



Broad coalition talks collapse

Last chance for compromise lost

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+380 44 391 5577**Verkhovna Rada composition**

Party of Regions	175
Tymoshenko Bloc	156
Our Ukraine	72
Communist Party	27
Lytvyn Bloc	20
Total seats	450

Source: Central Election Commission

Recent presidential poll results**FOM-Ukraine survey**

Viktor Yanukovich	27.0%
Yulia Tymoshenko	16.0%
Arseniy Yatseniuk	13.0%
Volodymyr Lytvyn	3.0%
Petro Symonenko	3.0%
Viktor Yushchenko	2.0%
Undecided	8.0%

Note: Conducted May 17-26
Source: FOM-Ukraine**Sofia Social Research Center survey**

Viktor Yanukovich	24.8%
Yulia Tymoshenko	16.6%
Arseniy Yatseniuk	14.7%
Petro Symonenko	3.7%
Volodymyr Lytvyn	3.5%
Viktor Yushchenko	2.0%
Undecided	9.0%

Note: Conducted May 13-22
Source: Sofia Social Research Center

Over the weekend, talks between rival party leaders Yulia Tymoshenko and Viktor Yanukovich on a power-sharing agreement spelling out constitutional reform broke down. In our view, it was likely their last chance for compromise - the presidential election is now just seven months away. In the interim, Ukraine will continue rudderless - with politicians expending more time to torpedo each other and cater to popular interests than flex political will.

Yanukovich sinks broad coalition talks

Party of Regions leader Viktor Yanukovich said in a statement posted on his party's website on Sunday that he opposed a constitutional change envisioned in the proposed coalition agreement with the Yulia Tymoshenko Bloc - the election of the president by parliament, not popular vote. Prime Minister Yulia Tymoshenko has since confirmed talks flopped. A Regions-Tymoshenko coalition would have commanded more than a 2/3 majority (331 votes) in the 450 seat Verkhovna Rada, enough to push through constitutional changes.

Presidential candidate prospects: Playing for the polls

Look for the breakdown of the coalition talks, which are rumored to have seen Yanukovich stand for president and Tymoshenko hang on as prime minister, to effect the polling numbers of these key presidential candidates:

- ↑ **Viktor Yanukovich** is still sitting pretty in opposition, free of association with much of the current government's unpopular policy - his stronghold in heavily-industrial Eastern Ukraine is among the hardest hit by the economic crisis and most disillusioned. He comes off as a defender of the voters' right to elect their head of state directly
- ↓ **Yulia Tymoshenko** will finger Yanukovich as the saboteur of "unity" negotiations, but see the worst of the fallout, as the talks appeared largely her initiative. Given her willingness to compromise in order to preserve her stay in office, it showed her desperation to hold on to power
- ↑ **Arseniy Yatseniuk** got more proof the old guard cannot cooperate, bolstering his key virtue so far in the race - his fresh face
- ↑ **Viktor Yushchenko** might claim moral victory, after pledging to stop the "constitutional coup" and (reportedly) personally phoning Yanukovich on Friday to lobby his case, but it will take a *lot* more to pull his ratings out of the gutter (even with the recent reshuffling of staff at his secretariat and parting of ways with chief-of-staff Viktor Baloha)

Election date still nebulous

In mid-May, the Constitutional Court ruled that a Verkhovna Rada order to hold presidential elections in October was unconstitutional. The norm is for it to be held on the last Sunday of the last month of the incumbent's fifth year in office (for Yushchenko, this implies January 2010). The power to set the specific date remains the Rada's, and it has yet to put forward a new one.

Ready or not, here come presidential elections

In our view, the clock has long been ticking until elections... and the window for compromise among major political parties might now be closed. With January just seven months away, politicians will now be even more mindful of potential backlash with their electorates. Here's what else to expect:

- **No permanent coalition between major parties:** As mutual interests align, a situational Yanukovich-Tymoshenko pooling of votes could still be possible (as they did on Friday to boot Defense Minister Yuriy Yekhanurov from office), but will now be more difficult
- **Cooperation on IMF, Euro-2012, bank recapitalization:** put over the barrel, politicians will begrudgingly pull together to enact certain critical measures, rather than face popular ire for botching them
- **Lack of political will:** no politician will soon have the stomach to line up to back any unpopular, but sorely needed measure
- **Political sabotage:** the hardened personal grudges and further posturing ahead of elections could derail many meaningful government initiatives, including privatization
- **No impact on real economy:** it will continue to march to its own beat

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