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Democracy, the Undiscovered Country: Preparing for the 2010 Election

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Five Years after the Orange Revolution: A New Political Context

Almost five years after the peaceful protests that brought Viktor Yushchenko to power, Ukraine's Orange Revolution has come full circle. With the next presidential election scheduled for January 2010, the country's political system is more unpredictable than ever — a sign of improved democratic practices, but also of the political elites' failure to get their act together. Indeed, almost 20 years after independence, Ukraine still has not undergone the reforms necessary to become a full-fledged democracy.

A quick look at the political landscape shows just how much things have changed since 2004. Mr. Yushchenko, the "hero" of the Orange Revolution, has announced his intention to seek re-election — but with an approval rating below 5%, he is not even a serious contender. At the same time, Viktor Yanukovich, his opponent in the 2004 election, has enjoyed a hefty lead in the polls for months and is the odds-on frontrunner for the Presidency.

That this is the case can be attributed to the Orange Revolution's mixed legacy. While it did usher in an age of unprecedentedly open elections, political squabbling quickly tore the "Orange coalition" apart and led to an equally unprecedented period of political instability. Democracy is about more than free elections, and Ukrainians — both ordinary citizens and political elites — are learning this the hard way.

A Country in Crisis

In the five years since Mr. Yushchenko came to power, Ukraine has had four Prime Ministers and two parliamentary elections. Today, the country lacks a foreign minister, a defense minister, a finance minister, and a transport minister — all casualties of political infighting aggravated by an unclear division of executive power. Ukraine's sluggish and corrupt Soviet-era bureaucracy remains unreformed and has been further paralyzed by power struggles throughout the state apparatus. Some of the most pressing reforms, such as those of the public administration, the energy sector, and the pension system, have yet to be tackled.

Political conflict has pervaded debates on all major issues, even delaying the adoption of legislation required to secure a \$16.4 bn emergency loan from the International Monetary Fund.

Ukraine is indeed in dire financial straits. The economy is expected to contract by a full 13.5% this year, and unemployment averaged 9.5% in the first quarter of 2009 — up from 6.4% in 2008. In addition, the hryvnia (UAH) has continued its decline, and ICPS predicts an exchange rate of 10 UAH/USD by the end of the year.

Confidence in the economy and in the authorities' ability to steer the country through the recession has been severely shaken. Consumer confidence continued to fall through June-July and foreign direct investment has collapsed, dropping by 65.9% in the first quarter of 2009. This decline is due to both

the economic challenges faced by potential investors and the apparent inability of the country's top political echelons to deal with issues head-on.

The looming election is handicapping the state's ability to deal with the challenges posed by the recession. ICPS expects a slew of politically popular

but economically costly moves, such as artificially preventing further devaluation of the hryvnia and avoiding an increase in fuel prices — despite the IMF's insistence on the latter. In fact, despite the relevance of the IMF's requirements and Ukraine's commitment to abide by them, it is far from certain that they will all be respected.

IMF condition	Implementation period	Relevance for Ukraine	Likelihood of implementation in 2009	Reasons for implementation or lack of implementation
Tighten budget policy	2011–2013	High	Low	Fiscally unavoidable
Increase gas prices for the population	2010–2013	High	Medium	Households will strongly oppose the decision, but the government will have to raise prices (at least symbolically) to continue receiving tranches of the IMF loan
Continue pension reform	2011–2015	Medium	Low	The government is not ready to increase the retirement age or make other such unpopular decisions
Solve problems in the banking sector	2009–2011	High	High	The financing is available, and this will be a popular decision

The Road to 2010: Politics in Action

Hence, with less than six months to go before the presidential election the economic and political situation is messy to say the least.

Indeed, in early and mid-2009 the election even became a contentious issue in its own right. The parliament, controlled by Prime Minister and erstwhile Yushchenko ally Yulia Tymoshenko, initially challenged the January date set by the President, insisting that the ballot be held in the fall of 2008. This tug-of-war eventually made it to the Constitutional Court, which ruled in favour of a January election.

The debate over the election ultimately extended to whether it should be held at all. This summer, the two presumptive frontrunners, Mr. Yanukovich and Ms. Tymoshenko, held closed-door talks over a possible restructuring the executive branch, with a strengthened Prime Minister and a President elected through universal indirect suffrage — that is, by the parliament and not by voters. Under this arrangement, Ms. Tymoshenko would have retained her position and Mr. Yanukovich would have been

elected to the presidency. While these negotiations ultimately fell through, the very fact of their having taken place is revealing of the murky waters in which Ukrainian democracy finds itself on the eve of its most important test since 2004.

