scholars attribute the defeat of Solidarity to the ideological inconsistency and over-emphasis on personalities (Paramio 8). In the 2005 presidential and legislative election, the left wing party SLD was greatly defeated by the right wing party, Law and Justice, a conservative party.² According to research, both legislative and presidential elections held during this period of time were fair and open since executive power was alternated among those political parties, and election results were accepted by the rest of the political parties and population with alacrity without a return trend toward power centralization. Those alternations of parties in power in presidency and parliament shows a sign of functioning democracy, which is one of the reasons that Poland has achieved full democracy.

Moreover, in Poland the political power is constrained by implementing parliamentary democracy, in which the power of the executive branch and legislative branch can restrain each other. Poland’s bicameral legislatures consist of an upper house, the Senate, and the lower house, the Sejm. The Senate has 100 seats, members of which are elected by a majority vote on a provincial basis to serve four-year terms (“CIA World Factbook Poland”). The

² In recent years, the institutional power of the political left has shrunk as the Democratic Left Alliance lost 160 seats in the 2005 parliamentary election, while the two conservative parties, the Civic Platform and the Law and Justice Party have risen. The Civic Platform attracts the support mainly from wealthy, pro-business western area of the country, and the Law and Justice Party seeks its votes from poorer, more traditional eastern regions of the country (“Polity IV Country Report 2006: Poland”).

lower house, the Sejm, has 460 seats in which members are elected under a complex system based on proportional representation for a four-year term (“CIA World Factbook Poland”). As far as the executive branch, the major power the president has relates to foreign and defense affairs, and the prime minister as well as cabinet are appointed by the president and confirmed by the Sejm (“CIA World Factbook Poland”). Also, the president has veto power, but it can be overridden by two-thirds vote of the Sejm (“CIA World Factbook Poland”). Compared to other former members of the Soviet bloc, the presidential power in Poland is limited to a large extent. The president has no rights to dissolve the Sejm, and the lower house has the rights to impeach the president by two-thirds vote (“Polity IV Country Report 2006: Poland”). Poland is sometimes called a “semi-presidential” system because it has a separately elected president, as well as a prime minister (“premier”) accountable to parliament. Over time, the Polish president has grown weaker and the parliament and prime minister have grown stronger. In addition to the power constraint between the president and the legislature, the power of the Senate and the Sejm also mutually restrains in that the Senate has veto power over laws adopted by the lower house (“Polity IV Country Report 2006: Poland”). As for the judiciary, judges in Supreme Court are appointed by the president on the recommendation of the national Council of the judiciary for a lifetime term (“CIA World FactBook Poland”). Although in Poland the judicial branch is relatively independent, it is not efficient enough.

Compared to other former countries of the Soviet bloc, political participation in Poland is relatively open, but not yet stable. One reason for the unconsolidated political participation relies on that multiparty system which forms the coalition government focusing on different

political platforms without a central goal, such as economic reform, foreign debt and industrial unrest (“Polity IV Country Report 2006: Poland”). This results in the unstable and fluid popular support and party coalition, though western European countries also sometimes have unstable coalition governments. In spite of the relatively openly electoral participation, human rights and other civil liberties, such as freedom of speech and of the press, are still subject to some restriction (“Polity IV Country Report 2006: Poland”).

Independent Variable I: Economic Freedom

According to the Economic Freedom of the World 2008 Annual Report database, Poland is one nation which has been making substantial gains in economic freedom since 1985 (Gwartney et. 3). The table below is the summary rating (rank) of the level of economic freedom in Poland since 1985 (1 represents the lowest level of economic freedom and 10 represents the highest level of economic freedom).

Table 1:

Summary Rating (Rank)	1985	1990	1995	2000	2004	2005
	3.94(96)	4.00(102)	5.30(84)	6.19(73)	6.65(58)	6.72(59)

Source: Lawson et al. “Economic Freedom of the World, 2008 Annual Report” 148

In 2004, Poland stepped into the top 60 economically free countries. For one thing, Poland officially became a member of the European Union and adopted the EU legislation; further, the Polish government created an extremely important document, the Act of Freedom of Economic Activity, guaranteeing equal and transparent conditions to business (“Economic Freedom in Poland”).

The substantial gain in economic freedom in Poland firstly is attributable to privatization. Large scale privatization demonstrates that countries use private rather than government

enterprises to produce goods and services. Government firms enjoy certain privileges and private enterprises are not able to compete with them fairly since government firms are not dependent on consumers for their profit or on investors for risk capital. Therefore, economic freedom is reduced when governmental enterprises produce a larger share of total output (Gwartney et. 5). As a pioneer among post-communist countries, Poland was the first former Soviet bloc economy to recover from the collapse of the Soviet Union (Rosser and Rosser 338). Although usually Poland is associated with the “shock therapy” approach of rapid transition to capitalism, their rapid recovery is attributable to evolutionary gradualism in privatization based on native Polish entrepreneurship and strong export performance (Rosser and Rosser 338).

Table 2 shows the progress made in diminishing the size of the government (1 represents the highest level of government size and 10 represents the lowest level of government size). By late 1993, a majority of the Polish labor force and about 45 percent of its economic activity were in the private sector (Rosser and Rosser 338). By 1999 private sector activity had risen to about 70 percent of the GDP, 50 percent of which came from new firms started by entrepreneurs since 1989 (Rosser and Rosser 338). In July 1990 Poland established the Ministry of Privatization, and employed all methods of privatization that were used in transition economies, including management or employee buyouts, liquidation of assets, trade sales to specific buyers and offering stock on public capital markets (Rosser and Rosser 352). Even though the majority of Polish enterprises have been privatized, the state-owned sector still produced about 40 percent of GDP, mainly from coal mining and steel production (Rosser and Rosser 354).

Table 2:

Size of Government Rating (rank)	1985	1990	1995	2000	2004	2005
	3.28(95)	1.85(113)	2.62(119)	4.25(110)	5.34(92)	5.40(93)

Source: Lawson et al. "Economic Freedom of the World, 2008 Annual Report" 148

The predominant obstacles Poland faces are fear of unemployment and fear of foreign buyers, especially Germans (Rosser and Rosser 354). The first step to privatize inevitably involves eliminating workers from low efficiency State Owned Enterprises and placing the enterprise under the control of professional management, which inevitably has aroused much anger in former Soviet bloc countries (Rosser and Rosser 354). Although when compared to other former Soviet Bloc countries, Polish privatization has been fairly gradual, the results shows that such a gradualist approach to the privatization in an economic transitional country is better in the long run since building up the market and establishing the appropriate institutional structures to support a sustainable market economy are the more important tasks (Rosser and Rosser 355).

Freedom of trade is another sign of economic freedom, which means to open domestic economy to the outside world and face competitions. However, responding to protectionism and special interests groups, all countries adopt different kinds of trade restrictions, such as tariffs, quotas, or government control over the exchange rate. Thus, in order to get a high rating in this area, a country must have low tariffs, efficient administration of customs, a freely convertible currency and so forth (Gwartney et. 8).

