

# Government crisis continues in Ukraine

**Niall Green, Julie Hyland****6 July 2006**

Talks are continuing between Ukraine's parliamentary factions to resolve the standoff that has held up the formation of a new government more than three months after elections.

The Party of the Regions, led by Viktor Yanukovich, won a plurality in March's elections, taking 186 out of 450 parliamentary seats. But it was shut out of power by a coalition of the three parties that had played the leading role in the 2004 so-called "Orange revolution"—President Viktor Yushchenko's Our Ukraine, Yulia Tymoshenko's bloc and the Socialist Party.

The pro-Western parties had been haggling for months over the terms of their coalition. On June 21, Tymoshenko, who was sacked as prime minister last year after a split with Yushchenko, announced that her bloc would share power with the president's Our Ukraine and the Socialist Party. The coalition had begun distributing key cabinet and parliamentary posts between themselves and had agreed for Tymoshenko to be made prime minister and for Yushchenko aide Petro Poroshenko to become speaker.

In protest, the Party of the Regions began blocking parliament. Yanukovich was Yushchenko's opponent in the disputed presidential poll in 2004, and the Party of the Regions draws most of its support from the largely Russian-speaking industrial south and east of the country where the "Orange" vote was negligible.

The prospect of a prolonged period without a permanent government would have forced the president to use his powers to call fresh elections. Such is the unpopularity of the Yushchenko regime that it is likely that Our Ukraine would fare even worse than the dismal third place it received in March, when it polled just 13 percent of the vote.

According to reports, there has been some progress in talks between the leaders of the parliamentary factions, including the Communist Party, but still no agreement

has been reached.

Whatever administration is finally cobbled together, it will be politically unstable and lack any genuine democratic mandate.

The Orange Revolution was organised and financed by the major imperialist powers, most notably the United States, with the purpose of restructuring the Ukrainian economy in line with the interests of the transnational corporations and bringing it more firmly into the orbit of the US, NATO and the European Union, as opposed to Russia. Hitherto, privatisations of former state assets had mostly benefited a local oligarchy, while large sections of the economy still relied on trade with Russia. Most important of all, Russian interests controlled the bulk of Ukraine's fuel sector and still do so.

Yushchenko played a key role in the Western powers' political offensive. Through his Our Ukraine party he sought to ally himself to the US and weaken relations with Moscow, combining a mixture of populist Ukrainian nationalism with denunciations of corruption under outgoing President Leonid Kuchma.

With Washington's backing, he formed an alliance with Tymoshenko—who together with her husband has made her fortune from the restoration of capitalist market relations—and those sections of the oligarchy and Ukrainian businesses in the west of the country that had most to gain from closer relations with the West.

It was this clique that came to power in 2004 under the Orange banner of a struggle for democracy and against political corruption. But within months, falling prices for Ukraine's industrial products, coupled with rising energy costs and deteriorating living standards, caused popular support for the Orange parties to erode. As the rival factions within the Yushchenko-Tymoshenko bloc began to aggressively assert their own self-interests, the clique itself fell apart.

In September of 2005, President Yushchenko fired

Tymoshenko as his prime minister, accusing her of corruption and economic mismanagement. Tymoshenko had threatened to temporarily renationalise vast swathes of industry, which were cheaply privatised in the 1990s to the benefit of Yanukovich's supporters, and then resell them—doubtless to the advantage of herself and her own cohorts.

Such populist rhetoric had spooked foreign investors, who were concerned about economic instability and the likelihood that such action could uncover the shady financial dealings of Western big business. This prompted Tymoshenko's removal from office.

Tymoshenko responded to her sacking by launching a populist political campaign against Yushchenko, seeking to combine anti-Russian Ukrainian chauvinism with promises of social reforms and an end to the corruption of the Yushchenko presidency.

In March, the Orange parties suffered at the polls—losing out to Yanukovich, who had been able to capitalize on hostility to anti-Russian chauvinism and “free market” policies in the southeast of the country.

Yanukovich's real power base is the major industrialists from the cities of Dnipropetrovsk and Donetsk, where he was mayor and the accepted figurehead of the local oligarchic clans. These see the pro-market reforms demanded by the West as a threat to their interests.

The southeastern regions of the Ukraine, the Donetsk and Luhansk oblasts, are economically central, home to such industries as steel and mining as well as much of the country's most valuable natural resources.

At the same time, these oligarchs do not want to unnecessarily antagonize the US and major European powers. Yanukovich has not tied himself exclusively to Russia and is formally in favor of European Union membership. He has sought to use his relations with Moscow to strengthen his position in negotiations. Soon after the elections, Yanukovich had held out an olive branch to his rivals.

Yanukovich and his backers fear, with justification, that a Tymoshenko-led government will initiate punitive measures against her political and business rivals. The Party of the Regions hopes to use any positions of influence and power it can extract to block those measures that could impinge on its domination of the country's heavy industries.

Even if the Party of the Regions is granted concessions, Tymoshenko is still likely to become the prime minister—a role whose powers have been greatly increased at the expense of the presidency, as a result of constitutional changes. The choice of Poroshenko, a Yushchenko loyalist, as parliamentary speaker is intended to provide a political counterweight to Tymoshenko.

For months the president had threatened to form a government with Yanukovich—whom he had only 18 months previously condemned as a despot—in order to block Tymoshenko from regaining the post of prime minister.

Having accepted a deal with Russia's Gazprom for the supply of natural gas to the Ukraine at \$95 per 1000 cubic meters—double the previous price but half what Gazprom had initially demanded—Yushchenko did not want to jeopardise relations with Russia by allowing the unstable Tymoshenko back into office.

It appears that the main pressure to re-appoint Tymoshenko as prime minister has come from Washington, which viewed any rapprochement with the pro-Russian Party of the Regions as an unacceptable concession to Moscow's influence in the country. Mikhail Pogrebinsky, director of the Kiev Center for Political and Conflict Studies, commented, “Yushchenko and his team didn't want Tymoshenko as prime minister, and I believe that the Americans helped them to come to terms.”

President Bush was due to visit Kiev prior to attending the G8 summit in St. Petersburg, Russia later this month. However, in June the White House cancelled Bush's visit to Ukraine, in response to the failure of the pro-US Orange parties to form a government.



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