No Crystal Ball

As of early September, the presidential election is a three-way race between Mr. Yanukovich, Ms. Tymoshenko, and Arseniy Yatseniuk. Mr. Yanukovich is the clear frontrunner. A July 2009 poll by the Razumkov Centre put his support at 22%, a full 9% clear of his closest competitor, Ms. Tymoshenko (13%), herself closely trailed by Mr. Yatseniuk (11%). Mr. Yanukovich's current lead in the polls practically guarantees him a place in the runoff, which leaves Ms. Tymoshenko and Mr. Yatseniuk contending for the second spot.

The outcome of this competition is far from pre-ordained. Indeed, Ms. Tymoshenko is currently leading Mr. Yatseniuk in the first round, but polls have consistently indicated that Mr. Yatseniuk could

mount a more serious challenge to Mr. Yanukovich in the second. The same July poll gave Mr. Yanukovich a 9% lead over Ms. Tymoshenko in the second round (33% against 24%), versus only 4% over Mr. Yatseniuk (32% against 28%).

If these trends persist, it is conceivable that anti-Yanukovich elements hesitating between Ms. Tymoshenko and Mr. Yatseniuk could make a strategic choice for the latter. This would seriously sap Ms. Tymoshenko's support in the first round and may even be enough to put Mr. Yatseniuk over the top.

However, these numbers miss one very important point: that Ms. Tymoshenko is the only candidate currently in office, a fact that almost necessarily depresses her numbers. Despite having been constantly scrutinized as Prime Minister since 2007 she has managed to remain moderately popular. Given the gravity of the current recession, this is a testament to her political skill – especially when compared to the fate of President Yushchenko, support for whom has been almost completely wiped out. Therefore it is not unlikely that once the official campaign begins, increased public scrutiny of Messrs. Yanukovich and Yatseniuk will lead to reduced support for them and a stronger hand for Ms. Tymoshenko.

Still, such numbers are only half the story. The other half is made up of the political alliances that will be made, or broken, between the first and second rounds. No matter the identity of the two runoff candidates, the third will be the object of intense pressure to choose sides and tilt the balance. That decision will be a function of the quality of the carrots held out (e.g. the premiership) and the chances of the candidate offering them. While the animosity that characterized the Yushchenko-Tymoshenko relationship may affect the Yatseniuk-Tymoshenko relationship, the ideas of these two candidates may bring them into an alliance against Mr. Yanukovich.

Thus while Mr. Yanukovich can unambiguously be described as the current frontrunner, with the election four months away any prognosis is at best tentative.

The 2010 Election: Outlooks and Outcomes

The election is a test for the pro-Western orientation born of the Orange Revolution. Russia, the United States, and the European Union (EU) will therefore be following developments closely. Mr. Yanukovich habitually enjoys the support of Russia, but Moscow has learned from 2004 and is not putting all its eggs in one basket. Indeed, citing President Yushchenko's "anti-Russian" stance, President Dmitry Medvedev and Prime Minister Vladimir Putin have clearly preferred to work with his Prime Minister and the relationship with Ms. Tymoshenko, while rocky, has remained civilized. If Ms. Tymoshenko wins the presidency, Moscow will therefore have a solid base on which to build up its relationship with Ukraine. As for the United States and the EU, they are eager to avoid the appearance of meddling in Ukraine's internal affairs, and in the absence of a clearly Western-oriented candidate they have maintained a decidedly low profile. While this is understandable, it is essential that they not repeat mistakes made in dealing with Belarus and Moldova and that they clearly assert that anything short of a free and fair election would be unacceptable.

While the political discourses of Mr. Yanukovich, Ms. Tymoshenko and Mr. Yatseniuk can differ widely, none of them has issued a clear reform programme and it is difficult to tell how – and even whether – each intends to push through structural reforms. All three are linked to powerful actors with vested interests in the current system, and in the absence of a sound political framework (one with clear rules and independent institutions) reforms will be both difficult to implement and difficult to monitor.

However, while the policy differences between the strongest presidential contenders remain vague, the three diverge significantly when it comes to the impact their election would have on Ukraine's political system.

A Yanukovich Victory: Political Flux and Little Reform

If Mr. Yanukovich wins in January he will find his political options severely constrained by the parliament, where Ms. Tymoshenko currently enjoys majority support thanks to a three-party coalition.

