



## UKRAINE: Financial crisis redraws the political map

Thursday, November 13 2008

**EVENT:** Speaker of parliament Arseniy Yatsenyuk was dismissed yesterday.

**SIGNIFICANCE:** Yatsenyuk was a key ally of President Viktor Yushchenko, whose political capital has been further weakened by Yatsenyuk's departure. The president has also been forced to rethink his strategy of supporting early parliamentary elections, as the domestic effects of the global financial crisis have impelled Ukraine's sparring leaders to focus on economic exigencies.

**ANALYSIS:** The financial crisis may be thwarting President Viktor Yushchenko's strategy of calling early parliamentary elections in order to remove Prime Minister Yulia Tymoshenko from her position. The 2006 constitution did away with the president's right directly to remove the government, but it can still be ousted in two ways, namely:

- by forming a new parliamentary coalition and government; or
- by calling pre-term elections, if a governing coalition has collapsed and there is no new coalition to replace it.

The 'Orange coalition' between Yushchenko and Tymoshenko disintegrated on September 3, when the president's Our Ukraine-People's Self Defence (NU-NS) withdrew in protest over a Yulia Tymoshenko Bloc (BYuT) tactical alliance with the opposition Party of Regions ([see UKRAINE: Coalition collapse threatens stability - September 5, 2008](#)).

Negotiations towards recreating an expanded Orange coalition would have included BYuT, NU-NS and the centrist Volodymyr Lytvyn Bloc, giving the coalition a comfortable majority of 248 out of 450 deputies in parliament. However, Yushchenko did not support the new configuration, as it would have ultimately given the government greater independence from the president and his influential secretariat.

**Financial crisis fallout.** The collapse of the coalition coincided with the onset of the global financial crisis in Ukraine ([see UKRAINE: Global crisis starts to hit local economy - October 20, 2008](#)), and the president has stated that he will prioritise the crisis ahead of early elections. However, there have been political consequences for both Yushchenko and Tymoshenko:

- **Postponing elections.** Ukraine's financial turmoil strengthened Tymoshenko's argument that it would be inappropriate and fiscally wasteful to organise early elections amid a serious economic downturn. Tymoshenko and her supporters in parliament blocked pre-term elections through their refusal to authorise funding for the vote, challenging the elections' legality in courts and obstructing parliament's work. Parliament has twice voted down a measure to release finances for the elections.
- **Presidential tailspin.** Faced with both domestic and international opposition to an early vote, the president is backtracking from his earlier adamant support for pre-term parliamentary elections. Opinion polls show that two-thirds of Ukrainians strongly oppose new elections, while three-quarters do not believe they will resolve Ukraine's crisis. Ukrainians have generally blamed the president for the political crisis, sympathising with BYuT's opposition to fresh elections.
- **Western criticism.** Brussels, London and Washington now regard Tymoshenko as the best symbol of reform in Ukraine, while Yushchenko's presidency has been characterised by political instability, circular crises and unnecessary elections. The president's support for early elections, the third vote since he came to power four years ago, is generally regarded as an avoidable manoeuvre whose aim is primarily to remove Tymoshenko from power.

**NATO delayed.** The political and financial crises have undermined Ukraine's drive to receive a NATO membership action plan (MAP). On December 7 -- ironically, the original date on which early elections were to be held -- NATO foreign ministers will review Georgia and Ukraine's progress towards MAPs, as mandated by NATO's April summit in Bucharest. Then, German officials cited political stability in Ukraine and higher public support for NATO membership as necessary conditions for granting Ukraine an MAP. Frequent government turnovers have undermined progress towards satisfying both preconditions.

It now appears unlikely that Ukraine will receive a MAP either in December or in April 2009, during NATO's 60th anniversary summit. Pre-term elections in early 2009 would drag out the formation of a new coalition and government until spring. Presidential elections will be held in late 2009 or early 2010, and the campaign will dominate domestic political discourse for much of the coming year. Neither Tymoshenko nor opposition leader Viktor Yanukovich -- the leading candidates to replace Yushchenko -- will advocate NATO membership during the campaign, owing to the alliance's domestic unpopularity ([see UKRAINE: Aspirant for membership poses NATO dilemma - March 28, 2008](#)).

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Ukraine's push for NATO membership will therefore be on hold until after the elections, and will depend largely upon the outcome of the presidential vote. Polls suggest that Tymoshenko could defeat Yanukovich in a run-off election, and she would be likely to resume Ukraine's push for alliance accession.

**President's manoeuvres.** In the meantime, the president has been forced to recalculate his domestic political strategy. Public support for the president was in decline throughout 2008, and his approval ratings recently slumped to their lowest ever (under 5%), with 82% expressing no confidence in him.

With rapidly declining popularity, and a shrinking base within NU-NS (as evidenced by 10 NU-NS deputies' support for removing parliamentary Speaker Arseniy Yatsenyuk from office), the president has sought to recoup his public and institutional support by portraying himself as a proactive leader capable of dealing with the consequences of the global financial crisis. On October 31, a 'lame duck' session of parliament approved a series of fiscal and economic reforms that the IMF had mandated as a condition for releasing a 16.5 billion dollar stabilisation loan to Ukraine. BYuT, NU-NS and Lytvyn's bloc supported the measures; the opposition Party of Regions and Communists did not.

There are also practical limitations on the president's ability to push for early elections:

- Parliament's refusal to release funding for the vote forced the president to delay the elections initially until December 14.
- However, Ukrainian legislation mandates a 60-day electoral campaign. With Christmas and New Year holidays coming up, Yushchenko now believes that late January or early February is the earliest realistic timeframe for elections.
- The longer pre-term elections are postponed, the more doubts will arise whether they will ever take place. Ukraine will hold a (scheduled) presidential election in December 2009 or January 2010; Yushchenko's likely defeat would obviously preclude any possibility of an early parliamentary vote after that.
- In the event that early elections are not carried out, Tymoshenko's government could stay in office in an acting capacity.

**Tymoshenko's strategy.** Tymoshenko will choose between two options, depending on the severity of the economic crisis in Ukraine:

- **'Soft landing'.** If Ukraine's economy is not severely affected, she could simply block funding for elections and stay on as acting prime minister until the presidential vote. She is currently well positioned to succeed Yushchenko as president. However, there is a risk that she will be removed from the premiership, if parliamentarians pass a vote of no confidence in her government.
- **'Hard landing'.** If the crisis quickly takes a turn for the worse -- an increasingly likely outcome -- and she is not removed from power, Tymoshenko could vote in December or January in favour of financing early elections. She would then stand for election as the head of her eponymous bloc, and could place first with as much as 35% of the vote. She would then be in a good position to deflect blame for the economic crisis onto Yushchenko, and launch a successful presidential campaign.

**CONCLUSION:** The president's strategy of attempting to remove Tymoshenko has backfired. The onset of the financial crisis in Ukraine, coupled with the domestic and international unpopularity of holding elections, is forcing him to rethink his strategy. However, his attempts to take credit for resolving Ukraine's financial challenges are unlikely to restore either his popularity or his legitimacy.

**Keywords:** RUCIS, Ukraine, Georgia, Germany, NATO, United Kingdom, United States, economy, politics, constitution, election, fiscal, foreign policy, government, legislation, international relations, defence, military, security, talks

*Word Count (approx): 1239*