

Tom Warner tw@concorde.com.ua +380 44 207 5037 www.concorde.com.ua Bloomberg: CONR<GO>



Analyst's Notebook

Ukraine / Politics July 18, 2006

Poll Results Boost Regions' Confidence

Several polls have been published over the past few days showing popular reaction to the shift in parliament that occurred on July 7, when the Socialist party crossed over from the Orange camp to the Blue camp. The polls help explain how political events are developing, and particularly, why the Regions party is so self-confidently pressing for its leader, Viktor Yanukovich, to be made prime minister. To Regions and Yanukovich, President Yushchenko's repeated warnings that he could dismiss parliament look increasingly like a bluff, and anyway aren't much of a threat.

We focus on a poll by the Razumkov Center, which is close to President Yushchenko and thus carries more weight in this case than do other pollsters close to the Regions party. The poll makes three important points:

- There is no strong support for disbanding parliament, not even in Orange regions.
- The Regions party has good reason to be confident about its chances in any repeat election, as it retains solid support in Blue regions, while Orange regions are less sure about a united Orange team including Our Ukraine and the Yulia Tymoshenko bloc.
- Yanukovich and Tymoshenko are now clearly the dominant popular leaders while President Yushchenko is blamed for the crisis and disdained in Orange and Blue regions.

	Orange regions			Blue regions			Nationwide		
			Other /			Other /			Other /
	Yes	No	No ans.	Yes	No	No ans.	Yes	No	No ans.
Do you support the Regions-led Coalition?	19.7	58.8	21.5	65.2	17.3	17.5	41.4	39.0	19.6
Do you support Olexander Moroz's conduct?	17.8	43.2	39.0	47.7	14.7	37.6	32.0	29.6	38.3
Do you want new elections?	37.9	43.4	18.7	16.8	76.2	7.0	27.8	59.1	13.1
Do you want Our Ukraine to join the coalition?	28.8	44.2	27.0	49.1	32.9	18.0	38.5	38.8	22.7
If new elections were held and only Regions and an Our Ukraine/Tymoshenko	Regions	OU / Tym.	Other / No ans.	Regions	OU / Tym.	Other / No ans.	Regions	OU / Tym.	Other / No ans.
bloc ran, how would you vote?	13.6	49.4	37.0	68.4	13.0	18.6	39.8	32.1	28.2
Who is most responsible for the	Yushchenko	All pols equally	Other / No ans.	Yushchenko	All pols equally	Other / No ans.	Yushchenko	All pols equally	Other / No ans.
political crisis?	34.2	27.1	38.7	47.8	17.5	34.8	40.6	22.5	36.8

Source: Concorde Capital averages based on Razumkov Center data (see note on final page).



Yushchenko Loses Support, Tymoshenko Stable

The poll also included a ranking of the most likely candidates in the 2009 presidential elections. Here Yanukovich's rating of 31.3% isn't so strong given that 57% of respondents were in Blue regions (no regional breakdown was provided for this part of the poll). Tymoshenko's lead over Yushchenko, 19.6% to 8.4%, is more impressive. However, there is no sign that her popularity has grown.

Yushchenko is being blamed for the political crisis by the lion's share of voters in both Orange and Blue regions. No other politician came close to his "blame" rating (Tymoshenko was blamed by 18.6% in Blue regions; Yanukovich by 9.7% in Orange regions). Yushchenko's blasé reaction to the Socialists' cross-over appears to have convinced a large part of the Orange electorate that he supported the break-up of the Orange coalition.

Yanukovich Unlikely to Withdraw Nomination

The main upshot is that the pressure on Yanukovich to withdraw his candidacy for prime minister is receding. It now appears likely that Yanukovich will stick to his guns despite the risk that Yushchenko could call new elections. Even if Yanukovich were to step aside, it would most likely be in favor of another Regions party candidate. Yushchenko is in such a bad negotiating position, he may even be forced to compromise on the defense minister and foreign minister, which he nominates but must be confirmed by parliament.

Yushchenko Could Block Yanukovich's Nomination Without Dismissing Parliament

The Regions-Socialist-Communist coalition today reiterated its nomination of Yanukovich, reacting to Yushchenko's argument that the July 11 nomination of Yanukovich was made too early and was therefore invalid. The constitution says the president forwards the majority coalition's nomination to parliament in not less than 15 days (by August 2).

Yushchenko has been threatening to block Yanukovich's nomination by using a provision that allows him to dismiss parliament if no cabinet is formed within 60 days of the last cabinet's resignation. That could happen already on July 25. But there is a second way: Yushchenko's staff argues that the president is not obliged to forward the majority's nomination for a vote. Thus, Yushchenko could simply not respond to Yanukovich's nomination and push for more negotiations. Coalition MPs are already talking about plans to hurriedly appoint judges to the Constitutional Court (which currently lacks a quorum), so they can ask the court to oblige Yushchenko to forward the nomination.

Tymoshenko and Our Ukraine Reunion Unlikely

These poll results also make it unlikely that Our Ukraine and Tymoshenko would form a joint bloc if new elections were held. It's not hard to imagine why Orange voters would be unenthusiastic about such a bloc, given the two groups' failure to work together in the current parliament.

Tymoshenko would likely run separately, joined by defectors from Our Ukraine but without using the Our Ukraine name. Our Ukraine could splinter into two or three separate blocs.

Socialists Lose Half Their Voters

A second poll, by Russian spin doctor Gleb Pavlovsky's Public Opinion Fund, gave broadly similar results but also showed the Socialists' losing half its voters. The party's support dropped to 2.7% from the 5.7% it got in the last elections. Since the pollster is sympathetic to the Blue coalition, we think the drop could be even bigger. The Socialists would probably join Regions in a common bloc if new elections were held.



Note to the chart

The data for Orange regions is an unweighted average of results from Kyiv, Lviv and Vinnytsya. The data for Blue regions is an unweighted average of results from polls in Dnipropetrovsk, Donetsk, Kherson and Simferopol. Roughly 500 people were polled in each city. The national data is a weighted average in which Orange and Blue regions were given 52.3%/47.7% weights corresponding to the proportions of registered voters in the 17 regions that voted predominantly Orange in the last two elections versus the 10 regions that voted predominantly Blue.

Disclaimer

This report has been prepared by Concorde Capital investment bank for informational purposes only. Concorde Capital does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Concorde Capital may have a conflict of interest that could affect the objectivity of this report.

Concorde Capital, its directors and employees or clients may have or have had interests or long or short positions in the securities referred to herein, and may at any time make purchases and/or sales in them as principal or agent. Concorde Capital may act or have acted as market-maker in the securities discussed in this report. The research analysts, and/or corporate banking associates principally responsible for the preparation of this report receive compensations based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors, firm revenues and investment banking revenues.

Due to the timely nature of this report, the information contained may not have been verified and is based on the opinion of the analyst. We do not purport this document as being entirely accurate and do not guarantee it to be a complete statement or summary of the available data. Any opinions expressed herein are statements of our judgments as of the date of publication and are subject to change without notice. Reproduction without prior permission is prohibited. © 2006 Concorde Capital