

Politics, Elite Conflict, and Gas Crises: Ukraine on the Path to Presidential Elections



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Background to Autumn-Winter 2008 Crisis

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- NRBO again becomes a parallel (anti-Tymoshenko) government;
- Unconstitutional interference in government, legal obstruction and daily criticism;
- Pre-term elections unpopular and blocked by Tymoshenko;
- Orange coalition collapses (September) but then revives (December);
- Elites fail to unite in face of crisis while public disenchantment grows;
- **Two failed no-confidence votes (July 2008 & February 2009);**
- Global financial crisis hits Ukraine:
 1. Collapse of trust in NBU and *hryvnia* loses 60% of its value;
 2. Banks in crisis;
 3. Metallurgical exports collapse;
 4. Unemployment grows. Could lead to social strife?
 5. Higher gas prices need to be passed on to households;
 6. Growth of support for extreme right (Svoboda Party, 3.6%, February 2009).



Why has Baloga remained head of the Presidential Secretariat after overseeing a collapse in Yushchenko's popularity?

1. Blackmail and corruption?
2. Yushchenko's insecurity and inability to deal with Ukrainian politicians?

*'He pointed out that Y. Tymoshenko armed herself with old-style propaganda developed in the last century by the **vozhds and ideologues of fascist regimes** by repeatedly saying ridiculous, dreamt up and fabricated untruths'.*

*'Він звернув увагу, що Ю. Тимошенко взяла на озброєння давній пропагандистський трюк, а пробований минулого століття **вождями й ідеологами фашистських режимів**: багаторазове аж до безкінечності повторення найбезглуздішої неправди, вигадок і домислів'.*

Viktor Baloga, 9 September 2008

Viktor Yushchenko Era

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- Presidency dominated by political crises and 2 (3) elections;
- Each of the 4 (5) governments lasted less than 1 year;
- Weak leadership: 3% believe he has 'leadership qualities' (80% support a 'strong hand'; 35% willing give up some rights with a 'strong hand');
- Poor and counter-productive strategies by presidential secretariat;
- Desertion by Ukrainian voters: 2.4-4% popularity is lower than Kuchma's lowest popularity rating;
- Fallen from 3rd to 5th place in ratings of presidential candidates;
- Former orange elites and parties forced out and move to Tymoshenko;
- Implosion of centre-right and failure to establish a pro-presidential party;
- **2008 worst year for President Yushchenko as 'Yushchenko Fatigue' emerges in Ukraine and in the West;**

President's Actions and Policies Are Seen as Irrational and Counter-Productive

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‘What is happening right now is irrational. It seems to me that Yushchenko has lost touch with reality - like the rest of the main political players...Instead of working with foes to achieve results, Yushchenko sunk to low depths by getting tangled in relentless political wrestling matches’.

Oleh Rybachuk, Former Head of the Presidential Secretariat
and Senior Presidential Adviser