Trade freedom in Poland has recently been concentrated at the regional level. Instead of the former COMECON area, the European Union, as Poland's main trading partner, accounts for about two thirds of total merchandise exports and imports. As a requirement of

EU membership, the tariff rate has been eliminated for all industrial goods since 1999 (“Poland: June 2000”). Since Poland became a member of the European Union in 2004, its trade policy is consistent with other members of the European Union and the average tariff rate was only 2.1 percentage points (“Poland Information on Economic Freedom”). Poland also signed the free-trade agreement with other central European countries as well as bilaterally with the Baltic States, Turkey and Israel. The transformation of the Polish economy to a large extent depends on free trade, since increased access to competitive imports following trade freedom has facilitated Poland’s export-led growth economy. Table 3 reflects the trend of freedom to trade internationally since 1985 (1 represents lowest level of freedom to trade internationally and 10 represents highest level of freedom to trade internationally).

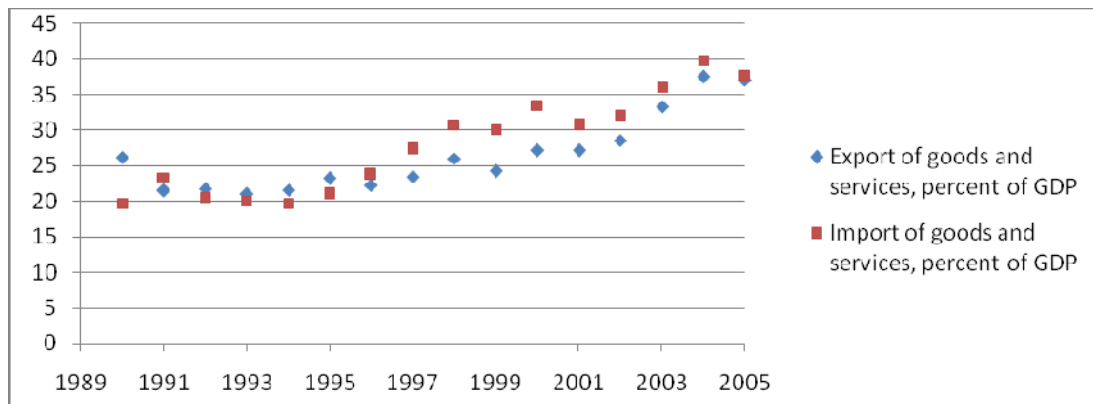
Table 3:

Freedom to Trade internationally	1985	1990	1995	2000	2004	2005
	3.19(85)	5.32(65)	6.48(70)	6.83(70)	7.06(56)	6.71(63)

Source: Lawson et al. “Economic Freedom of the World, 2008 Annual Report” 148

As shown in Figure 2 below, both imports and exports have grown continuously since 1994; however, import growth has exceeded export growth since 1996, creating a trade deficit. One of the factors affecting free trade in Poland is its high tariff, averaging 34.6% adding to imports from non-WTO nations (“Poland: June 2000”). Besides that, agricultural assistance including tariffs, subsidies, and supply control is another issue influencing free trade. (Poland: June 2000)

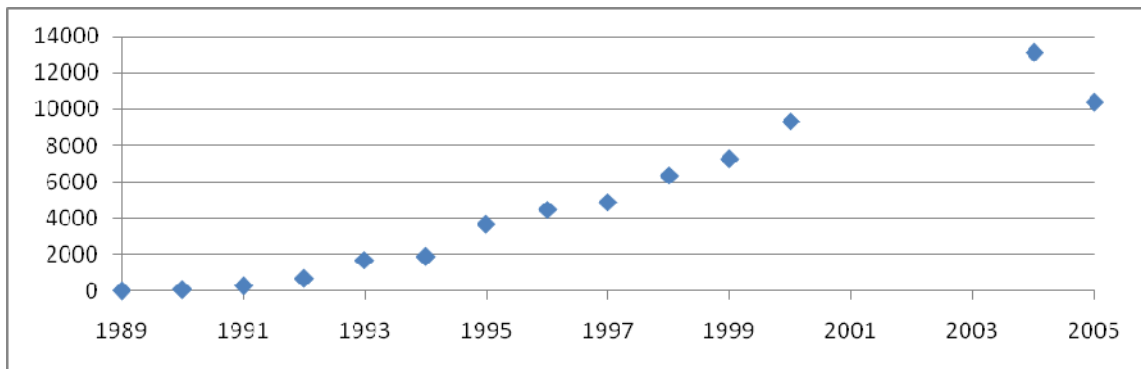
Figure 2:



Source: “UNECE Statistical Database”, compiled from national and international official sources.

Foreign direct investment is another important sign reflecting economic freedom, because increasing of foreign direct investment will decrease the government share in the market. The Polish Agency for Foreign Investment (PAIZ) was established in 1992, and was intended to promote Poland’s investment opportunities and to encourage foreign companies to choose Poland as their preferred investment location (“UNCTAD WID Country Profile: Poland 1”). The Polish government established the legal framework to offer equal opportunities to both Polish and foreign entrepreneurs in entering and conducting business activities in Poland (“UNCTAD WID Country Profile: Poland 1”). Figure 3 reflects the amount of investment Poland has attracted from abroad since 1989, and the overall trend reflects the increasing level of investment.

Figure 3: Inward Investment, 1989-2005 (Millions of Dollars)



Source: "World Investment Report 2008."

* no data available from 2001-2003

Poland's increased rating (ranking) in terms of economic freedom is basically consistent with the growing of the level of institutional democracy. The outcome of more than a decade-long economic reform has made Poland one of the fastest-growing economic centers in Europe, and the only Central and Eastern European country that has exceeded its 1990 GDP (Derleth 310). The successful economic reform towards a pro-market economic system carried out the Polish government enhanced the confidence of the people in their new non-communist government. If the economic reform had failed and living standards had decreased overall, people would have thought of the Poland during the Soviet era and reverted back to the Communist dictatorship.

According to the data provided above, the causal relationship between economic freedom and democratization in Poland is not evident. After all, the sign of government size, freedom to trade and the ability to attract foreign investment are fluctuating from year to year and they are not consistent with the growth in the institutional democracy score. However, those trends show that market reform can proceed with democratic reforms simultaneously, and successful democratic reform can benefit economic freedom to some degree. A

democratic government by no means allows a highly concentrated economy with a large percentage of state-owned enterprises. Accordingly, privatization and decreasing government intervention are inevitable. In the trends towards political liberalization and economic freedom, the government will establish a series of legal institutions for promoting economic freedom. Furthermore, economic freedom also requires governments to refrain from many market activities due to widespread private sectors. The freedom to trade internationally has preponderantly reinforced the relationship between Poland and the European Union, which has been its major trading partner since the end of the Cold War. The close economic relationship between the two also promotes democratic reform in Poland to some level, which will be discussed in more detail later in the paper. The steady increased inward investment further opens the Polish economy to the outside world and enhances economic freedom. Although no direct data shows a correlation between economic freedom and political democracy, the author believes the openness of the economic system requires a democratic government to protect its independence and also to provide the necessary legal institutions.

