

Economic crisis, geopolitical rivalries overshadow Ukrainian election campaign

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As in the disputed presidential election of November 2004, bitter disputes between rival sections of the ruling elite—and the interests of foreign powers—are dominating the campaign for Ukraine's presidential election, due to be held January 17, 2010.

Five years ago these local and geopolitical tensions erupted in the so-called "Orange Revolution," with two cliques of the Ukrainian oligarchy vying for the presidency being vacated by Leonid Kuchma. On one side stood the eastern Ukrainian industrialist clans that generally backed Viktor Yanukovich, the favored successor of Kuchma; opposing them was an alliance of two disaffected former Kuchma administration personnel, former central banker and prime minister Viktor Yushchenko and millionaire energy industrialist Yulia Tymoshenko.

Behind these two camps stood Moscow, whose favored candidate was Yanukovich, and Washington, who sponsored Yushchenko for the presidency by funding and advising several "pro-democracy" groups linked to his campaign.

While Yanukovich won in the second round of voting in 2004, and was congratulated by the Putin administration in Moscow, Yushchenko's campaign, backed by Washington, condemned the vote as having been rigged and demanded the results be cancelled. Capitalizing on allegations of voter fraud and hostility to the corrupt Kuchma regime, Yushchenko led large-scale demonstrations in Kiev, many comprised of Ukrainian-speaking youth, to demand a revote.

The US-backed candidate Yushchenko won power following an emergency re-vote held December 26. His ally Tymoshenko was appointed as prime minister in January 2005.

None of the tensions around the "Orange Revolution" have gone away. However, faced with a dire economic situation, whichever candidate wins the election will quickly move to impose the burden of the crisis on the backs of the working class.

Today, Yushchenko has managed to sink to even lower levels of popular support than Kuchma achieved in his last days in office. His presidency has seen living standards for ordinary Ukrainians decline, while politically connected oligarchs continue to loot the economy and corruption remains unchallenged. The vast majority of the population does not support Yushchenko's drive for Ukraine to be incorporated into the US-led military alliance NATO—which has further soured relations with Russia.

With single-digit approval ratings, most commentators expect Yushchenko to be eliminated in the first round of the election,

while his 2004 rival Yanukovich is predicted to win a plurality of 26 percent of the vote.

Yanukovich's main rival in the presidential race is likely to be Tymoshenko. Since co-leading the "Orange Revolution," named after the campaign colour of Yushchenko's Our Ukraine party, Tymoshenko has moved sharply away from the president. In September 2005 Yushchenko dismissed her, accusing Tymoshenko of economic incompetence, while she accused the president of corruption.

Since then, the erstwhile "Orange Revolution" allies have descended into a state of political civil war, attacking each other as treasonous, corrupt and a threat to democracy, even as they have reformed a tentative coalition that saw Tymoshenko return to the post of prime minister in September 2007. It is widely acknowledged that the president and prime minister do not speak with each other.

Tymoshenko's popularity has declined over the past year, as the crisis in the Ukrainian economy deepens and millions of workers and retired people face worsening living standards. Having received over 30 percent of the vote in the last round of parliamentary elections, polling now indicates that Tymoshenko has the support of just 17 percent of voters.

Ukraine's economy is the worst performing in Europe. Kiev was granted a \$16.4 billion loan from the International Monetary Fund in October last year, and the organization predicts that Ukraine's GDP will shrink by 14 percent this year. Tens of thousands have lost their jobs in the country's main metals, mining and chemical sectors—all hard hit by the sharp decline in global industrial demand. Unemployment in Ukraine is expected to rise from an official rate of 6.9 percent in 2008 to around 9 percent by the end of this year. Inflation, currently at over 15 percent, is further eroding working class incomes.

Ukraine has been particularly hard hit because of its close economic ties to the Russian economy, which is itself in a state of crisis. Ukraine's steel production fell by half in 2008 and chemical production by 35 percent. Steel production accounts for 40 percent of Ukraine's exports and 30 percent of its GDP. Around half a million workers are employed in the metals industry, where pay and hours have been cut as well as jobs. Total industrial output fell by 20 percent in the first three months of 2009.

The Ukrainian currency, the hryvnia, has plummeted by 45 percent against the dollar over the past year, dropping by 15 percent in the last two months alone. The country's financial

sector is in a state of paralysis, dependent on IMF and government support, with several institutions threatened with bankruptcy.