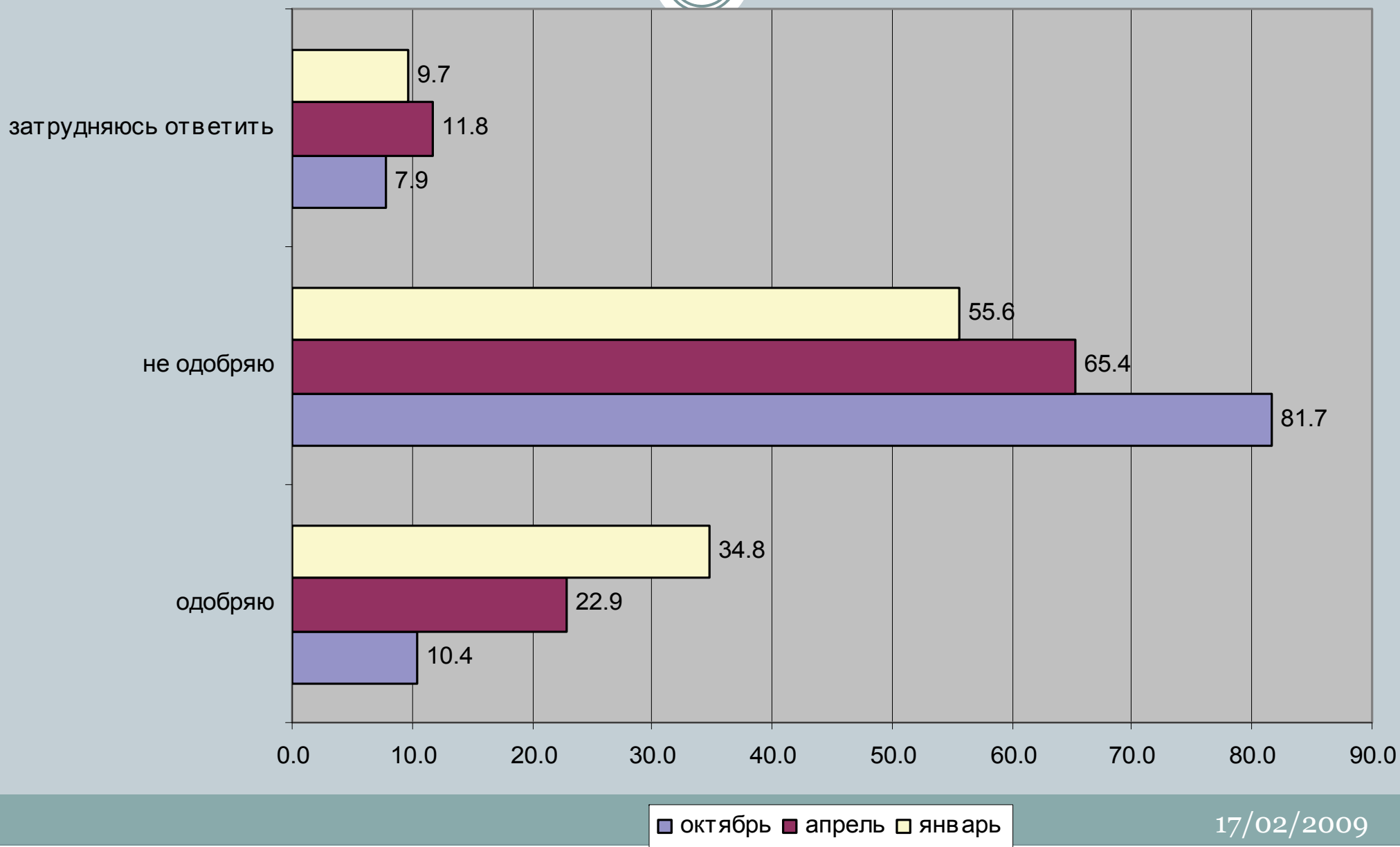
‘Unfortunately, he turned out to be an ineffective president driven by irrelevant agendas and useless political battles’.

Oles Doniy, Our Ukraine Parliamentary Deputy

Kyiv Post, 5 February 2009

Satisfaction (Trust) in the President

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Yushchenko as Commander- in-Chief



*'Do you trust Viktor Yushchenko as
Commander-in-Chief?'*

71.4%: No

22.2%: Yes

*'Чи довіряєте ви Вікторові
Ющенку як Верховному
Головнокомандувачу?'*

71,4% відмовили

*Головкомверху в довірі,
і тільки 22,2% відповіли
позитивно.*

Zerkalo Tyzhnia/Nedeli,

13 September 2008

- 1. Poll conducted soon after the August 2008 Georgian-Russian war;**
- 2. The poll reflects low public trust in the President's leadership skills (3%).**

72.5% believe that Viktor Yushchenko should not stand in the presidential elections. 16% believe that he should stand.

Kyiv International Institute Sociology Poll, Zerkalo Tyzhnia, 13 September 2008

Two Options:

1. Candidate backed by Regions.
2. Do not stand and support Yatseniuk;

Growing Call by Former Allies for Yushchenko Not to Stand in Elections

‘Based on current electoral tendencies Viktor A. does not have a chance. Whatever they may promise him in his closest entourage in the form of different scenario’s, ratings, even election by parliament, I would recommend Viktor Yushchenko only one path: to not enter the election campaign’.

‘При сьогоднішніх електоральних настроях у Віктора Андрійовича шансів немає. Щоб не обіцяло йому його найближче оточення у вигляді різних формул, рейтингів, навіть обрання в парламенті, я для Віктора Ющенка бачу тільки один шлях: не йти у виборчу кампанію’.

Mykola Martynenko, head of the OU-PSD faction.