Independent Variable II: External Powers

The European Union (EU) and Russia are the two major powers most influencing Polish political and economic development. After Germany invaded the USSR in 1941, Stalin established the Polish Worker's Party, which took power after the Red Army removed the Germans in early 1945 (Rosser and Rosser 339-340). The Polish leadership was taken over by hard-core Stalinists until the 1989 political and economic reform (Rosser and Rosser 339-341). Before Poland was separated under the Warsaw Pact, Russia had traditionally been

Poland's largest trading partner along with other Central and East European countries.

However, once Poland broke away from the Warsaw Pact, it began the process to become an EU member. The Polish closeness with the EU could be predominately explained by its repugnance towards the Soviet Union. Historically, Poland was partitioned by Russia several times over the course of its history, causing considerable loss of life, as well as Polish oppression under Soviet totalitarian rule over a period of decades (Rosser and Rosser 339-340).

The prospect of EU membership provided great momentum for Poland's political and economic development, and it has influenced Poland through political, economic and social aspects. The EU set three conditions for membership at the Copenhagen European Council in 1993: firstly, the candidate country must have an established, stable democracy system, rule of law, human rights, and respect for and protection of minorities; second, the candidate country must have a functioning market economy, as well as the capacity to cope with competitive pressure and market forces within the Union. Third, the candidate country must be prepared to adhere to the goals of this political, economic and monetary union (Grabbe 113).

Poland submitted its membership application in April 1994 and started accession negotiations with the EU in March 1998 ("Briefing No 12"). In order to meet the detailed requirements and rules of the EU founding treaties, Poland made a series of improvements, including enhanced training for public officials, greater transparency and public access to information, and better regulation of cross-border traffic, among other developments ("CIA World Factbook Poland"). Most importantly, Poland met the requirements set by the

Copenhagen criteria as a democratic state. Minority and human rights have been emphasized and respected, and the institutions of the rule of law are firmly in place (“Briefing No 12”). The new constitution, which has been in force since October 1997, has created greater transparency in regard to the functioning of the states, and a division of power between the government, including the legislative, executive and judicial branches, resulting in a functional system of checks and balances (“Briefing No 12”). However, Poland also paid a high domestic political price since the economy required a drastic overhaul, which includes privatizing more state industries, closing inefficient coal mines, and modernizing farms, which employ over 25 percent of the population (Derleth 311). Those requirements exacerbated the economic hardship Poland was facing, especially with regard to the already high unemployment rate. However, the overall good economic performance, relatively high growth rate compared to other European countries, and the overall increasing standards of living have helped the Polish government cope with the problems of transition.

Before the USSR’s dissolution, the CMEA (the Council for Mutual Economic Assistance) countries (including Bulgaria, Cuba, Czechoslovakia, German DR, Hungary, Mongolia, Romania and Vietnam) were the major trading partners of Poland. However, after the 1990 reform, the immediate outcome was a significant increase in exports to the EU, dominated by manufactured goods such as chemicals, steel, and transportation equipment. In December 1991, an Association Agreement signed between Poland and the EU made it one of the leading candidates to join the EU. Between 1989 and 1998, the percentage of exports from Poland to the EU approximately doubled, from about one-third to two-thirds of Poland’s total exports. This sharp increase followed the dissolution of the Warsaw Pact in mid-1991, and the

decline in Polish trade with its former CMEA partners (Rosser and Rosser 356). Most noticeably, Russia has slipped from being Poland's second or third trading partner to twelfth ("Briefing No 12"). Germany, Italy, France and the Netherlands became Poland's major trading partners, accounting for more than fifty percent of Polish imports and exports with the EU ("Briefing No 12").

Furthermore, the European Single Market helped the Polish economy recover from the disruption of the 1998 Russian financial crisis, which caused the economic growth rate to slow, and the unemployment rate to rise. The EU single market involves the removal of all trade barriers, as well as requirements to meet EU product and process standards (Grabbe 115). The opening of the labor market facilitated the migration of Polish citizens into the old member states, influencing the decline in unemployment to a certain degree, and increasing salary pressure on Polish enterprises to maintain the best qualified-staff. According to regional policy commissioner, Hubner Danuta, "Accession to EU, preceded by structural, political, economic and institutional changes allowed us to reap many of the benefits of our membership in the EU even before formal accession ("EU Membership")." In fact, authorities at many different levels, economic entities, and non-governmental organizations all have the opportunity to take advantage of the financial assistance offered by the European Union.

According to the above analysis, Russia has not directly influenced the Polish political progress in terms of economic, political and social issues since the dissolution of the USSR. In contrast, the European Union has had the greatest effect on the Polish reform process through EU membership incentives. The drive to join the EU can be one of the most

powerful motivations to carry out major reforms. After all, the tangible benefits provided by the EU link to progress in reforms, such as additional aid, trade access and political support act as powerful motivation. For instance, when Poland officially became an EU member, the original worries of Polish peasants concerning a competitive agricultural market in the Union were alleviated by the substantial subsidies provided by the EU. Also, the specific tasks annually set by the European Commission place a fairly consistent external pressure on successive governments, helping to ensure continuity of the reform efforts (Grabbe 122). Without the incentives and pressures necessary for membership, Poland would have been less likely to achieve these fairly successful political and economic reforms. Therefore, we can conclude that the EU goals may have helped lock in democratization and kept the state on the dual path of economic and political development.

Independent Variable III: the Process of Democratization

Poland was the first Eastern European country to shrug off Communism, and it did so peacefully. The process towards democratization actually started from the early 1980s, which was symbolized by the Solidarity movement. The 1989 Polish parliamentary election was an outcome of a decade-long struggle between the Polish Communist government and its opposition, which was mainly led by the independent, self-governed trade union known as “Solidarity” (Jasiewicz 104).

Owing to the 1980 summer food price inflation, the workers of the Lenin Shipyard in Gdansk went on strike in mid-August asking for labor reform and civil rights. They were led by electrician and veteran strike leader Lech Walesa. Specifically, workers required the

freedom to strike and established a trade union independent from Communist party control. Supported by the masses and other striking groups, the Gdansk workers insisted on protests until the government capitulated. Consequently, the Gdansk Agreement was introduced to authorize citizens' democratic rights to some extent (Curtis). Facing challenges from opposition groups, the Polish United Workers' Party (PZPR) demonstrated some degree of tolerance, since the inner factions between "hard-line" and "reformist" provided some room for civil society to be nurtured (Tworzecki).

Soon Solidarity expanded into a mass population movement with more than 10 million people joining. Gradually, this movement evolved into a political power against the communist party (Curtis). In the meantime, the Catholic Church also played a significant role in Poland's political transition. Polish Communists had failed to suppress the Catholic Church, and as a result, two thirds of the population embraced an entirely different value system than communist ideology (Tworzecki). With the encouragement of Pope John Paul II, the church gave Solidarity plenty of material and moral assistance that further legitimized Solidarity (Curtis). The impact of the movement continued to spread from industrial to agricultural sectors with the support of Rural Solidarity, which forced the regime to recognize the status of private farmers (Curtis). Furthermore, in 1981 approximately 30 percent of PZPR members also identified themselves as a member of that independent union (Curtis).

