

Political Truce Called

New Elections To Be Held September 30

Analyst Notebook

May 29, 2006

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On May 27, the President, Prime Minister and Rada Speaker signed an agreement calling for new elections on September 30. The agreement requires the adoption of legislation for elections to go ahead. However, any political turbulence leading up to the new elections is unlikely to have a major effect on the battle-hardened Ukrainian market.

Prosecutor's Trip Brings Political Crisis To Boiling Point.

President Viktor Yushchenko issued an order firing Prosecutor General Svyatoslav Piskun following the latter's trip to Donetsk to watch a football match with Prime Minister Viktor Yanukovich.

In response to the President's decree, the coalition used its control over the interior ministry to surround the Prosecutor General's office and stop the national guard service from expelling Piskun. Both sides then spent most of Friday accusing each other of organizing a "coup," rumors spread that President Yushchenko was contemplating an attempt to introduce direct Presidential rule to end the conflict.

Big Business Saves The Day.

Moves by the business leaders in the Party of Regions to push for Yanukovich to make a deal with the President was the main factor that led to an end of the conflict. According to our sources, Rinat Akhmetov, the party's largest patron, was upset with the coalition's use of interior troops and weighed in heavily on both sides to negotiate before harm was done to the country's economy.

Legislation Changes Key To Future Stability.

The Rada is scheduled to meet today to work out the make up of the central elections commission and propose laws aimed at ironing out elections laws. This process is likely to get drawn out as the Party of Regions is likely to use its allies the Communists and Socialists (both of whom are against new elections) to drag out talks to win concessions from the orange parties. No matter how long the process takes though, we expect the new legislation to improve the stability of Ukraine's political climate and lead to new elections.

September Elections: A Glance At The Crystal Ball

It is possible that the date for the elections could be further delayed, and though the later the elections the better for Regions, we don't expect any major surprises from the final voting results.

The Regions Party will likely get from 28-30% of the vote followed by the Yulia Tymoshenko Bloc with 19-23%, and Our Ukraine with 9-15%. Of the other two parties still in the Rada the Communists will likely get over the 3% threshold, while the Socialists, unless they block with another party, are unlikely to return to the Rada. In a telling note, at Saturday's Ukrainian Cup Championship match between Kyiv and Donetsk both Yushchenko and Yanukovich received cheers and boos equally from the crowd of Donetsk and Kyiv supporters while Moroz was roundly booed when he walked on to the field for the crowning ceremony following the match.

The election strategy for the three main parties will be clearer at the end of the next week when the latest poll results are released. Below we list possible strategies for the big three parties:

Party of Regions: The level of support for the Communists and Socialists will be important for the party should they attempt to maintain their current coalition. Additionally important for Regions will be the level of voter support received by Our Ukraine and the President. The President's hard-line stance in dismissing the Rada has caused his support to jump over the last month, as western Ukrainian voters that were disillusioned by the President's allowing of Yanukovich to get the PM spot welcomed his efforts to send the coalition packing.

One scenario said to be supported by the business circle in the party is forming a united East-West coalition with Our Ukraine, backed by the President and possibly a compromise PM. Our sources with connections to the party have suggested that there is growing angst in the Party with the funding that has been required to keep party supporters in Kyiv and Yanukovich's failure to have the new elections shelved all together. Additionally, his willingness to jeopardize the party's business interests by taking his showdown with Yushchenko to the brink of armed conflict was reportedly viewed by some as a last straw.

The Yulia Tymoshenko Bloc: The party will be counting on a strong showing and a solid, but not too good showing by Our Ukraine. In this way the latter will be less likely to team up with Regions and more willing to bring back an "orange coalition." BYT will also do anything it can to prevent any kind of east-west coalition because this would rob the party of its monopoly on broad national appeal and claim to be the "European choice" party.

Our Ukraine: As was nearly the case last elections, Our Ukraine is likely to end up in the role of king maker following the new elections. The party is pretty evenly divided in terms of preference for teaming up with Tymoshenko or Regions. If Regions feels that Our Ukraine would be a trustworthy partner and a deal can be reached in terms of divvying up posts it may happen. Likewise if Tymoshenko and Co. can convince Our Ukraine that they have no other choice, we could see a return of orange flags and braided hair to the Cabinet.

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