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# 2019 Presidential Elections

## Implications, likelihoods, game-changers, scenarios

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Three candidates have a realistic chance to become president in these elections, with the first round scheduled for Mar. 31 and second-round runoff for Apr. 21. They are President Petro Poroshenko, former Prime Minister Yulia Tymoshenko and dark horse Volodymyr Zelenskiy, who has no experience serving in government.

Among **implications**, the re-election of President Petro Poroshenko offers the most stability for Ukraine's future in terms of Euro-Atlantic integration and IMF cooperation. Both a Zelenskiy and Tymoshenko presidency can destabilize Ukraine's stability, while Tymoshenko poses the greatest risk to renewed IMF cooperation.

Among **likelihoods**, we expect **Poroshenko will compete against Zelenskiy in the second-round runoff**. Although Zelenskiy enjoys a commanding lead in the polls, we believe in a realistic chance of Poroshenko being re-elected president. We also believe Poroshenko will only concede defeat if the vote margin is too large to be manipulated. If the vote margin in the second round is small (and exit poll show a Zelenskiy victory), protests are inevitable, regardless of what the election commission decides. If the OSCE election-observing mission withholds its endorsement, a chaotic scenario is likely with Poroshenko delaying any potential transfer of power until after the October parliamentary elections.

Among **game changers**, the most important is the endorsement of the OSCE election-observing mission. If it determines the elections met international standards of being free and fair, the endorsement will extinguish mass protests and ensure stability in Ukraine. If it withholds its endorsement of the first and/or second rounds, much instability could be unleashed.

Among the three basic **elections scenarios**, they are the status quo scenario of Poroshenko being re-elected with OSCE approval, Poroshenko's victory being contested for months (in the absence of OSCE approval) and Zelenskiy becoming elected president. We estimate each of these three scenarios to have nearly similar likelihoods.

## Background

Ukraine's president is elected every five years. The president is responsible for foreign policy, as well as national security and defence. He also nominates the prosecutor general and National Bank head.

Ukraine's presidential elections will be held on Mar. 31. Given that no candidate will win 50%, the second-round runoff is scheduled to occur on Apr. 21.

Three candidates have a realistic chance to win the elections, according to polls in recent months. They are President Petro Poroshenko, former Prime Minister Yulia Tymoshenko and dark horse candidate Volodymyr Zelenskiy, a sketch comedian and actor who never held government office.

Candidate	President Petro Poroshenko	Sketch comedian/actor Volodymyr Zelenskiy	Former Prime Minister Yulia Tymoshenko
Age	53	41	58
Electoral Base	<ul style="list-style-type: none"> <li>-Western regions</li> <li>-Army</li> <li>-State workers</li> <li>-Bureaucrats</li> <li>-Local, national elites</li> <li>-Pro-NATO voters</li> </ul>	<ul style="list-style-type: none"> <li>-South-eastern residents</li> <li>-Youth</li> <li>-Disaffected</li> </ul>	<ul style="list-style-type: none"> <li>-Rural residents</li> <li>-Low-wage workers</li> <li>-Unemployed</li> <li>-Pensioners</li> </ul>
Key positions	<ul style="list-style-type: none"> <li>-Close partnership with West against Russia</li> <li>-EU, NATO integration</li> <li>-IMF cooperation</li> <li>-Promoting Ukrainian language</li> <li>-Promoting canonical Orthodox Church</li> <li>-Anti-corruption court</li> </ul>	<ul style="list-style-type: none"> <li>-Involve U.S., U.K. in talks with Russia</li> <li>-EU, NATO referenda</li> <li>-Appointing anti-corruption activists</li> <li>-Road repair</li> <li>-Judicial system relaunch</li> <li>-End political immunity</li> <li>-Social libertarianism</li> </ul>	<ul style="list-style-type: none"> <li>-Involve U.S., U.K. in talks with Russia</li> <li>-Strong EU, NATO rhetoric</li> <li>-Cutting household natural gas prices</li> <li>-No farmland market</li> <li>-Social payments for poor</li> </ul>

## Implications of each presidency

For Western investors, Poroshenko's re-election is the best outcome among the leading presidential candidates. Incredibly enough, a Poroshenko presidency is the best result in virtually every consideration that is important to investors. We rank their positions on the major issues, from the viewpoint of investors (with 3 being the most advantageous), in the table below.

Implications of victory	Parliamentary elections	Euro-Atlantic integration	IMF cooperation	Presidency	Resistance to Russia	U.S. relations	Overall stability
Poroshenko	Strong result guaranteed <b>3</b>	Continued course <b>3</b>	Extended <b>3</b>	Preserved <b>3</b>	Extended <b>3</b>	Extended <b>3</b>	Strong <b>3</b>
Zelenskiy	Weak result likely <b>1</b>	Referenda <b>1</b>	Unclear <b>2</b>	Could be liquidated <b>2</b>	Compromise/capitulation <b>1</b>	Unclear <b>1</b>	Disrupted <b>1</b>
Tymoshenko	Strong result likely <b>2</b>	Strong rhetoric <b>2</b>	Disrupted <b>1</b>	To be liquidated <b>1</b>	Strong rhetoric <b>2</b>	Strong rhetoric <b>2</b>	Under question <b>2</b>