Solidarity created objections among Warsaw Pact countries especially the USSR. In 1981, the government was forced to adopt the hard policy against the Union. Thus, martial law was introduced by General Wojciech Jaruzelski, who outlawed Solidarity to prevent further union activities, including restricting civil liberties, closing the universities and

imprisoning thousands of Solidarity members. However, Walesa had never given up the principles of the Gdansk Agreement and persisted in struggling for civil rights and political liberty. When Gorbachev assumed the presidency in 1985, his policy of glasnost and perestroika (openness and economic restructuring) accelerated the demolition of the communist order. Jaruzelski embraced Gorbachev's reformist idea in a timely manner, and by 1988 Solidarity could operate more openly. At the same time, economic ineptitude and hyperinflation eroded the Polish living standards and workers asked for representation by Solidarity and Walesa (Curtis).

Under the coordination of the Church, the Communists and Solidarity were brought to the bargaining table, in what came to be known as the Roundtable Negotiations, which were held in Warsaw between February 6, and April 5, 1989. The compromise was reached between the two parties, including re-legalization of Solidarity, a new electoral law for the upcoming parliamentary election, and several amendments to the Polish Constitution (Jasiewicz 104). In the 1989 Parliamentary election, the communists were swept from most of the contested seats. Solidarity used its advantage to constitute a new coalition government with other small parties. In August 1989, the Catholic intellectual Tadeusz Mazowieck became the prime minister of a government committed to replacing the old communist system with a Western-style democracy and a free-market economy (Curtis).

As the first Central and East European country to dismiss Communism, the democratic institutions established in Poland have developed after experiencing a relatively long run compared to other members of the Warsaw Pact or the Soviet Union. In the political reforms, the working classes with private farmers were the major actors who required a series of civil

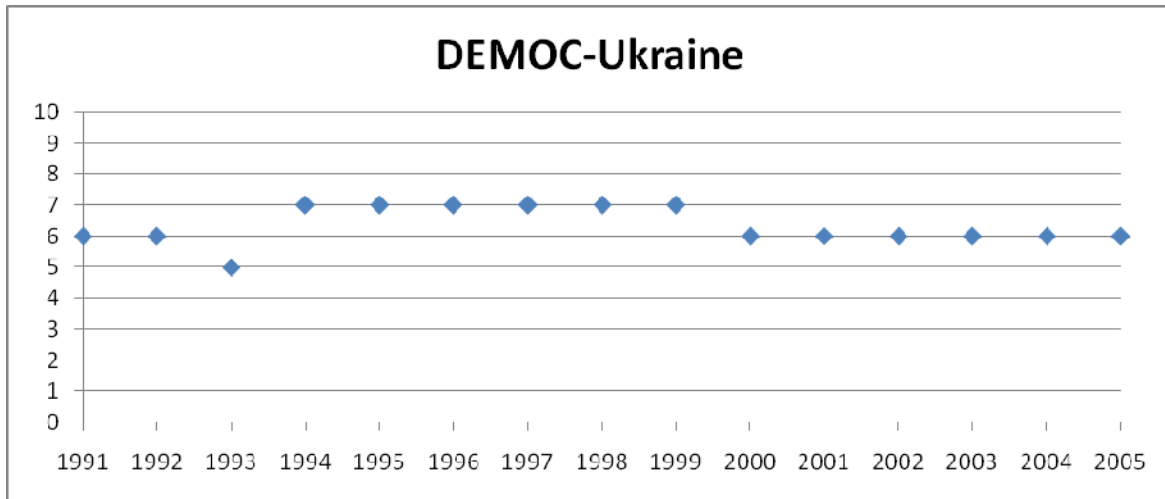
rights and more freedom urging Poland towards democratization. Thus, the process of democratization in Poland was progressive with regard to the pace and bottom-up with regard to direction. However, whether or not the pace and the direction of change are necessary and sufficient conditions for democratization is still uncertain, since in the case of Poland, the relatively loose control of the Polish Communist Party played a significant role in allowing the substantial existence of the Catholic Church and the development of the Solidarity movement. According to analysis, the willingness of the Polish Communist Party to participate in the democratization efforts made the Solidarity movement and expansion of civil rights possible.

Case Two: Ukraine

Dependent Variable: level of democratization in terms of its consolidation and sustainability

The same measurement of the institutional democracy is also applied to the case of Ukraine according to the POLITY IV dataset. Figure 5 below shows the variance of political development of Ukraine since its independence from the Soviet Union in 1991 to 2005, the second year of the latest presidential election held in November 2004. From the graph below, it is obvious that Ukraine has not yet established a consolidated and sustainable democracy. In light of the criteria set by POLITY IV, Ukraine only achieved partial democracy, 7 points, from 1994 to 1999 and 6 points, at the beginning of the independence and during the time period from 2000 to 2005.

Figure 5:



Source: “Polity IV database”

The political system of Ukraine is known as the framework of a presidential-parliamentary democracy holding regular multiparty elections (“Freedom House: Ukraine”). The president is elected by popular vote for a five-year term, which is eligible for a second term (“CIA World Factbook Ukraine”). During the time period from 1991 to 2005, Ukraine experienced three presidential elections. The results of the second election were harshly criticized and the third presidential election was the outcome of the long-term political struggle between old elites and the western oriented elites. In 1994, Ukraine became the first country among the Commonwealth of Independent States to carry out a peaceful and democratic transition of power, and both the parliamentary and presidential elections were held this year, which explained the 2 point increase from 1993 to 1994 (“Freedom House: Ukraine”). This year’s presidential election was the outcome of a compromise reached between leading members of old regime and reformers, and Leonid Kuchma, a pro-Russia and pro-market technocrat, replaced pro-western Leonid Kravchuk to become the president (Eke). After Kuchma took the office, he made great effort to stabilize the economy,

introducing new currency and 1996 constitution (Wilson 94).

However, when the president Kuchma got reelected in 1999, he sought to expand his power. This presidential election was claimed to be unfair by the opposition candidates because of government controlled media propaganda, although the international observers admitted the fairness and the result of this election. The fraud in regards to the presidential election was verified by the revelation of the president's conversations recorded on tape that provided evidence of his harassment of political opponents and falsification of election results ("Polity IV Country Report 2006: Ukraine"). Although this scandal provoked public protest, Kuchma was not charged by the legislature regarding his illegal activities. The attempt to expand presidential power is the most likely reason to lower the score of the level of democracy by 1 point from 1999 to 2000.

