

New Democratic Coalition Agreement Signed Unblocked Parliament Passes Anti-crisis Measures

Yesterday, representatives of the three blocs that comprise the recently announced Coalition of National Development, Stability and Order signed an official coalition agreement. This rubber stamps the formation of the democratic coalition, announced last week in the wake of Volodymyr Lytvyn's appointment as Chairman (speaker) of Ukraine's parliament. The speaker appointment unblocked parliament, enabling lawmakers to pass measures to address the global financial crisis that is ravaging the country's economy.



▲ Volodymyr Lytvyn, the new speaker of parliament, with his coalition partner Prime Minister Yulia Tymoshenko.

The new coalition agreement was signed by Ivan Kyrylenko, the parliamentary leader of the Bloc of Yulia Tymoshenko (BYuT), Borys Tarasyuk, deputy leader of the pro-presidential Our Ukraine-People's Self-Defence (OU-PSD) bloc and Ihor Sharov, faction leader of the centrist Lytvyn bloc. The formation of the new coalition has removed the need for BYuT and the Party of Regions to forge an alternative national unity coalition – something BYuT's leader, Prime Minister Yulia Tymoshenko, hinted at unless the pro-presidential bloc returned to the fold.

The first hurdle in ending the deadlock was overcome when a majority of lawmakers in each bloc signed their intent to form the new coalition. A simple majority is all that is needed to activate such an agreement. In the case of OU-PSD, 37 of its 72 lawmakers committed their bloc. With BYuT and the Lytvyn bloc already backing the coalition, its birth was announced last Wednesday, only

moments after Mr Lytvyn was elected speaker by 244 lawmakers in the 450-seat assembly.

The president has been lukewarm to hostile in his reception to the coalition. It is believed that he would have preferred a grand coalition or pre-term elections. However, speaking to the BBC, he conceded the need to end the deadlock. "I agree that the political crisis doesn't help solve the economic crisis. We need to find a way out of the political crisis," said Mr Yushchenko.

Prime Minister Yulia Tymoshenko was more upbeat. "I am convinced that this marks the end of the political crisis and will provide a strong platform from which to address the effects of the severe global financial and economic downturn," she said.



▲ President Viktor Yushchenko.

No Parliamentary Election Before Presidential Election

Under the terms of the coalition agreement the parties have agreed that there should be no parliamentary election before the presidential election, which is slated for 2010. Yulia Tymoshenko will also stay on as prime minister.

"I see no legal grounds for substantial changes in the government and, first and foremost, the prime minister," said Mr Lytvyn.

Yesterday, Mr Kyrylenko hinted at cabinet changes. "We agreed that we will not change the government, but there will be changes in government," he said. Details of a reshuffle are expected in the next few days.

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Warm Response from International and Financial Communities

News of the coalition was welcomed by the international community. The European People's Party – Europe's largest centre-right political movement – congratulated the president and premier (see next article).

The banking world also praised the new coalition, but tempered its enthusiasm due to the gloomy outlook for Ukraine's economy. The country is struggling to cope with a falling hryvnia, which is down nearly 60 percent this year against the dollar, and a slump in industrial output, down 29 percent in November.



Tim Ash, head of emerging markets research for Central and Eastern Europe, Middle East and Africa for the Royal Bank of Scotland said, "The fact that a new coalition has been formed is positive, but the new administration and Ukraine more generally still faces huge challenges."

The restoration of a working parliament to pass legislation to satisfy International Monetary Fund (IMF) conditions was a top priority for BYuT's leadership. Last Thursday parliament passed the required spending cuts and on Friday approved measures aimed at softening the impact of the crisis. These included increased funding for pensions, deposit insurance and conditions that prohibit banks from unilaterally amending the conditions of loans.

Parliament also passed the first reading of a law aimed at defending Ukraine's domestic car industry. The legislation, which is compliant with World Trade Organisation and EU rules, provides domestic manufacturers with local advantages without penalising foreign imports.

Despite tough conditions, the IMF suggested that Ukraine is now on course to receive its second tranche of the \$16.4 billion bail-out loan announced in October. So far, Ukraine has received its first tranche amounting to \$4.5 billion. In return the government scrapped plans to increase public spending.



Ceyla Pazarbasioglu, the head of the IMF mission to Ukraine, expressed her backing for the National Bank of Ukraine's policies to let the market determine exchange rates and to recapitalise major banks.

"We appreciate that we are in for a bumpy ride," said Viktor Pynzenyk, Minister for Finance, "but we now have a parliament that functions and a government that will not shirk from making the tough decisions needed to make progress."

EPP Welcomes New Coalition

The European People's Party (EPP) has endorsed the new Coalition of National Development, Stability and Order, by congratulating President Viktor Yushchenko and Prime Minister Yulia Tymoshenko on uniting their respective forces. Both Ms Tymoshenko's *Batkivshchyna Party* and Mr Yushchenko's *People's Union Our Ukraine* are observer members of the EPP.



