



## IMF Puts Ukraine On Course for \$2.8 Bn Payout

The International Monetary Fund (IMF) mission in Ukraine has provided initial approval for the payment of a second tranche of the \$16.4 billion stand-by loan agreed last November. The IMF mission is recommending to its board to increase the second payment from \$1.86 billion to \$2.8 billion. A final decision by the board is expected in mid-May with payment shortly thereafter.



▲ Ceyla Pazarbasioglu, head of the IMF mission to Ukraine with Prime Minister Yulia Tymoshenko.

The breakthrough announcement was made by the head of the IMF mission to Kyiv, Ceyla Pazarbasioglu, who said, "I am happy to announce that we have achieved agreement at the level of experts on the completion of the first revision of the programme. The memorandum will be submitted for endorsement by the leaders of the Fund."

The move vindicates the actions of the democratic coalition government headed by Prime Minister Yulia Tymoshenko, which last Tuesday approved unilaterally a series of anti-crisis measures needed to meet the loan conditions stipulated by the IMF.

This dramatic step to pass resolutions and effectively by-pass parliamentary approval was taken only after parliament failed to schedule a vote on the anti-crisis legislation. The Party of Regions, Communist Party, and elements of the Our Ukraine-People's Self-Defence bloc loyal to the president, had voted to keep it off the parliamentary agenda, forcing the government to act. At the time, Ms Pazarbasioglu praised the government's bold move, describing it as "difficult."

The payment of the second tranche was originally due in February, but had been held back while the IMF waited for Kyiv to trim public spending and, in particular, balance the state pension fund and the finances of Naftohaz Ukrainy, the state run gas company.

The government resolutions confirmed measures to cut spending in the 2009 state budget; increase gas and electricity prices for large consumers; provide equal conditions for all payers to the Pension Fund; legalise paid services; recalibrate the budget of Naftohaz, and support the recapitalisation of banks placed under temporary administration.

The second tranche payment is expected in May. "Half of the tranche may be spent to cover Ukraine's budget deficit," said Ms Tymoshenko at a press conference. She also indicated that part of the money may be used to pay external loans. Funds will also be used to recapitalise key banks and support the currency.

The ability of the premier's team to tackle major fiscal issues, which other factions were manipulating for political purposes in what is now a presidential election year, has won the premier plaudits. Ms Pazarbasioglu described the talks with the government as "very constructive" and said, "We are optimistic and we were very encouraged (by) this recent stability in Ukraine."

# Simultaneous Elections Unconstitutional

**President Viktor Yushchenko has suggested Ukraine holds simultaneous parliamentary and presidential elections this year. Yet such a move contravenes Ukraine's Constitution which prohibits presidential and parliamentary elections from taking place in the same year.**



▲ President Viktor Yushchenko is calling for simultaneous presidential and parliamentary elections.

The spectre of a presidential election arose on 1 April when some 401 out of 450 parliamentary lawmakers voted to bring forward the election date from January 2010 to 25 October this year. But President Yushchenko, whose few remaining party faithful opposed the motion, has struck back suggesting that a parliamentary election could be called at the same time.

Leader of the opposition Party of Regions (PoR), Viktor Yanukovich, welcomed the suggestion, saying he favoured simultaneous parliamentary and presidential elections even before 25 October. "I wish to say, there's no need in buying time until 25 October," said

Mr Yanukovich – who believes an early election would sweep him back into power.

But holding simultaneous elections would require a change in the Constitution and would prove difficult to orchestrate. This is because Ukraine has a two-round presidential ballot system, which makes simultaneous elections cumbersome unless there was some sort of preferential voting system. Furthermore, it is doubtful it will prove possible to pass the constitutional amendments needed before 25 October.

"This is a distraction," said First Deputy Prime Minister Oleksandr Turchynov, "parliament must focus on passing anti-crisis legislation rather than waste efforts electioneering – economic stability is required first and foremost."

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Indeed, now is hardly the best time to seek a change in government. Some are saying that the PoR has had its chance.

Last February, it did its best to oust the government of Prime Minister Yulia Tymoshenko through a no-confidence motion. Then, Mr Yanukovich won 203 votes in the 450-seat Verkhovna Rada, falling well short of the 226 votes needed to topple the government.

Some political observers surmise that dual elections would only escalate the byzantine jockeying for power that has become synonymous with Ukraine's fractious democracy. Many believe the PoR and the president's faction would connive so that Mr Yanukovich would assume the presidency with Mr Yushchenko as prime minister. A place for the president in parliament would be attractive to Ukraine's unpopular head of state as it would grant him immunity from prosecution – an immunity his bloc vowed to overturn during the last election campaign.

In an article in *Ukrayinska Pravda*, Serhiy Leshchenko observed that simultaneous elections "provide a unique chance for Yushchenko and Yanukovich to get rid of Tymoshenko and agree on how power will be divided up after the elections."



Such a coupling would seek to preserve the power of the “energy lobby,” which would waste no time in unpicking the gas agreements with Russia and reinstating RosUkrEnergo.