In the 2004 presidential election, the competition was mainly carried out between Prime Minister Victor Yanukovych and the leader of the center-right Our Ukraine Party, Victor Yushchenko. Yanukovych was backed by the president Kuchma and supported the Russian agenda, and Yushchenko was a western oriented political reformer. Due to the resentment towards manipulated presidential elections, a peaceful mass protest was launched, and led to a new internationally monitored vote. Finally, Victor Yushchenko won the election by 8 points and formed the coalition government with Tymoshenko in early 2005 ("Polity IV Country Report 2006: Ukraine"). At that time, the score for the level of democracy should have increased thanks to the progress towards full democracy achieved by the reformers. On the contrary, the personal rivalry between Yushchenko and Tymoshenko intensified and paralyzed Ukraine's politics once again.

During the whole presidential election process within 15 years of Ukraine as an independent country, the electoral process has always been interfered with and manipulated under the leadership of Kuchma until the 2004 Orange Revolution. The political paralysis in Ukraine is mainly attributable to the lack of rule of law and the established institutional framework, for instance, a strong parliament to restrain the presidential power. Although the 2004 presidential election symbolized a new phase of Ukraine politics towards democracy, afterwards Ukraine politics has become highly factional and polarized because of political divisions. In Ukraine, over one hundred parties and blocs exist and those parties reflect interests of various small groups, such as managers of state-owned factories, private businessmen, academics, etc. Actually, the political parties in Ukraine do not have great power or influence on politics other than regional elites who have played an important role in post-Soviet politics. The regional political division between pro-west supporters in western regions and pro-Russia supporters in eastern regions is the major cause of the political instability in Ukraine.

When we look at the power division in Ukraine, we find that the president has more power over the legislature and judiciary. Since 1995 the president Kuchma started to amass executive power gradually. As a result, the president has the power to dissolve the parliament and to call a new election. Also, the Presidential-Parliamentary system endowed the president with strong power to control all ministerial appointments. Accompanied by the well-progressed economic reform, the office of the president attempted to expand his power further by referendums considering the high popular support of his economic agenda. As expected, Ukrainian people who were benefited by Kuchma's effective economic reform

approved the power expansion. The intention of left-wing opposition in the parliament to restrain the president by blocking undesirable legislation has failed, as the president Kuchma placed the pressure on the parliament for the constitutional change according to the referendum results. However, he had to abandon this policy goal because of the severe corruption and the abuse of power revealed by the “tapegate” scandal after the 1999 presidential election (“Polity IV Country Report 2006: Ukraine”). After that, President Kuchma still schemed to divide the already fractionalized political opposition in the country and even lobby for constitutional amendments to limit the power of the next president when he acknowledged the great possibility that opposition would take the power in the next presidential election. With the 2004 Orange Revolution, a series of legislations were passed by the parliament to strengthen the role of the parliamentary system and the prime minister, and weaken the political authority of the president significantly.

Independent Variable I: Economic Freedom

Since the dissolution of the USSR, Ukraine faced serious obstacles in terms of decreasing industrial production in most sectors and the sharp rise of inflation. However, the first president Kravchuk did not have enough courage to carry out the necessary economic reforms, since he was afraid of the social unrest aroused by “shock therapy,” which would favor his political opponents in the Parliament and antagonize the Russian-speaking industrial regions in the east (Yekelchuk 1997). Instead of privatization, the government of Prime Minister Vitold Fokin subsidized unprofitable state factories to prevent mass unemployment (Yekelchuk 1997). However, no economic index indicated any sign of economic recovery. In

order to stabilize the situation and carry out economic reform, the newly elected President Leonid D. Kuchma initiated the reform program towards free market in 1994 when he took office. Kuchma's October '94 program proposal was aimed at cutting all state subsidies and freeing product prices from government control, as well as cutting government spending and limiting the budget deficit (Zviglyanich 244). Table 5 below shows the general trend of economic freedom in Ukraine; we can see no noticeable advances in terms of rank during those years.

Table 5:

Summary Rating (Rank)	1995	2000	2004	2005
	3.90(119)	4.70(115)	5.53(109)	5.50(112)

Source: Lawson et. "Economic Freedom of the World, 2008 Annual Report" 174

Privatization of the state-owned sector was the major goal of economic reform, since it is a precondition of a market economy, and its central idea is to bring competition by dismantling monopolies rather than to provide protection from the state government (Zviglyanich 244). Consequently, the state role was only limited to taxation, planning, and financing the restructuring of industry (Zviglyanich 239). However, the steps towards privatization have been slow. After independence, state ownership accounted for 84 percent of registered economic activity in Ukraine (Karatnycky 126). Although voucher-privatization programs launched by Kuchma in November 1994 sped up the pace of privatization, by late 1996 only a small portion of state-owned enterprises had been privatized (Zviglyanich 252). Many large state-owned industrial plants remained unchanged, such as firms in the infrastructure sectors and large manufacturing and mining enterprises (Zviglyanich 252). The table 6 shows the trend towards privatization since 1995 and demonstrates no obvious progress during this period of time. Actually, the economic reform focusing on privatization

was very unpopular in Ukraine both among vested interest groups and workers in the SOEs.

Liberal market reforms and privatization mean the large-scale elimination of subsidies on the state sector, which openly threatened the social position and personal well-being of old government elites and industry managers, as well as raising the risk of a high unemployment rate (Zviglyanich 241).

Table 6:

Size of Government Rating (rank)	1995	2000	2004	2005
	3.57(110)	3.59(117)	4.31(116)	3.96(122)

Source: Lawson et. "Economic Freedom of the World, 2008 Annual Report" 174

Although privatization efforts ultimately failed, the 1994 economic reform nonetheless brought some positive effects on economy, such as trade (Table 7). Since the reform, along with the economic growth, trade volume has increased greatly in 1995 by 32 percent, which was mainly attributable to the trade with Western countries rising by 40 percent. For the first time in 60 years, Ukraine exported grain, reminding the world that it once was, and can again become the bread basket of Europe (Mroz and Pavlick 92). The over-performing export sectors, especially in chemical and steel became the dominant departments, accelerating their economic growth since early 2002, and reaching a 12 percent growth rate in 2004 (Wilson 106). In addition, Ukraine, as a small country with limited resources, has to rely on neighboring countries, especially Russia, for its energy resources.

