

**Ukraine / Politics** 

# Tymoshenko sides with Regions

United vote steps on presidential powers

## September 03, 2008

### Volodymyr Verbyany

vv@concorde.com.ua

+380 44 391 5577

### Seats in Rada, of 450 total

outo minutada, or roo totar	
Party of Regions	175
BYuT	156
NU-NS	73
Communist Party	27
Lytvyn Bloc	19
* Bold indicates coalition partners	

### Latest parliamentary poll results

BYuT	23.4%
Party of Regions	20.3%
NU-NS	4.6%
Communist Party	4.6%
Lytvyn Block	2.8%
Source: FOM-Ukraine, August 8-21	

### Latest presidential poll results

Viktor Yanukovich	24.0%	
Yulia Tymoshenko	20.4%	
Viktor Yushchenko	6.6%	
Other/Undecided	49.0%	
Source: Sofia research agency, July 21-29		

## Possible coalition configurationsFormatVotes Chance

Tymoshenko + NU-NS	229	High
Regions + NU-NS	248	Low
Regions + Tymoshenko	331	Low

President Yushchenko issued fresh threats to dissolve parliament today, after the Our Ukraine bloc said it would walk out in response to the Tymoshenko Bloc banding with the Party of Regions to pass bills yesterday limiting presidential powers.

## MPs return from summer vacation, political jostling continues

The Verkhovna Rada reconvened yesterday after summer recess, adopting a series of laws that curtail the powers of the president. The bills were initiated by the opposition led by the Party of Regions, which voted together with the Yulia Tymoshenko Bloc and a few defectors from Our Ukraine (NU-NS) to gain a parliamentary majority for passage. Among other things, the laws ease the rules for impeaching the head of state and take away the president's power to veto a candidate for prime minister.

President Yushchenko has already announced that he will veto the laws, though if the Tymoshenko Bloc and Party of Regions team up, they could override the veto, which requires 300 votes.

## Our Ukraine-Self Defense votes to part ways with Tymoshenko

At a meeting last night, the Our Ukraine-Self Defense Bloc voted to leave the parliament's ruling coalition in protest of the Rada vote earlier in the day. The notion garnered 39 votes in favor (a slim margin over the simple majority of 37 votes required), with nine representatives of the Self Defense Bloc voting against and the rest abstaining. According to coalition regulations, Our Ukraine has an 11 day window after this vote in which it can recall this decision, otherwise the coalition will be officially disbanded.

## On the cusp of a new parliamentary coalition?

Two scenarios for further political developments are possible: (1) the Yulia Tymoshenko Bloc finds enough supporters in Our Ukraine–Self Defense to reverse the vote to leave the coalition, or (2) The coalition falls apart and Tymoshenko's government is sacked by Yushchenko. In this event, the Constitution allows for 30 days to form a new coalition.

We view potential coalition configurations, Regions + Our Ukraine and Regions + Tymoshenko, as unlikely: these alliances would only antagonize the electorate of each political force. We also see obstacles to the dissolution of parliament and another round of early parliamentary elections, as virtually all political forces have voiced opposition to it.

We believe that the most probable scenario is that Tymoshenko will salvage the coalition with Our Ukraine, while playing both sides to elbow legislation through that limits the president's powers.

FLASH NOTE



Concorde Capital, Head office 2 Mechnikova Street, 21st Floor Parus Business Centre Kyiv 01601, Ukraine Tel.: +380 44 391 5577 Fax: +380 44 391 5571

www.concorde.ua

CEO Igor Mazepa

Head of Equity Sales Roman Nasirov

**Equity Sales** Anastasiya Nazarenko Marina Martirosyan Andriy Supranonok Marina Cherednichenko Alyona Degrik

**Director of Research** Konstantin Fisun, CFA im@concorde.com.ua

rn@concorde.com.ua

an@concorde.com.ua mm@concorde.com.ua sap@concorde.com.ua cmg@concorde.com.ua dav@concorde.com.ua

kf@concorde.com.ua

Concorde Capital 4 Fourth Lesnoy Pereulok, 5th Floor Capital Plaza Moscow 125047, Russia Tel.: +7 495 642 87 15 Fax: +7 495 225 85 00