Then again, if the PoR were to enter into a coalition with the Bloc of Yulia Tymoshenko (BYuT), its raison d'être for elections would disappear. Boris Kolesnikov, deputy chairman of the PoR, gave such an alliance even odds, saying that his only hope was for Ukraine to emerge from the economic crisis. "If, for this to happen we have to create a coalition with BYuT, then I'm for this coalition. I consider the probability of it being created as 50 to 50," he said.

BYuT, although ideologically at odds with the PoR, has called for all of Ukraine's parties to unite in working on passing and implementing anti-crisis measures.

## International Condemnation

Simultaneous elections have been warned against by the Council of Europe Parliamentary Assembly (PACE). Its Monitoring Committee co-rapporteur Renate Wohlwend saw it as a recipe for chaos, saying that she saw no judicial grounds to hold both elections on one day.

Finally, a poll of a mixed political audience on the popular TV show Shuster Live indicated that only 23 percent were in favour of simultaneous elections, compared to 54 percent against early elections.

According to another poll, by the Ukrainian Democratic Circle, 42.8 percent of respondents want the main political parties to reach a compromise to avoid an election. Conversely, 36.9 percent would like to hold simultaneous presidential and parliamentary elections in the near future.

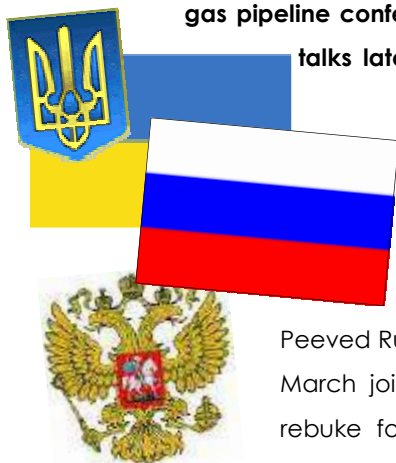
Andriy Kozhemiakin, the first deputy head of BYuT's parliamentary faction said, “We oppose snap parliamentary and presidential elections. This is the last thing people want at this time. It is far more important that the political factions invest their energies in healing our economy and saving jobs. That is what is most important.”



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## Russia-Ukraine Talks Back On

**Inter-governmental talks between Russia and Ukraine, which were cancelled last March after the gas pipeline conference in Brussels, are now back on. The decision to reschedule talks later this month followed a telephone call between Prime Minister Yulia Tymoshenko and her Russian counterpart Vladimir Putin.**



The talks between the leaders were originally scheduled to take place earlier this month but were shelved as a consequence of the decision by the EU to support the modernisation of Ukraine's gas transportation network.

Peeved Russian officials, who considered they had been sidelined at the 23 March joint European Commission-Ukraine conference, left early. A stiff rebuke followed from Russia's leaders with President Dmitry Medvedev postponing the talks in order to “clarify respective issues.”



Ms Tymoshenko, together with EU officials, stressed that the €2.5 billion investment pledged by the EU would not exclude Russian involvement. Under the agreement, the EU agreed to help modernise Ukraine's Soviet-era gas pipeline network, which, at 37,600 km long, is the second largest in Europe. The mammoth project also involves building new gas metering stations and a

proposed increase in the system's capacity from 60 billion to 180 billion cubic metres per annum.

**“We have made it clear that we are partners in modernising the gas transport system.”**

Speaking recently in the eastern city of Dnipropetrovsk, Ms Tymoshenko said, “We have made it clear that we are partners in

modernising the gas transport system. We believe the issue has been solved and we can carry on working.”

According to the Russian premier's spokesman, Dmitry Peskov, during their call Mr Putin and Ms Tymoshenko also discussed "Russian-Ukrainian trade and economic cooperation and the results of a meeting between the countries' energy ministers."



Although there has been no confirmation of a date for the talks, they are expected to take place in Moscow towards the end of the month.

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## NATO Membership: A Question of Tactics



**One of the most common misconceptions in the West is that Prime Minister Yulia Tymoshenko is “cool” towards NATO. Since summer 2008, this line has been energetically promoted by President Viktor Yushchenko and the presidential secretariat alongside unsubstantiated charges of “treason.” The claim is that Ukraine's premier is in Russian Prime Minister Vladimir Putin's pocket. That she has allegedly exchanged being “cool” towards NATO and become “pro-Russian” in return for Russian**

**financial support in the upcoming presidential election.**

These allegations are, of course, nonsense and have been shown to be devoid of substance in three major ways.

Firstly, Ms Tymoshenko was the main initiator in signing the gas pipeline modernisation agreement in Brussels last month, which represented a major step in integrating Ukraine's energy system with that of EU states. The resultant Russian storm of criticism – no matter how unfounded – illustrates the degree to which Ms Tymoshenko is guided by national interests and not by any allegedly “pro-Russian” orientation.

A February poll by the Kyiv International Institute for Sociology (KIIS) published in *Ukrayinska Pravda* (11 April) stripped bare the fallacy of the “pro-Russian” allegations levelled against Ms Tymoshenko. It revealed that 91 percent of Ukrainians have positive or very positive views of Russia, an indication that anti-Russian policies will not be favourably received by Ukrainian voters.