Table 7:

Freedom to Trade internationally Rating (rank)	1995	2000	2004	2005
	6.70(58)	7.05(61)	7.01(61)	6.51(74)

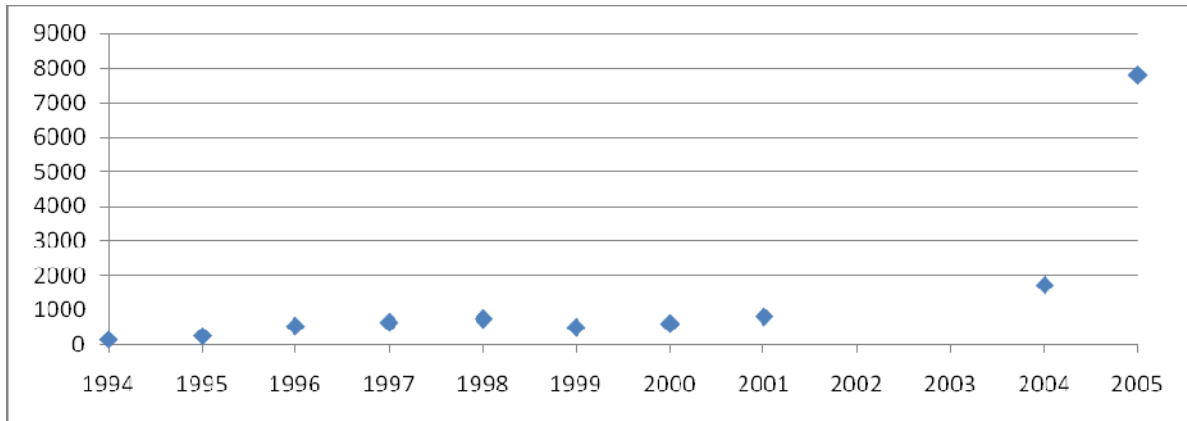
Source: Lawson et. "Economic Freedom of the World, 2008 Annual Report" 174

In order to create a free market economy for future economic developments, the

Ukrainian government recognized the importance of Foreign Direct Investment and thus sought to create an appealing environment for attracting foreign investment. To this end, Ukraine's government has consistently liberalized its investment regime and deregulated business and foreign exchange activities ("UNCTAD WID Country Profile: Ukraine" 7). However, it has failed to attract major investors because of the country's confusing tax laws and its failure to allow private ownership of property, combined with its reputation for bureaucratic corruption. Inward investment from 1994 to 2005 is shown in Figure 7.

Although President Kuchma claims \$40 billion in private investment for economic development, it only received \$750 million between 1992 and 1995. During those years, the direct foreign investment per capita was only one tenth of other Central and Eastern European countries except Russia (Mroz and Pavlick 93). In order to provide a more suitable investment environment, foreign investors are guaranteed equal treatment with local companies according to the March 1996 Foreign Investment Law. Also, another law, passed in June 2000, reduced the number of licensed activities and simplified the registration process of a business. ("UNCTAD WID Country Profile: Ukraine" 1). Consequently, the degree of foreign investment has sharply increased since 2004.

Figure 7: Inward Investment, 1994-2005. (Millions of Dollars)



Source: "World Investment Report 2008"

* no data available from 2002-2003

Economic reform in Ukraine was launched in 1994. Yet, instead of a free market economy, crony capitalism developed. A high degree of corruption is rampant in all levels of the government and resistance to reform in this area comes from powerful groups which are more interested in accumulating personal power and wealth rather than nation-building (Mroz and Pavlick 93). According to the studies that Sachs conducted in Ukraine, to do business there, one may have to pay as many as fifty bribes just for electricity, land, water, and police cooperation (Zviglyanich 257). The low level of economic freedom is positively related with the relatively poor political development. Government plays a significant role in the state economy and it nurtures the system of crony capitalism. The interests of industry managers who benefit from the government subsidies to state owned enterprises have been closely intertwined with government officials, and their common interest hinders the incentive for free market reform as well as political reform. Their system of big government, which is closely involved in dictating the market, combined with the lack of defined property rights gives the state the possibility to abuse its power without considering the welfare of its people. From this point of view, economic freedom could be greatly influenced by the level of

political development.

Independent Variable II: External Powers

Compared to Poland, Russia has maintained its enormous influence on Ukraine in terms of social, economic and political aspects. Although many former CEE countries have become EU members or are considered as potential candidates, Ukraine could only be considered within the “European Neighborhood Policy” rather than the zone of likely EU expansion because of its abiding Russian influence (Wilson 107). Holding Ukraine in its buffer zone, Russia cannot allow the West to reach out to its border. However, Western countries understand that an independent, democratic and reform-oriented Ukraine can provide a model for Russia’s development and promote stability in Central and Eastern Europe. Ukraine’s failure would strengthen Russia’s authoritarian tendencies and leave Europe substantially less secure.

Ukraine is not an ethnically and culturally homogenous country like Poland. Russian is the largest minority group in Ukraine and the Russian population stands at about 17 percent (Wilson 92). Linguistically, Ukraine is more equally divided between speakers of Ukrainian and speakers of Russian (Wilson 92). The division between the largely Ukrainian speaking West and Central regions, and the largely Russian speaking East and South correspondingly produces a political division between pro-West and pro-Russia groups. This partition is historical in origin. In early 1667, Ukraine was partitioned between Poland and Russia. During the 19th century, the Western part of the region was controlled by the Austro-Hungarian Empire, and the Russian Empire controlled elsewhere. Though a linguistic

and cultural revival was sparked by the Ukrainian people at that time, especially among intellectuals, the Russian empire imposed strict limits on attempts to reestablish Ukrainian culture, even banning the use and study of the Ukrainian language. During the Russian Revolution during World War I, Ukraine declared independence. After three years of conflict and civil war, the Western part of Ukraine was occupied by Poland, and the Central and Eastern regions were occupied by the Soviet Union in 1922 as the Ukraine Soviet Socialist Republic. During World War II, Ukraine suffered under the brutal rule of both Nazi Germany and the Soviet Union. Since 1939, Ukraine was occupied by Germany and the Soviet Union, and the region which had been incorporated into Poland was occupied by the Soviet Union. In 1986 anti-Soviet sentiment was exposed with the explosion at the Chernobyl nuclear power plant. On August 24, 1991, Ukraine became an independent state ("Ukraine (03/08)"). As a newly independent country, Ukraine's national security faced numerous threats from abroad. For instance, Russia has refused to negotiate the exact borders between the two states and the Russian Black Sea fleet is still located in Ukraine (Mroz and Pavlick 91, Kulinch 96).

As a traditional satellite of Russia, even after the dissolution of the USSR, Russian authorities still asserted their country's regional dominance and Ukraine is still seen today as rightfully ruled from Moscow. The establishment of the Commonwealth of Independent States (CIS) was the attempt by the Russian government to promote a closer integration of the former Soviet Republics. Ukraine, as a newly independent country, hoped to affirm its national identity; thus, it resisted contributing to the development of the CIS as a supranational structure (Yekelchuk 195). The alienation of Ukraine from Russia indeed helped it gain more goodwill among Western countries. The denuclearization agreement

signed with Russia and the USA in 1994 removed Soviet nuclear weapons from Ukrainian territory and helped it receive a great deal of US aid (Wilson 108). Also, in the same year, Ukraine signed a Partnership and Cooperation Agreement with the EU for gradual economic integration and a deepening of political cooperation (Wilson 108). Large financial support from Western governments and international institutions made Kuchma's macroeconomic reforms possible. Growing industrial, financial and scientific cooperation was carried out between the European Union and Ukraine. Also, Ukraine was given most-favored-nation trading status with the European Union by signing and implementing the interim agreement, which greatly increased Ukraine's exports to Western Europe (Mroz and Pavlink 96).