## What events are likely

### **Poroshenko will compete against Zelenskiy in the second-round runoff.**

Poroshenko has been competing neck-and-neck with Tymoshenko for second place in the polls since January. Poroshenko's advantage is his ability to use his vast network of state resources to engage in soft manipulations of the vote to put him over the edge and into the runoff. The Tymoshenko campaign and Internal Affairs Minister Arsen Avakov (widely acknowledged to be allied with Tymoshenko) have already accused the Poroshenko campaign of launching a national vote-buying (and vice versa). Investigative news reports have alleged vote-buying as well. Unfortunately for Tymoshenko, the manipulations (including vote-buying) are likely to be sophisticated enough to avoid the scrutiny of election observers, both domestic and international.

### **Poroshenko will likely concede defeat in two scenarios.**

For Poroshenko to concede defeat in the second-round runoff, the vote margin has to be so wide (current polls show Zelenskiy doubling Poroshenko's votes in a runoff) that it can't be overcome by soft manipulations and abuse of state resources. In which case, the Central Election Commission must declare Zelenskiy the winner. In the other scenario for Poroshenko to concede defeat, the vote margin can be relatively tight, or smaller than 5%. Yet exit polls indicate the true margin is wider, mass protests erupt and the OSCE withholds its endorsement. In which case, a political crisis is ignited for several months as Poroshenko clings to the presidency long enough to gain a sizable parliamentary faction. At that point, he could be willing to concede defeat.

### **Tymoshenko and allies will lead a vote fraud protest.**

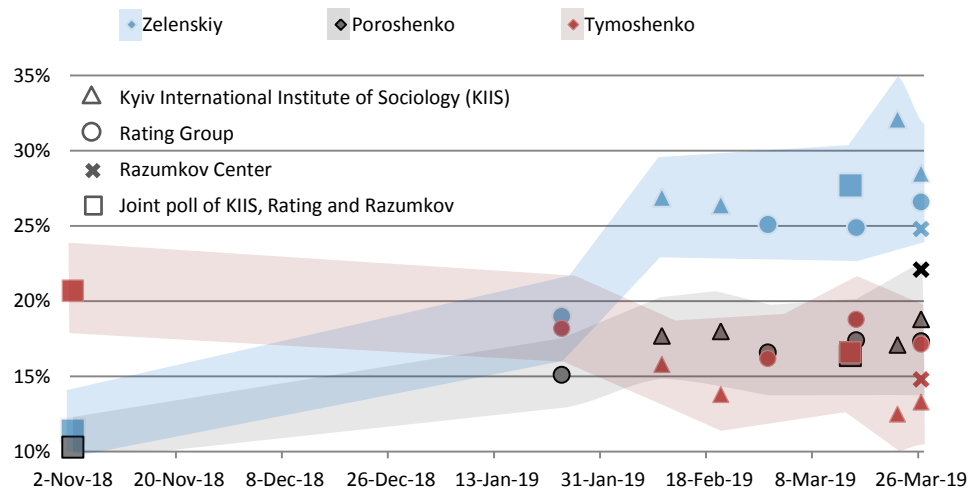
Having already accused the president of creating a vote-buying network (with Avakov's support), it is certain that Tymoshenko will lead some kind of vote fraud protest. Her campaign staffers have already indicated that they know it won't be significant for the first few weeks. However, they indicated they hope that it will grow after the second-round runoff, when Poroshenko is declared the victor or refuses to acknowledge defeat.

**Kremlin won't attempt to destabilize Ukraine with Zelenskiy competing.**

The attempts of pro-Russian forces to destabilize the situation in Ukraine have been unimpressive so far this year. The main activities have been several arson attempts of Roshen retail stores in Kyiv, and an attempt to bomb the metro in Kharkiv (which was preempted by the Security Service of Ukraine). We believe Russian attempts have been, and will remain minimal because the very candidacy of Zelenskiy is an adequate destabilizing factor in and of itself. Once the polls indicated at the end of January that he was the leading candidate, we believe Russian intelligence services decided to refrain from any big destabilization schemes they have been planning, namely sabotage, riots and insurgencies. We don't share the conspiracy theories that Zelenskiy is "working for the Kremlin," but his presidency has the most potential to destabilize Ukraine's geopolitical situation, which is what the Kremlin is aiming for.

**An OSCE endorsement of the elections will extinguish any mass protest.** The most important assessment of these elections will be offered by the OSCE election-observing mission. If it determines that the vote met international standards of being free and fair, that evaluation will take the wind from the sails of any mass protest that is being planned and can potentially escalate. Its endorsement will ensure stability in Ukraine.

**Candidate support among voters, by polls**



## What events are game-changers

### **(1)The Central Election Commission’s announcement of the official results**

We believe the CEC won’t be involved in any vote manipulations. The manipulations will be sophisticated enough that they will have occurred before the CEC has to draw its conclusions. These manipulations, alleged to have already been occurring, include buying votes (directly and indirectly), loading voter rolls with those deceased or no longer residing, registering fake voters and using intermediaries to circumvent election financing laws. Election observers have also concluded that the Poroshenko has engaged in abuse of state resources that can influence the election results.