Interestingly, of Ukrainian voters who have negative or mainly negative views of Russia, the largest number (33 percent) would vote for Tymoshenko while 11 percent would vote for Mr Yushchenko and none would vote for Viktor Yanukovich. However, KIIS concluded that attitudes to Russia among Ukrainian voters (which are positive) will not dominate their voting preferences.

## Differences in Strategy



▲ Deputy Prime Minister Hryhoriy Nemyria (left) is responsible for Ukraine's integration into European structures.

Secondly, Ms Tymoshenko and her eponymous bloc (BYuT) approach NATO membership with a different strategy to President Yushchenko and the Our Ukraine-People's Self-Defence bloc. The Tymoshenko strategy is proving to be more successful in winning over Ukraine's integration.

Brussels, Berlin and Paris – the three cities that most need convincing of Ukraine's rightful place in Europe – prefer the Tymoshenko foreign policy of pragmatism towards Russia combined with an ideologically-driven foreign policy of integration with Europe. The president's ideologically driven anti-Russian policy is negatively received in Brussels-Berlin-Paris because it is reminiscent of the foreign policy pursued by the Georgian President.

This foreign policy, as the KIIS poll illustrates, is also unpopular among Ukrainian voters.

Thirdly, Ms Tymoshenko and the bloc of Yulia Tymoshenko (BYuT) are long-standing supporters of Ukraine's NATO membership, as they are of the EU. Asked in a *Ukrayinska Pravda* (2 April) interview about Ms Tymoshenko's support for Ukraine's NATO membership, Deputy Prime Minister Hryhoriy Nemyria replied, "Yes, without doubt. She has replied in this way on a number of occasions."

Ms Tymoshenko was one of three signatories (together with President Yushchenko and then parliamentary speaker Arseniy Yatseniuk) of a January 2008 letter to NATO, requesting that the April Bucharest summit invite Ukraine into a NATO Membership Action Plan (MAP). Mr Nemyria explained that the signature was part of the orange coalition deal agreed in October-November 2007 that facilitated the return of Ms Tymoshenko as Prime Minister on 18 December.

The signed letter followed a three-way discussion between Foreign Minister Volodymyr Ohryzko, deputy head of the presidential secretariat Oleksandr Chaly (who resigned on 18 August 2008 in protest at the allegations of "treason" against Ms Tymoshenko) and Mr Nemyria. The deputy prime minister recalls that, "none of us had any doubts that the letter should be signed. But, there were differences as to what should be included in it."

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And, here lies the heart of the matter: tactics, not strategy, towards achieving NATO membership. Mr Ohryzko's tactics amounted to not raising the issue of a referendum on joining a NATO MAP and second, to request a MAP from the Bucharest summit.



Mr Nemyria's tactics were fundamentally different and more in tune with thinking in Brussels-Berlin-Paris. There was a need to support a referendum on joining a NATO MAP in the preamble to the letter, especially as the orange coalition had agreed to hold a referendum in the August 2007 democratic coalition accord. But Mr Nemyria proposed not to tie Ukraine to receiving a MAP at the upcoming Bucharest summit because he knew it was unlikely that NATO would extend such an invitation. "You should not charge a closed gate like a goat," said Mr Nemyria.

In his *Ukrayniska Pravda* interview Mr Nemyria revealed how the most important criteria for Viktor Baloha, head of the presidential secretariat, was to use the NATO card against Ms Tymoshenko to halt the growth of support for BYuT in eastern-southern Ukraine. This was because in the September 2007 pre-term elections, BYuT had expanded its support in these two key Russian-speaking regions where NATO membership is unpopular.

The deputy premier then pointed to two concrete tactics undertaken by Ms Tymoshenko towards achieving the goal of NATO membership.

First, the Ukraine-NATO annual Action Plan was approved for the first time speedily under the Tymoshenko government, the fourth since Mr Yushchenko's election. Then NATO General-Secretary Jaap de Hoop Scheffer told Mr Nemyria, during the March Brussels forum, that the Tymoshenko government was the most pro-active of all four governments on taking concrete steps on NATO.

Second, in response to NATO's complaint about weak coordination with Ukraine, the government prepared, in April 2008, a draft decree for the president and National Security and Defence Council. The draft decree proposed to upgrade the Ukraine-NATO Coordinating Council from the level of deputy foreign minister to deputy prime minister. The decree was never approved because of a turf war; the president wished not to cede control over coordination with NATO to the government.

This unhelpful situation did not disguise the fact that both president and government share a similar ideological goal regarding NATO. What is in dispute are the tactics needed to get there. Mr Yushchenko and Ms Tymoshenko are like two climbers scaling the same peak. One wants to strike out forthwith for the summit regardless, while the other seeks a more considered route. One thing is for sure, without public and political support, or to use mountaineering vernacular, a base camp and support team, the task will be much, much harder to achieve. Perhaps a peak too far.

Questions or comments? E-mail us at [nlysova@beauty.net.ua](mailto:nlysova@beauty.net.ua)