Ф о к у с, 3-4 (117), 23-30 January 2009

No Progress in Institutionalising the Rule of Law and Reducing Corruption

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Ruling Elites Continue to Remain Above the Law

‘Here the president has a right to criticise us about the struggle against corruption in the first two civil service ranks of officials where we have no successes – not a single person has been criminally charged. Corruption only emerges (in Ukraine) when there is a change in government. The government goes into retirement and immediately all of its members become corrupt individuals but while they were in government none of them were described as such’.

‘Тут нас справедливо критикував президент, зазначаючи, що на цьому напрямі боротьби з корупцією – стосовно держслужбовців двох перших категорій – у нас здобутків немає, жодної особи до кримінальної відповідальності не притягнуто. У нас виявляють корупцію, тільки коли відбувається зміна уряду. Пішов уряд у відставку – відразу всі його члени стають корупціонерами, а доки при владі – жоден’.

Prosecutor-General Oleksandr Medvedko,
Zerkalo Tyzhnia/Nedeli, 24 January 2009

Yushchenko 2004 Election Campaign Slogan: Bandits to Prison!

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**Why are They Not Sitting (in Jail)
Chomu Vony Ne Sydiat?**
**Pora (Its time) television commercial in
the March 2006 Parliamentary
Elections**

Gas Intermediaries and Politics

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1. Itera (1992) 1994-2002 contracts;
 2. Eural-Trans Gas (Dec. 2002): 2003-2004 contracts;
 3. RosUkrEnergo (July 2004): 2005-2008 contracts;
 4. 2009: first year with no gas intermediaries.
- Gas lobby: Firtash, Levochkin, Boyko;
 - RUE finances Regions;
 - Firtash financier of Yushchenko historical projects (e.g. Baturyn);
 - Firtash buys Nadra Bank;
 - Firtash cooperates with Yushchenko from 2005 and lobbying Regions to back Yushchenko's re-election?

‘Corruption in the gas industry is the factor most responsible for driving the revolution off track’.

Andrew Wilson,
European Council
on Foreign
Relations,

*Wall Street
Journal,*

28 January 2009

**НЕ ВІДДАМО
УКРАЇНУ
БАНДИТАМ!**

**Corruption and Politics in Ukraine
(Orange Revolution poster)**

Deep Political and State Crisis

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Late Kuchma Era

- 56% UA moving wrong direction;
- 6% low support for president;
- 56% no confidence in president;
- 5.3% low trust in government;
- 3.4% low trust in parliament;