However, the fact that Ukraine heavily depends on Russia for energy supplies cannot be overlooked: up to 80 percent of Ukraine's gas and oil are imported from Russia and Russia has always been Ukraine's largest trading partner. After a series of political scandals revealed during the second term of President Kuchma, Western countries denounced political fraud and turned a cold shoulder to Ukraine. Having encountered Western diplomatic sanctions, Ukraine has fallen back into the Russian sphere of influence. In order to relieve several billion dollars of energy debt, the Ukrainian government allows Gazprom, Russia's gas monopoly, to hold 35 to 50 percent of stock in 15 of Ukraine's most profitable and strategic national enterprises (Mroz and Pavlink 95). Actually, the inflow of Russian capital helped sustain Ukraine's impressive economic growth. After the initial increase of GDP by 6 percent in 2000, the country's GDP grew at an annual average 9 percent until 2005 (Yekelchuk 212).

Although old European Union members left Ukraine in the Russian sphere of influence, the new European Union members such as Poland hope to see a democratic and pro-Western

Ukraine as a check on the neo-authoritarian influence of Putin's Russia and a means to spread stability and prosperity through the region (Sushko and Prystayko 130). During the 2004 Ukrainian presidential election campaign and the Orange Revolution, the European Union strongly questioned the fairness and legitimacy of the outcome of the first rounds of the election. Their strong and consistent support towards the pro-West candidate Yushchenko was the indisputable reason behind the victory of the Orange Revolution. From the above case study, we can conclude that both Russia and the EU exert significant influence on the prospects of Ukrainian democracy. However, economic assistance is the key factor that Ukraine uses to define its foreign policy strategy, and without economic independence from Russia, or, rather, energy independence, it will continue to be subjected to Russian influence and unable to carry out meaningful political reform.

Independent Variable III: the Process of Democratization

Political transformation in Ukraine is one of the more unsuccessful cases among CEE countries. This transition period is hallmarked by oligarchy politics and instability. The major causes were based on little incentive for the old government elites to reform, and the lack of competitive political opposition against the corrupt government. The Soviet collapse in 1991 did not bring about an obvious regime change in Ukraine. This country obtained its independence peacefully, chiefly because the same group of politicians and industry managers that had existed under USSR influence took office. Although the so-called Communist Party no longer technically existed, the "new" government was only a shadow of the previous one. The country was still governed by the institutions inherited from the old,

Soviet Ukraine, despite the fact that the Ukrainian authorities adopted a new political language, mainly because they saw no need to develop either democratic institutions or a market economy (Yekelchuk 194 and 199). Instead of free market capitalism combined with democracy, Ukraine developed crony capitalism with a high level of government corruption. As a country which had been tightly controlled by the Communist regime without social opposition or a flourishing civil society, Ukrainian opposition lacked both electoral strength and the public support to topple the old Communist regime (Yekelchuk 193). By stealing the agenda from the Ukrainian Popular Movement (RUKH), the old government elites placed sovereignty and nation-building as their underlying agenda for their political survival, since Ukraine had not truly been an independent country from Russia for hundreds of years (Karatnycky). During the transition time, no branch of power, including the presidency, the legislature, and the other departments of government, transferred to non-Communist policy, let alone became anti-Communists or challengers of Communism (Karatnycky). Both the Parliament and the President lacked incentives to carry out economic and political reform. The real progress towards democratization did not come until the Orange Revolution occurred in 2004, the origins of Ukraine's democratic breakthrough.

Although no significant political opposition emerged until 2000, in the late 1980s the civic movement requiring independence formed a short term non-communist camp launched by a reformist writer and former political prisoner, Rukh, along with hundreds of local and national civic, cultural, political and human rights organizations (Karatnycky 29). However, a rising trend of nongovernmental reformist parties soon vanished as most of them merely focused on short-term elections without setting any long-term political platforms, and did not

move toward solidarity. Those weak and loose reformist organizations cannot compete with the strong and near-authoritarian government, especially when president Kuchma expanded his power (Karatnycky 29). Furthermore, the 1996 Constitution Amendment eroded the strength of independent parties, and featured the reinforcement of presidential power, constraining the importance of Parliament and making “governorships subject to presidential appointment,” while at the same time burying resentment and potential revolt among political opposition (Karatnycky 29). Fortunately, the old regime did not totally sweep political opposition groups and reformists out of the government; people like Victor Yushchenko, who was appointed by Kuchma as a prime minister in 1999, significantly influenced the Orange Revolution later on (Karatnycky 28). The appointment of Yushchenko as the prime minister was aimed at solving Ukraine’s foreign debt problem, which reached a historical high in 1999, since Yushchenko was known for his pro-Western liberal and reformist views. Against Kuchma’s expectations, Yushchenko proved to be a determined reformer and an honest civil servant (Yekelchuk 207). During his term as Prime Minister, not only did he refinance Ukrainian foreign debt, he also brought social justice back by squeezing the interests of oligarchs, directing money to senior citizens and workers, and creating tax breaks for the emerging middle-class (Yekelchuk 207).

In 2000, the abduction and murder of opposition investigative journalist Georgii Gongadze aroused antigovernment opposition, which created international accusations and revealed that President Kuchma conducted this action and he was the center of the criminal and corrupt system (Karatnycky 33). Consequently, a movement of “Ukraine without Kuchma” was initiated by two coalitions, uniting opposition youth, civic, and political

organizations, as well as including leaders from certain political parties who were the major players in the later Orange Revolution (Karatnycky 33). After the 2002 Parliamentary election demonstrated the potential of the opposition united front, Yushchenko established the People's Power Coalition with Yulia Tymoshenko in the summer of 2004 for the election campaign, which gained a great deal of support from the Ukrainian people (Karatnycky 34 and 36). Although his campaign was mainly based at the grassroots level, in fact many people, including a large number of industrial entrepreneurs, cultural figures, local officials and military officers stood by his side. Eventually, the People's Power Coalition won the election and the positive outcome of the Orange Revolution portends future democracy and prosperity for Ukraine.

Although after Ukraine attained its independence from the USSR and the Communist regime no longer existed, it did not throw out the previous political machine because the same group of politicians lacked incentive to introduce a functioning democracy. Without supervision from their "big brother," officials and industry managers had the chance to collaborate and reap the benefits of the economic reform, for instance, the government subsidies for inefficient state-owned sectors. Also, under Soviet control, opposition groups were less likely to form under that totalitarian regime. The oligarchy politics, combined with a weak civil society and opposition to reform, became the principal obstacles for Ukraine on the road towards democracy. In general, a top-down process initiated by the government elites is unlikely to be as thorough as the bottom-up process, because people with vested interests have less motivation to reform if their survival is not threatened. Eventually, political reform in Ukraine must be promoted by its people under the guidance of wise

reformers.

Conclusion and Findings

The analysis and comparison of data provided by POLITY IV shows that Poland has already established a consolidated democratic system. However, the prospect of democracy in Ukraine is still tentative. Conclusions are drawn from the case study and some findings have been assembled by investigating three factors, including economic freedom, external powers and the process of democratization.

