



CONCORDE CAPITAL

Rada raises social benefits

Blockade removed, but situation still shaky

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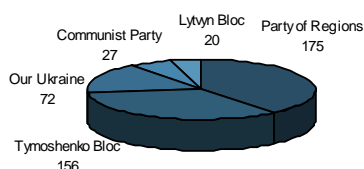
Yesterday the Party of Regions unblocked the Verkhovna Rada, Ukraine's parliament, which promptly adopted controversial bills to raise social standards. With less than two weeks to go until the presidential election campaign begins, in our view, the development signals the return of situational alliances, with each party moving with an eye to score last minute points with its electorate.

Recent presidential poll results

Viktor Yanukovich	26.8%
Yulia Tymoshenko	16.3%
Arseniy Yatseniuk	13.4%
Petro Symonenko	5.5%
Viktor Yushchenko	5.1%
Volodymyr Lytvyn	3.9%
Undecided	15.0%

Note: Conducted July 20-28
Source: Razumkov Center

Verkhovna Rada composition



Note: Of 450 total seats
Source: Central Election Commission

Presidential election watch list

Start of campaigns	October 19, 2009
Election date	January 17, 2010

Our Ukraine backs Regions' initiative to raise social standards

Yesterday, the Verkhovna Rada passed, in the first reading, a package of draft laws that raise social standards. The bills were supported by 259 MPs, including 39 from the pro-presidential Our Ukraine Bloc, which gave the measure more than the required 226 votes necessary for approval. In an interview with TV Channel 5, Our Ukraine-People's Self-Defense Leader Mykola Martynenko said that several MPs from his bloc voted in favor of raising social spending to spite the Tymoshenko government.

The Party of Regions had blocked the Rada's work since it reconvened for its fall session on September 1 over the issue, and prior to that had interrupted much of the Rada's summer session. The approved laws increase the living wage from UAH 626 per month to UAH 701 and minimum wage from UAH 669 to UAH 744 as of November 1 and provide for hikes every quarter beginning January 1, 2010. The bills will be up for second reading on October 20.

Tymoshenko: Raising social spending tantamount to financial a-bomb

Opposition to the bill was led by the Tymoshenko Bloc, which argued that increasing social spending in 2009-2010 would trigger inflation, and unbalance the budget. Never one to mince words, today Yulia Tymoshenko called the laws an "atomic bomb to the Ukrainian financial system." The opposition claims the unforeseen wage increases will have a steep toll on domestic businesses, stoking a new round of massive job cuts and eating into profitability. Tymoshenko has maintained raising wages is unfeasible now and had pledged to do at the end of 2010.

New ministers on the way in?

Rada Speaker Volodymyr Lytvyn said today that tomorrow the appointment of new ministers and committee heads will go up for vote, following consultations between the Our Ukraine and Tymoshenko Blocs. Lytvyn indicated that the candidate for Finance Minister was Fedor Yaroshenko, the current head of the State Tax Administration and first deputy finance minister in 2002-2004. Ukraine has been without a finance minister since February 2009. Other key government positions such as the National Bank of Ukraine head, Minister of Foreign Affairs, Defense Minister, Minister of Transportation and Communications have also been unfilled for months.

Situational alliances return to Rada

As we predicted, the resumption of work in the Rada highlights the shifting interests of various political parties ahead of the presidential election. In our view, this week's developments could mark the return of situational alliances (vs. voting strictly along coalition and opposition lines), which reined earlier this year. With less than two weeks left before the presidential election campaigns start, this is even more so now an environment in which each party can be relied upon only to act in its own interest to score votes in January - we do not expect any major reforms to be pushed through, and at the same time, we cannot rule out renewed blockades either.

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