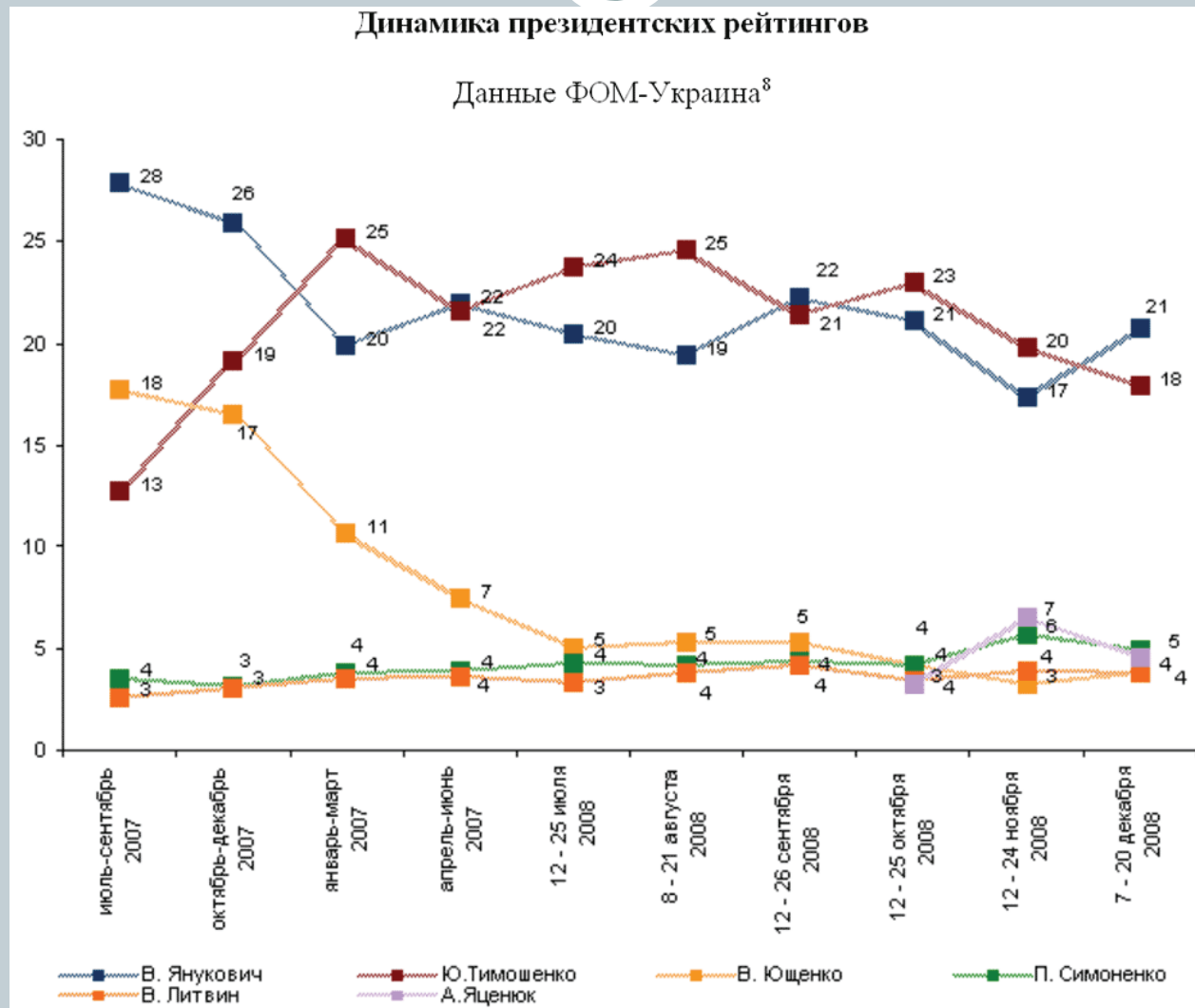
Mid Yushchenko Era

- 85% UA moving wrong direction;
- 2.4-4% low support for president;
- 71-82% no confidence in president;
- 4.3% low trust in government;
- 1.4% % low trust in parliament;
- 84% no trust in the NBU and 73% no trust in NBU head Stelmakh;