A big factor in legitimizing the results is the president’s nomination of Tetiana Slipachuk being appointed as CEC head. Not only is she not affiliated with any of the president’s businesses (as has been the case with many of the president’s key appointments), but she has earned wide respect for her extensive experience as an international arbitrage lawyer. Nonetheless, the first-round election results will be inevitably attacked as fraudulent once they’re announced by the CEC, particularly by the Tymoshenko campaign.

### **(2)The OSCE endorsement of the elections**

Besides the official results themselves, no event is more important in these elections than the decision by the most influential election observing mission, fielded by the OSCE, to endorse the elections as having met international standards of being free and fair. The endorsement will ensure stability, while its absence has the potential to create chaos. So we believe the OSCE will be leaning heavily towards endorsing the elections (in order to provide for stability), unless the manipulations are too egregious.

It’s also possible the OSCE will withhold its endorsement if the pre-elections manipulations are too egregious. Ukraine’s leading election observer organization, Opora, has already confirmed the abuse of state resources by the Poroshenko administration to influence the vote. This has been in form of payments to voters (who registered themselves as campaigners), utility subsidy cash payments, and pension payments, among other last-minute state payments. Investigative news programs have also reported on the Poroshenko campaign having created civic organizations that collect voter data and offer payments for votes. Internal Affairs Minister Arsen Avakov accused the Poroshenko campaign of vote buying and said investigations are ongoing.

Given that these are allegations that will not have been proven in a court of law, the OSCE and other Western authorities (including PACE and the U.S. Embassy in Ukraine) are unlikely to be willing to consider them when deciding whether or not to endorse these elections as having met international standards. They don’t have the resources, nor the authority, to investigate them themselves. Moreover, they want to avoid becoming entangled in a nasty domestic conflict.

### **(3)The size of vote fraud protests**

It’s widely acknowledged that protests won’t be large after the first round since Tymoshenko’s supporters – consisting largely of the most vulnerable in society – aren’t capable of conducting a large-scale protest. What remains to be seen is how many will protest the results of the second-round runoff. We expect weekly protests on the maidan drawing a few thousand, complaining about first-round vote fraud. These protests will have little potential to grow if the OSCE determines that the elections, particularly the second-round runoff, met international standards.

## Three basic scenarios to expect

### (1) Status quo scenario

#### **Stability achieved as Poroshenko victory approved by OSCE (35% likely)**

Our base case scenario is Poroshenko is re-elected president, which is the only scenario that ensures political and economic stability. Our base case is Zelenskiy finishes first in the first round, followed by Poroshenko in second and Tymoshenko in third. Then, a thin Poroshenko victory in the runoff vote is declared by the Central Election Commission. The elections are endorsed by the OSCE as meeting international standards of being free and fair. The full potential of vote fraud protests is a range of 10,000 participants, which is not enough to pressure the president or convince authorities of criminal activity. Relative stability is achieved for the next five years, with ongoing cooperation with the EU, NATO, IMF and other Western institutions.

### (2) Managed chaos scenario

#### **Poroshenko victory contested for months in political crisis (20% likely)**

Zelenskiy finishes first in the first round, followed by Poroshenko. In the second round, Poroshenko is declared the runoff winner by the CEC, but exit polls indicate a comfortable victory margin for Zelenskiy (at least 5%). Vote manipulations, organized by the Presidential Administration, exceed limits that Western election observers would be willing to overlook as the OSCE withholds endorsement. Weekly protests attract a range of 10,000 participants consistently and the president's limited credibility gradually erodes as the October parliamentary vote approaches. Yet Poroshenko holds onto power long enough to organize the elections and gain a sizable faction. During this period of managed chaos, a wide range of events is possible, including attempts to amend the Constitution, as well as sabotage, riots and insurgencies being attempted by forces aligned and unaligned with the Kremlin.

### (3) Zelenskiy victory scenario

#### **Dark horse wins but ineffective in first several months (35% likely)**

Zelenskiy finishes first in the first round. In the runoff, his result – both in the official tally and exit polls – is too large for the Poroshenko campaign to overcome by manipulations. Poroshenko concedes defeat and slowly descends into political obscurity, with his party weakly supported for parliament. Meanwhile, Tymoshenko's support swells as she actively criticizes Zelenskiy for his ineffectiveness. Not only is he unable to launch any major initiatives, but his party performs worse-than-expected in the October parliamentary elections. Tymoshenko's party (or another party) performs strongly and she gains support for a new Constitution that shifts the president's remaining authority to the prime minister. The Ukrainian presidency eventually is reduced to a symbolic role, as in Germany.

#### **Alternative scenario (10% likely)**

Any number of alternative scenarios is possible, including, but not limited to:

- Yulia Tymoshenko qualifying for the second-round runoff,
- Tymoshenko winning the runoff,
- Poroshenko seeking out a force majeure situation to postpone the runoff,
- Poroshenko seeking a political pretext to avoid transferring power,
- Mass protests disrupting the elections, aligned or unaligned with the Kremlin.

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