Yushchenko, Yanukovich and Tymoshenko are committed to imposing the full burden of the economic crisis on working people, while funnelling dwindling state resources into the coffers of their powerful business allies. All are committed to enforcing the cutbacks to social spending demanded by the IMF and big business, while courting investment from transnational corporations on the basis of low wages and business taxes.

There are differences in foreign policy between the main political camps; however, even here there is much that is fundamentally similar between them. While Yanukovich is regarded as “pro-Russian” and Yushchenko and Tymoshenko as “pro-Western,” there are no loyalties in Ukrainian politics, and the positions of the leading candidates in next year’s election have changed from those held in 2004, reflecting changes in the world economic and political situation.

The relationship of Moscow and Yanukovich in 2004 was not one of unqualified support. While viewed as more favourable to the Kremlin than the pro-Western Yushchenko, Yanukovich’s backers among the eastern Ukrainian oligarchs are rivals as well as trading partners of the Russian elite. Over the past five years Yanukovich has attempted to remodel his political image at home and in the West, casting himself as someone capable of negotiating successfully with Russia, the European Union and NATO.

Moscow is therefore pushing Yanukovich to make assurances that he will maintain his opposition to Ukrainian membership of NATO and will back closer relations between Ukraine and Russian industry, especially in the oil and gas sectors. While Yanukovich is willing to improve relations with Moscow in order to secure energy supplies and business deals for his backers, these same forces want to develop alternatives to the fragile Russian market by deepening economic relations with the West, especially the European Union.

In an indication of the failure of the “Orange Revolution” to secure Ukraine as a reliable US client state, the Kremlin is also looking to Tymoshenko as a possible ally. Tymoshenko has distanced herself from her earlier anti-Russian rhetoric, most notably refusing to join Yushchenko’s vociferous condemnation of Moscow during its 2007 war with the former Soviet republic of Georgia. During the gas price dispute between Ukraine and Russia in January this year, Moscow derided the role played by Yushchenko while pursuing separate talks with Tymoshenko that led to a temporary resolution to the disagreement.

Tymoshenko recognizes that the open hostility between Kiev and Moscow that followed the Orange Revolution has damaged the previously highly integrated and profitable network of business relations between the two former-Soviet republics. Especially in the field of the transit of Russian gas through Ukraine—the sector in which she made her vast fortune—Tymoshenko has expressed more willingness to strike a deal with the Kremlin than Yushchenko.

Like Yanukovich, however, Tymoshenko also seeks to develop Ukraine’s connections with European and US business as a counterweight to Russia, and to this end she maintains nominal support for Ukrainian membership of NATO, but only if backed in a national referendum.

In exchange for improving relations with Moscow, either candidate hopes for a windfall from Russia. Russian newspaper *Vedomosti* quoted sources in the Russian government stating that Putin and Medvedev plan to grant a loan in the range of \$2 billion to Ukraine in order to help pay for Russian gas deliveries.

The attempt by Tymoshenko to improve relations with Russia also reflects the changed foreign policy emphasis in Washington. While the Bush administration was a vocal supporter of Yushchenko and Ukraine’s bid for NATO membership, the Obama administration, reflecting concerns that US imperialism had to concentrate on winning the war of occupation in Afghanistan, has struck a less aggressive note regarding American interests in Eastern Europe. While in Moscow for talks in July, Obama is alleged to have acknowledged Russian “special interests” in the former Soviet region, a position confirmed this month when the US president announced that he was shelving the proposed missile defence shield bases in Poland and the Czech Republic.

Washington does not take an indifferent attitude to the region, however. The US continues to seek Ukrainian integration into NATO, albeit less overtly, and the current rapprochement with Moscow is the exception to the past two decades of relations, while hostility is the norm. With defeat all but assured for their preferred candidate, Yushchenko, Washington hopes for a Tymoshenko victory in January’s election. However, she is viewed with great suspicion in US foreign policy circles due to her courting of Moscow and some of her populist economic statements.

The deep unpopularity of Yushchenko and the rapid break-up of his alliance with Tymoshenko after the demonstrations of 2004 is an indication of the unprincipled character of the “Orange Revolution,” which was from the start a loose alliance of corrupt political and business figures united only by their exclusion from power by Kuchma and their willingness to subordinate themselves to Washington’s geopolitical ambitions.

With the same oligarchic figures as in 2004 struggling for power and seeking the backing of foreign powers, while a social catastrophe confronts workers, the need for a new socialist and internationalist party of the working class in Ukraine presents itself as an urgent necessity.



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