**Similar low figures
last recorded in
1994.**

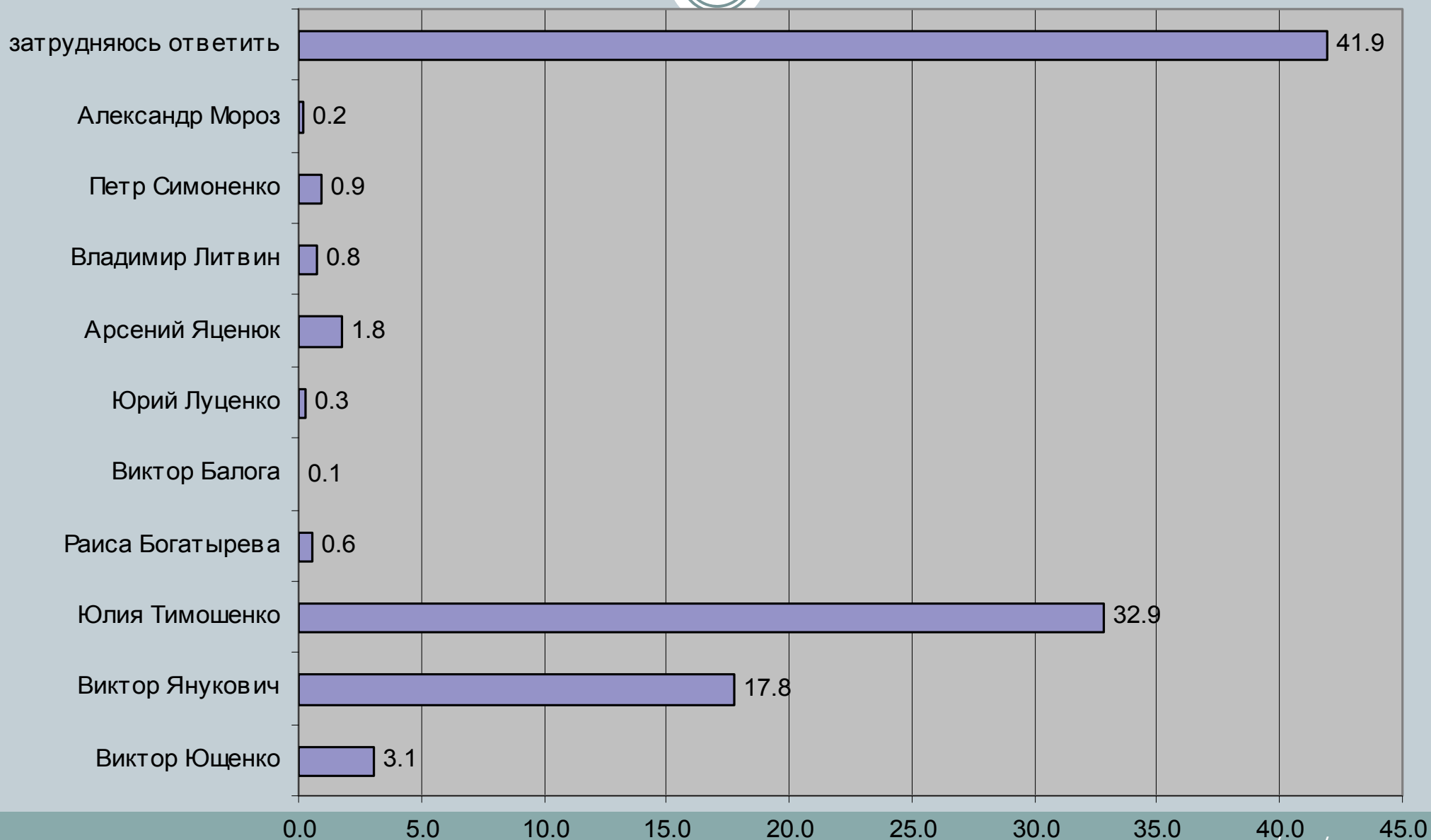
Presidential Election Ratings: Trends

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Who Will be the Next President of Ukraine?

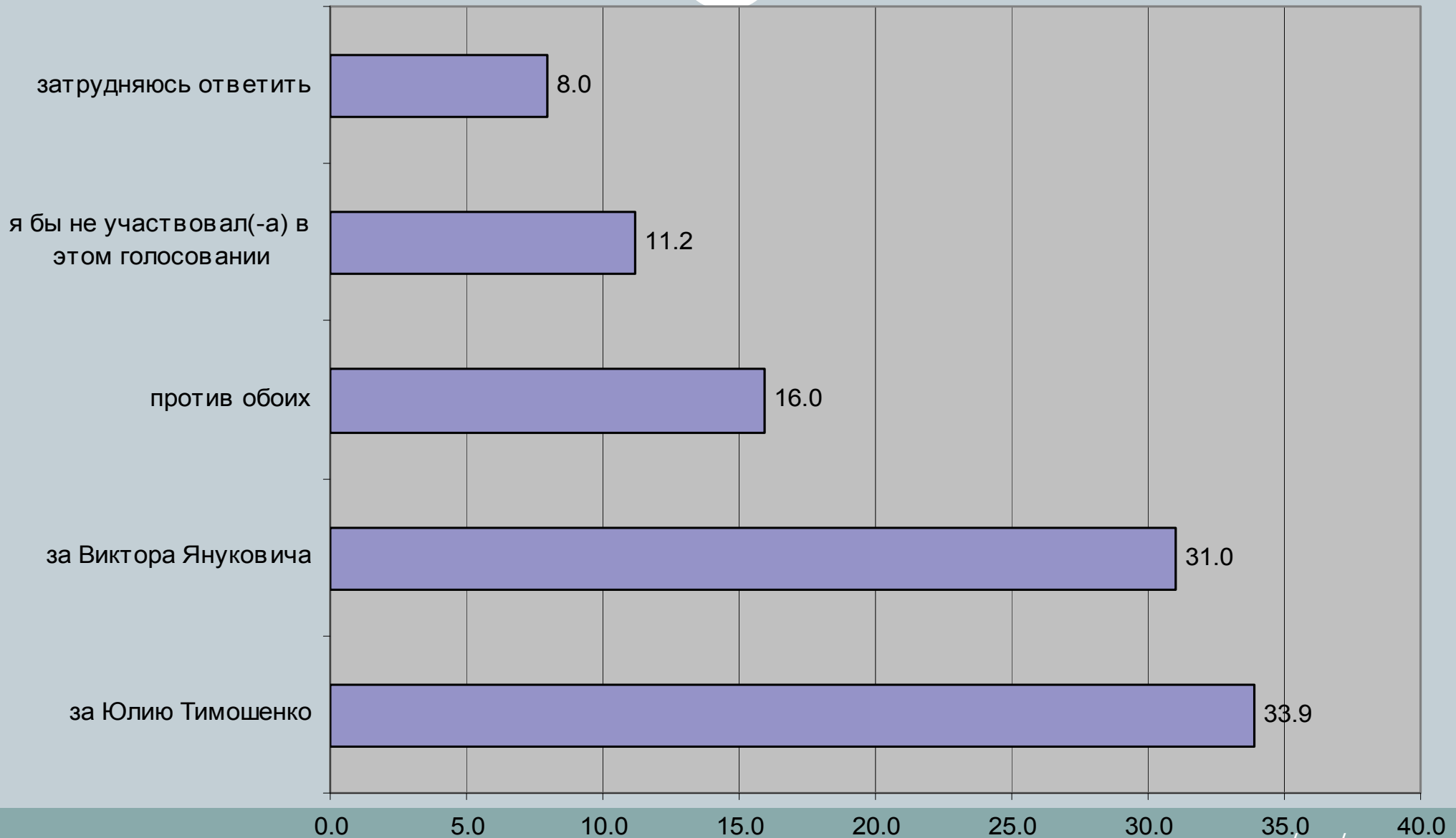
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Second Round: Tymoshenko vs. Yanukovich