office@concorde.com.ua

### RESEARCH

**Strategy** Konstantin Fisun Oleksandr Klymchuk

Metals & Mining Eugene Cherviachenko Andriy Gerus

Utilities (Telecom, Energy) Alexander Paraschiy

Oil & Gas, Chemicals, Pharmaceuticals Vladimir Nesterenko

Real Estate/Construction Andriy Gostik, CFA Alexander Romanov

**Consumer-related** Olha Pankiv Anna Dudchenko

Machinery Inna Perepelytsya

Financial Services, Retail Alexander Viktorov

Economics Polina Khomenko Andrii Parkhomenko

Fixed Income Oleksandr Klymchuk

Editor Brad Wells kf@concorde.com.ua ok@concorde.com.ua

ec@concorde.com.ua ga@concorde.com.ua

ap@concorde.com.ua

vn@concorde.com.ua

ag@concorde.com.ua ar@concorde.com.ua

op@concorde.com.ua ad@concorde.com.ua

pi@concorde.com.ua

av@concorde.com.ua

pk@concorde.com.ua pav@concorde.com.ua

ok@concorde.com.ua

bw@concorde.com.ua

#### Disclaimer

THIS REPORT HAS BEEN PREPARED BY CONCORDE CAPITAL INVESTMENT BANK INDEPENDENTLY OF THE RESPECTIVE COMPANIES MENTIONED HEREIN 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 MIGHT HAVE A CONFLICT OF INTEREST THAT COULD AFFECT THE OBJECTIVITY OF THIS REPORT.

THE INFORMATION GIVEN AND OPINIONS EXPRESSED IN THIS DOCUMENT ARE SOLELY THOSE OF CONCORDE CAPITAL AS PART OF ITS INTERNAL RESEARCH COVERAGE. THIS DOCUMENT DOES NOT CONSTITUTE OR CONTAIN AN OFFER OF OR AN INVITATION TO SUBSCRIBE FOR OR ACQUIRE ANY SECURITIES. THIS DOCUMENT IS CONFIDENTIAL TO CLIENTS OF CONCORDE CAPITAL AND IS NOT TO BE REPRODUCED OR DISTRIBUTED OR GIVEN TO ANY OTHER PERSON.

CONCORDE CAPITAL, ITS DIRECTORS AND EMPLOYEES OR CLIENTS MIGHT HAVE OR HAVE HAD INTERESTS OR LONG/SHORT POSITIONS IN THE SECURITIES REFERRED TO HEREIN, AND MIGHT AT ANY TIME MAKE PURCHASES AND/OR SALES IN THEM AS A PRINCIPAL OR AN AGENT. CONCORDE CAPITAL MIGHT ACT OR HAS ACTED AS A 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 COMPENSATION BASED UPON VARIOUS FACTORS, INCLUDING QUALITY OF RESEARCH, INVESTOR/CLIENT FEEDBACK, STOCK PICKING, COMPETITIVE FACTORS, FIRM REVENUES AND INVESTMENT BANKING REVENUES.

PRICES OF LISTED SECURITIES REFERRED TO IN THIS REPORT ARE DENOTED IN THE CURRENCY OF THE RESPECTIVE EXCHANGES. INVESTORS IN FINANCIAL INSTRUMENTS SUCH AS DEPOSITORY RECEIPTS, THE VALUES OR PRICES OF WHICH ARE INFLUENCED BY CURRENCY VOLATILITY, EFFECTIVELY ASSUME CURRENCY RISK.

DUE TO THE TIMELY NATURE OF THIS REPORT, THE INFORMATION CONTAINED MIGHT NOT HAVE BEEN VERIFIED AND IS BASED ON THE OPINION OF THE ANALYST. WE DO NOT PURPORT THIS DOCUMENT TO BE ENTIRELY ACCURATE AND DO NOT GUARANTEE IT TO BE A COMPLETE STATEMENT OR SUMMARY OF 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 OF THIS DOCUMENT IN WHOLE OR IN PART WITHOUT PRIOR PERMISSION IS PROHIBITED.

NEITHER THIS DOCUMENT NOR ANY COPY HEREOF MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OR DISTRIBUTED IN THE UNITED STATES OR TO ANY U.S. PERSON (WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")), OTHER THAN TO A LIMITED NUMBER OF "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) SELECTED BY CONCORDE CAPITAL.

THIS DOCUMENT MAY ONLY BE DELIVERED WITHIN THE UNITED KINGDOM TO PERSONS WHO ARE AUTHORIZED OR EXEMPT WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") OR TO PERSONS WHO ARE OTHERWISE ENTITLED TO RECEIVE THIS DOCUMENT UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR ANY OTHER ORDER MADE UNDER THE FSMA.