▲ EPP Secretary General, Antonio Lopez-Isturiz.

EPP Secretary General Antonio Lopez-Isturiz congratulated the leaders and expressed confidence in the coalition. "I think it is very good news for Europe and for Ukraine that President Yushchenko and Prime Minister Tymoshenko decided to join their efforts and to work together for the better future of the country, especially at the difficult moment of economical and political crisis in Ukraine."

Founded in 1976, the EPP is the family of Europe's centre-right parties. It is Europe's largest transnational political party with 74 member-parties from 38 countries – including 20 heads of government (13 EU and seven non-EU), nine European Commissioners (including the EU President) and the largest group in the European Parliament with 288 members.

Last October, the EPP president, Wilfried Martens, called upon President Yushchenko to restore a democratic coalition for the sake of the nation. A statement signed by EPP members reinforced an uncompromising appeal to Ukraine's head of state. This was followed by a press briefing, at which Mr Martens stressed the importance of having an effective and stable government in the face of the global financial crisis. He also underlined that political stability is a key precondition for the successful integration of Ukraine into Europe.

Pleased with the outcome of the coalition, Mr Lopez-Isturiz said, "There are many challenges in Ukraine and still a lot to be done. At this difficult moment of the crisis both leaders sent a very good signal, that they overcame political problems of the past and will fight for the future. It is very good news for us and we strongly support this coalition."

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Commenting on the stability of the coalition, Mr Lopez-Isturiz underlined "we expect that all members of the coalition will be responsible and serious about their actions in order to bring stability and move the country forward." He described President Yushchenko and Prime Minister Tymoshenko as strong leaders able to head this process."



UEFA EURO 2012: Keeping Up the Pressure

The President of the Football Federation of Ukraine, Hryhoriy Surkis refused to comment on a statement made by UEFA President Michael Platini that Poland could host the UEFA EURO 2012 soccer tournament alone if its co-host, Ukraine, is not ready.



▲ Unguarded comment or shot across the bows? President of UEFA, Michel Platini spells out what will happen if the renovation of the Olympic stadium in Kyiv falls behind schedule.

no tournament in Poland without Ukraine and in Ukraine without Poland, under any circumstances."

This is not the first time that Mr Platini has queried in public Ukraine's pace of preparedness to host the tournament. Not surprisingly, some football pundits interpreted his remarks as a measured shot across the bows, designed to keep up pressure on Ukraine to meet its deadlines ahead of a crunch final go-ahead decision meeting next May.

The two nations' sports ministries expressed their total support for each other. Polish sports minister Miroslaw Drzewiecki said "Ukraine is the only partner for us, it can count on our full support and cooperation."

Work Progressing on the National Olympic Stadium



▲ Renovation work started this month on the Olympic stadium in Kyiv, which will be the venue for the final of the UEFA EURO 2012 tournament.

after the contract was announced and is scheduled for completion by December 2010. The cost of renovation is expected to be approximately UAH 2 billion (\$333 million).

Mr Platini told the Polish newspaper Dziennik that if Kyiv "is late with the stadium, then there is a possibility that EURO 2012 will be hosted only by Poland."

Asked for clarification of his statement, Mr Platini on Friday told *Reuters* that the stadiums in both countries had to be ready. "I said if the stadium in Kyiv is not ready then we won't play in Ukraine and if Warsaw is not ready then we won't play in Poland. Nothing more. It is very complicated," he said.

Mr Surkis described Mr Platini as a "sober-minded man." He pointed out that the head of European football said "four weeks ago that

there would be

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Last month the Cabinet of Ministers showed the red card to the National Agency charged with overseeing tournament preparations. This followed persistent complaints about slow progress from UEFA officials. In its place is a new coordination bureau.



Ukrainian officials remain confident that all the stadiums will be ready on time. However, perhaps of more concern is the need to construct an estimated 300 new hotels to house an army of visiting fans. This will be tough as Ukraine's construction industry has been hit hard by the global financial crisis, as sources of credit and foreign capital have dried up.

Notwithstanding economic and infrastructure pressures, sufficient political will exists, on all sides of the Verkhovna Rada, to push on and deliver a first-class tournament. Support for what is Europe's premier sporting event crosses all party political divides. Politicians are aware that UEFA EURO 2012 represents a huge national showcase opportunity.

TV pictures from the 16-team, 31-match tournament will be viewed in 180 countries worldwide.

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Sadly, the captain of Ukraine's under-21 national team, Maxim Pashayev, died on Friday from injuries sustained in a car accident. The 20 year old Dnipro Dnipropetrovsk player died in hospital after an accident on Thursday when his car skidded off an icy road. The Bloc of Yulia Tymoshenko expresses its condolences to Mr Pashayev's family and team-mates.

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