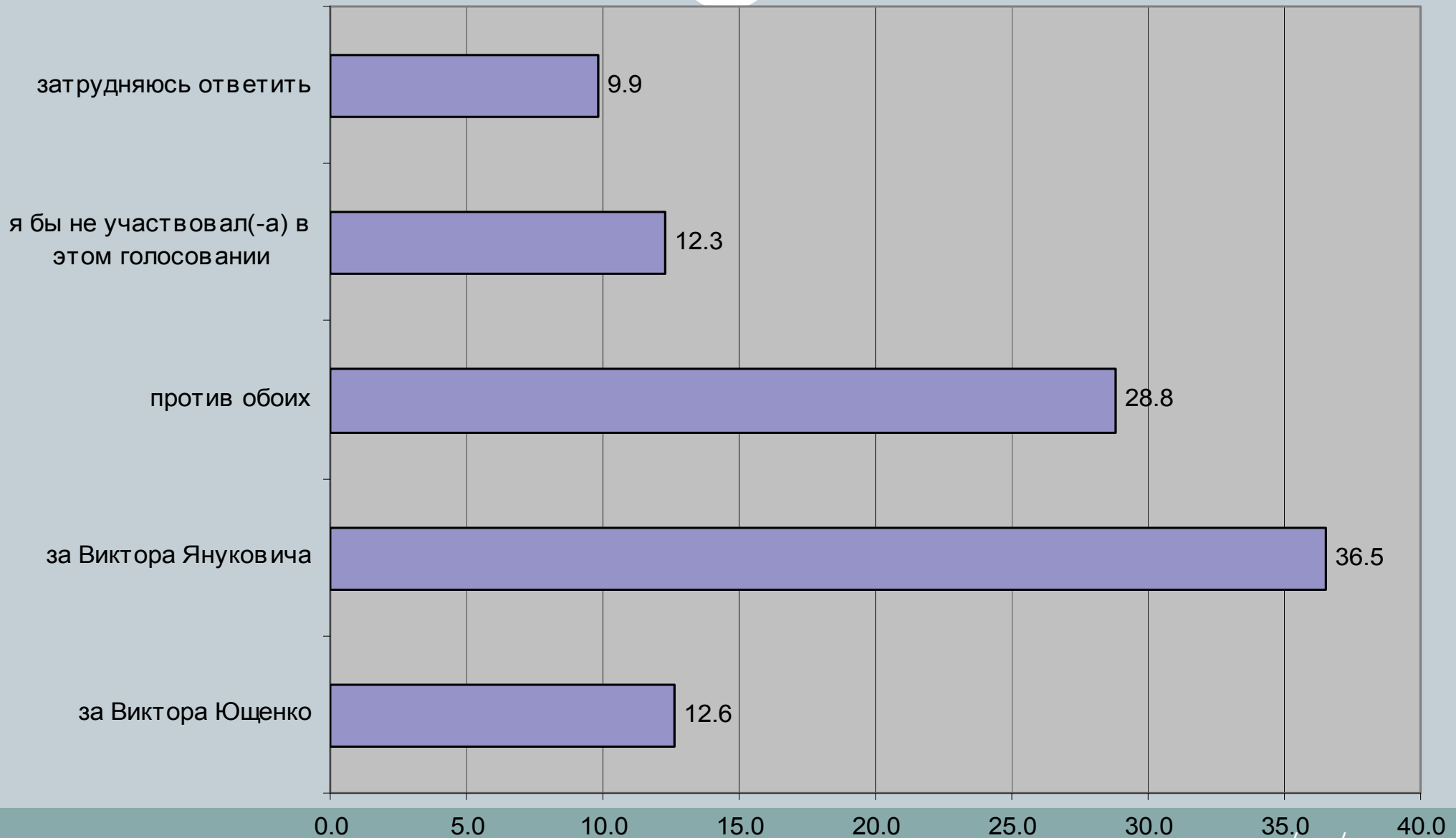
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Second Round: Yushchenko vs. Yanukovich