First, the hypothesis that economic freedom influences the success of political development is not firmly supported by the case studies. There is no evidence to show that economic freedom will lead to democratization, but the inverse relationship appears to author may actually found, and political transformation towards democracy will bring positive influence to economic freedom. Poland provides a good example for this argument. The well-established democracy makes the significant state intervention in the economy less likely. When people ask for their political rights, they also require their individual property rights and freedom in economic activities. After all, in Poland the Solidarity movement initiated by workers demanded both social and economic rights. In addition, only a real democratic government will run a nation based on rule of law, and those legal institutions are preconditions for protecting private economic activities.

Economic freedom in Ukraine has not progressed as well as Poland for the reason that state-controlled economy and endemic corruption stalled the effort of economic liberalization. Ostensibly, Ukraine holds presidential elections regularly, but old government elites

transformed from the communist totalitarian rule to another form of authoritarian type, which was featured in continuous expansion of presidential power and oligarch politics. Not only did their leaders lack incentive to reform state owned sectors, but corruption made the economy of the country deteriorate. Overall, to establish a free market economy a country must rely on the political democracy to a large extent, because the substance of democracy is contradicted with the command economy, and it provides the institutional framework for the economic freedom.

Second, the hypothesis that the external powers influence the success of domestic political development is defended to a large extent. According to analysis, the European Union provides momentum for democratization and economic reform in East European countries, and Russia undermines the democratization to some extent. Because the EU requires countries to meet Copenhagen Criteria before they can join, there is a powerful incentive to make genuine democratic reforms in order to reap the economic benefits of EU membership. In Western Europe and Poland there was an understanding that it would be a matter of "when" not "if" Poland joined the EU. However, because of Ukraine's large size, lower level of economic development, and links to Russia, it is less likely that Ukraine will become a possible EU candidate (at least until recently, after the Orange Revolution), although the EU played a noteworthy role in the Orange Revolution. Poland's better prospects for EU membership may have given it more reason to adopt democracy than was present in Ukraine. It is less what the EU did directly, than it just being more open to Polish membership, that created a different environment in the two countries regarding democracy.

Russia would not easily abandon its regional dominance in its former Soviet satellites.

Facing the EU's eastward expansion, Russia has to exert greater influence on Ukraine because Russia does not want to see a democratic, wealthy, and pro-west Ukraine, and it will reinforce its control over it especially after the Orange Revolution. The energy dependence on Russia and other economic linkage restrain the chance that Ukraine could carry out complete reforms. In general, external powers play a critical role in the democratization of these two countries, and economic benefits particularly are the most important factor to determine the foreign policy taken by them. Poland has already become an EU country, but Ukraine is definitely a place worth striving for because it does not stand firmly on Russia's side.

And last, the hypothesis that the process of democratization influences the success of the political development is validated to some extent. Regarding the pace of reform, Poland began its reform process almost ten years earlier than Ukraine, and it had more time to establish the institutional framework required by democracy and to cultivate political culture. Also, the Poles had time to adapt to a new system and transform their role to become citizens with civil rights and political responsibilities. We cannot deny the fact the Polish people were not satisfied with their government performance since a multi-party system in a parliamentary system caused an unstable government coalition to some extent, as well as continuous high unemployment rates caused by shock therapy. However, that dissatisfaction has been channeled into the regular political process, rather than into challenging the nature of the regime itself. Therefore, the functioning democratic system has been gradually consolidated and sustained and no return trend has been found during the years of reform.

Regarding the direction of reform, the Solidarity movement initiated by Polish

workers with massive support symbolized the threshold of the political reform and eventually brought the Communist Party to the negotiation table, launching the process towards democracy. In Ukraine, the old Soviet system was inherited and old government elites colluding with industry managers “stole” the country in the name of independence from the Soviet Union and reinforced their own power and interests. Both oligarch politics and rampant corruption decreased the chances for political and economic reform. However, we cannot neglect the reason that in Poland Solidarity was able to acquire power so quickly. In Poland, its communist government was comparatively tolerant and progressive, which made a flourishing “Solidarity” movement, free religion, emerging of civil society, and economic liberalization possible. Without PZPR’s tolerance, democratization in Poland could not have been carried out so quickly and smoothly. Moreover, as a Warsaw Pact country, the Poland Communist Party had not taken deep roots there, and their party members had not been so faithful to the communist creed, either. In general, the Solidarity movement combined with the cooperation of the Polish Communist government achieved the political progress in Poland.

Is Ukraine likely to follow Poland’s path, just in a delayed fashion, or is it on a different path altogether? Without the Orange Revolution, the democracy outlook in Ukraine was still vague because of the gradual expansion of presidential power and tight bonds between officials and state-owned businesses. The Orange Revolution bestowed the hope for the country’s democratic prospect, and the whole world heard the Ukrainians’ voices calling for an honest and upright government with constrained power and civil rights. However, the influence of special interests groups is still strong, and the economic dependence on Russian

natural resources could not be broken in the short term. For Ukraine, both domestic oppositions and foreign assistance from Western countries are main forces to promote political and economic reform.

Future Studies

In the future, the more independent variables and cases should be investigated to test the hypotheses and to consolidate or reject the conclusion the author draws from the case studies. First, a successful political reform cannot be achieved within a short term and conducted by only small number of people, and it is determined by comprehensive political, economic and social conditions. Besides the independent variables analyzed above, other factors such as civil society should also be included. As many theories suggested, the emergence of a middle class with the economic growth is always the force of social advancement because a lack of political promising on basic rights restrains their economic and social freedom, and their civil rights could also not be protected without the respect to rule of law. Moreover, the influence of people's affiliation to other belief systems, such as Catholicism and Protestantism, should be taken into consideration. The more a country tolerates dissidents and different beliefs, the more a government is willing to accept supervision of the people and improve itself.

In addition, some problems in regard to measurement of the independent variable exist and should be modified in the future. For instance, the influence of NATO with respect to the external power should be considered to expand the model. After all, NATO, being a regional security organization in contrast to the dissolved Warsaw Pact, keeps expanding its

boundary east towards Russia, and this is a critical reason that Russia worries about the “color revolution” occurring along its border and exerts control over countries like Ukraine and Georgia. With NATO taken into consideration, the influence of Russia could be more strongly justified.

Besides Poland and Ukraine, more cases with regards to Central and East European countries could be studied in the future. According to results released recently by International Transparency, Russia ranks 146th among 180 political entities as one of the severely corrupt countries (“Corruption Perceptions Index 2009”). The prospect of CEE countries towards political democracy and economic freedom will have profound influence on regional politics, and we hope the domino effect will occur within this region. However, we cannot be certain that the people would not like to accept an authoritarian capitalism given the continuous raising of living standards. After all, a transitional pain would lead to backlash towards a strong government, and this point could be proved from the case of popularity of Putin in Russia and China as a rising power. How countries like Russia and China could overcome obstacles towards political democracy is worth being discussed in the future and will likely be as interesting and intricate as Poland’s own rise to democratic status.

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