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Who finances Yatseniuk?

Is Yatseniuk an independent candidate or Yushchenko's successor if he decides not to stand?

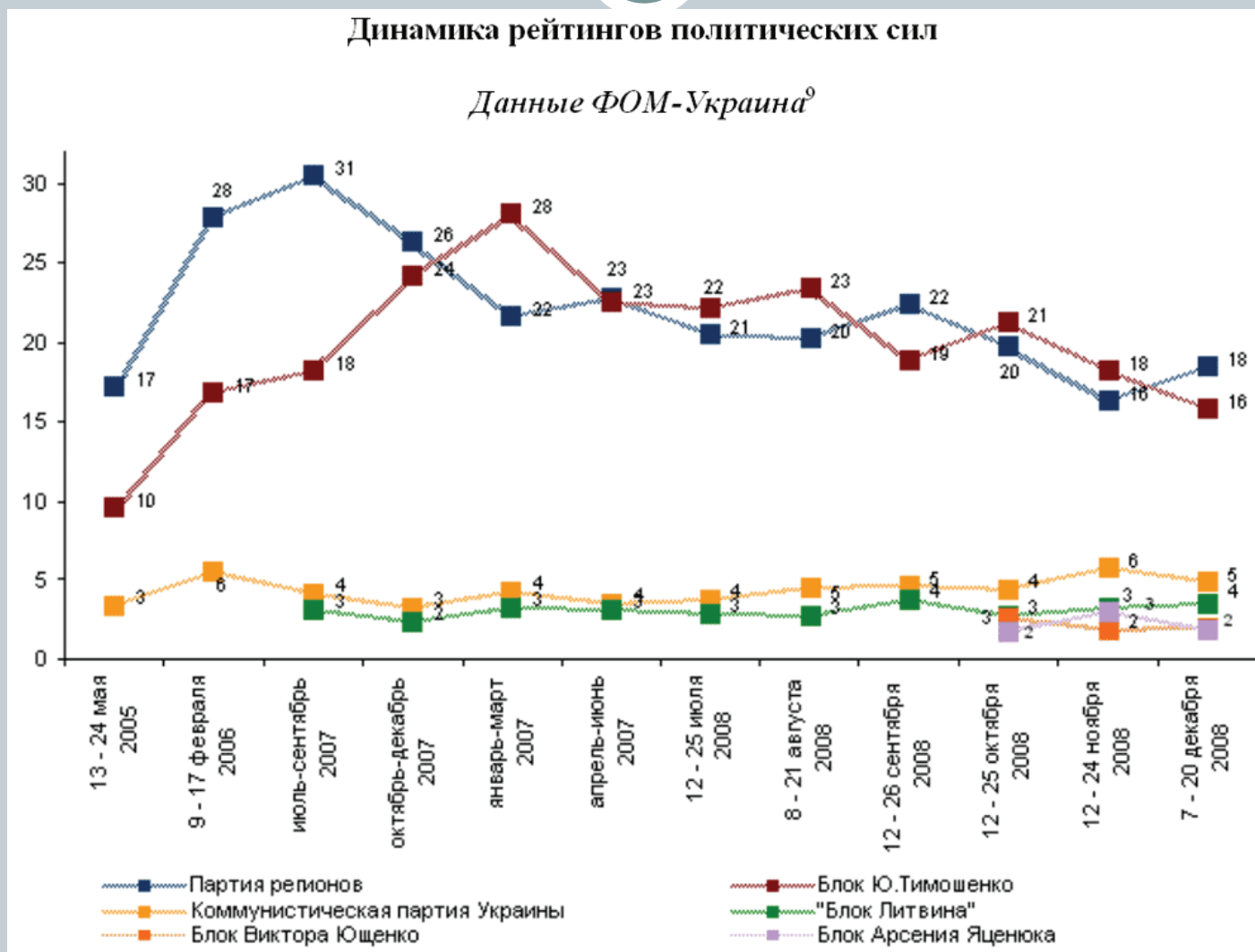
How different is Yatseniuk to Yushchenko?



Arseniy Yatseniuk: Three Questions

Political Party Ratings: Trends

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President Loses Control of Our Ukraine (1)

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1. Pro-Tymoshenko: 40 Deputies (72)

1. Self-Defence (Yuriy Lutsenko);
2. Rukh (Borys Tarasiuk);
3. Defenders of the Fatherland (Yuriy Karmazin);
4. European Party (Mykola Katerynychuk);
5. Christian Democratic Union (Volodymyr Stretovych);
6. Pora (Vladislav Kaskiv);

2. Pro-Yushchenko: 27 Deputies (72)

1. Peoples Union-Our Ukraine (Viktor Yushchenko);
2. People's Party (Yuriy Kostenko);
3. Republican Party-Sobor (Anatoliy Matvienko);
4. United Centre (Ihor Kril).

Офіційне інтернет-представництво Блоку

**НАША УКРАЇНА
НАРОДНА САМОБОРОНА**

President Loses Control of Our Ukraine (2)

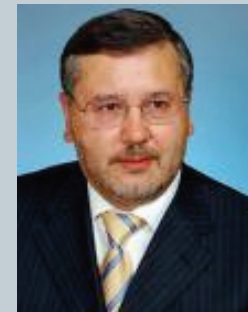
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- January 2009: President loses control of Our Ukraine faction after Martynenko elected head;
- 40 (72) within Our Ukraine support a coalition with BYuT and Lytvyn bloc;
- Remaining pro-presidential deputies divided:
 1. Za Ukrainu! (Kyrylenko 'Group of 17'): against a coalition with Regions and did not support February 2009 government no-confidence vote;
 2. United Centre (Baloga - 10): support grand coalition with Regions and voted for February 2009 no-confidence motion.

Former Allies Forced Out

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1. Oleksandr Zinchenko
2. David Zhavnnia
3. Taras Stetskiy
4. Viktor Pynzenyk
5. Oleh Rybachuk
6. Borys Tarasiuk
7. Petro Poroshenko
8. Anatoliy Kinakh
9. Mykola Tomenko
10. Yuriy Lutsenko
11. Anatoliy Hrytsenko
12. Arseniy Yatseniuk



Yulia Tymoshenko bloc (BYuT)

Yushchenko defectors
moved to BYuT.

Will Tymoshenko
capitalise on BYuT
support in eastern and
southern Ukraine from
2007 pre-term
elections?

Tymoshenko and BYuT
grew in popularity in
2008 but are declining
since late 2008. The
global crisis could make
or break Tymoshenko.



2006 and 2009 Gas Crises 1 Compared

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2006

1. Ukraine won the PR war;
2. Government did not hire Western PR cos.;
3. Low gas storage;
4. Unable to resist Russian energy pressure;
5. RosUkrEnergo introduced;
6. Higher corruption of Ukrainian politics;
7. Gas price not linked to oil price;

2009

1. Equally blamed by West;
2. Government did not hire Western PR cos.;
3. High gas storage;
4. Resisted Russian energy pressure for first time;
5. Gas intermediaries removed;
6. Removal of intermediaries will reduce corruption;
7. Gas price linked to oil price for first time;

2006 and 2009 Gas Crises 2 Compared

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2006

8. Gas price calculated using unclear formula;
9. Gas price unknown next year;
10. One year contract;
11. Low fixed transit fee until 2011;
12. Subsidised gas limits pro-Western foreign policy;
13. UkrGazProm permitted into Ukrainian market.

2009

8. 20% discount on 2009 gas price and transit fee;
9. 2010 will be first year of 'market' price;
10. Ten year contract;
11. Transit fee increases to 'market' rate in 2010;
12. 'Market' price enables sovereign foreign policy;
13. GazPromzbut Ukrainy given 25% share of Ukr. Market.