While the vagaries of electoral politics will undoubtedly shake up such alliances, it is unlikely that a victorious Mr. Yanukovich would be able to piece together a majority coalition. That would leave him with a choice between three risky options:

- 1) accept the reality of a Tymoshenko government and risk encountering the same problems as Mr. Yushchenko;
- 2) attempt to appoint his own government and risk having his nominations shot down, thus precipitating yet another political crisis;
- 3) dissolve parliament and call for new parliamentary elections.

Option 2 is the least likely, whereas the choice between options 1 and 3 will depend to a large extent on the constellation of political forces after the election. If Mr. Yanukovich narrowly defeats Ms. Tymoshenko, he may have no choice but to keep her on as Prime Minister. Indeed, this summer's negotiations have shown that the two are willing to share power. But if his victory is convincing, he may decide to use his political momentum to call snap elections, arguing that his popular mandate demands that he have a cooperative parliament to work with.

Regardless of the configuration of political forces after the election, it is unlikely that a Yanukovich victory would lead to fundamental reforms or major progress toward democratization. Yanukovich has a record of small-g governance, not of sweeping reform, and his links to vested interests in the current system are likely to discourage any major policy or institutional overhaul.

A Tymoshenko Victory: Political Stability and a Window for Further Democratization

Politically speaking, a Tymoshenko victory would be the least destabilizing. With parliamentary elections having been held in 2007, none are necessary

until 2012. Ms. Tymoshenko could therefore count on a compliant parliament for the first two years of her term.

Still, she may choose to use a victory in the presidential election to dissolve parliament in an attempt to secure a friendly legislature for the five years of the presidential term. This could prove a safe investment of political capital, as she would be less likely to suffer defeat after a presidential victory than in the uncertain conditions of 2012. However, after the protracted political crises of 2004–2009, the Ukrainian electorate would not look favourably upon such elections of convenience. A Tymoshenko presidency would therefore likely mean no parliamentary elections until 2012.

It is not clear that a Tymoshenko presidency would bring fundamental economic and structural reform. She has been a competent Prime Minister but not a visionary one and, like Mr. Yanukovich, she is backed by political and economic players with a strong interest in preserving the current system, namely in the energy sector. She is, however, more receptive to Western viewpoints than Mr. Yanukovich, and with wide-ranging agreements with the EU currently under negotiation, the possibility of reform under a Tymoshenko presidency should not be discounted.

It is also possible that Ms. Tymoshenko will deem it in her interest to further entrench democratic practices. She has demonstrated her skill as a political strategist, and clear progress toward democratization could allow her to deflect criticism for the likely slow pace of reform.

A Yatseniuk Victory: The Great Unknown

Due to his recent emergence as an autonomous player in the political arena, Mr. Yatseniuk does not have a parliamentary power base. Still, he is the logical inheritor to President Yushchenko's "Our Ukraine," and if elected he may be able to strike a deal with Ms. Tymoshenko. This would give him time to build up his political brand — and his political machine — before seeking a parliamentary mandate of his own in 2012.

Given Mr. Yanukovich's sizeable lead in the polls and the fact that Mr. Yatseniuk and Ms. Tymoshenko are competing for the same voters, a Yatseniuk victory would almost necessarily mean that Tymoshenko had been excluded from the second round of the election. In other words, it would have to result from a Yatseniuk-Yanukovich, and not a Yatseniuk-Tymoshenko, runoff. In this scenario, despite the strength of her parliamentary delegation Tymoshenko, having finished third, would be negotiating from a position of weakness. Dependent as her coalition is on the support of "Our Ukraine," which by then would have aligned itself with Mr. Yatseniuk, a Tymoshenko government would have to include important Yatseniuk supporters. The alternative would be a snap election for which neither Ms. Tymoshenko nor Mr. Yatseniuk would be ready.

Given the parliamentary balance of power and the apparent incompatibility of Mr. Yatseniuk's and Mr. Yanukovich's political agendas, a shaky BYT-Our Ukraine coalition is therefore the most likely outcome of a Yatseniuk victory.

However, Mr. Yatseniuk remains to this day an unknown quantity, and he has yet to set out clearly his own vision for Ukraine. Besides "saving the country," as his campaign posters promise, he has not made any campaign pledges. It is unclear how or whether he would push forward key reforms of the pension system, the energy sector, and the judicial system.

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Conclusion: Risky Business

Ukraine has made progress since 2004 — it boasts the freest media and arguably the fairest electoral process in the former Soviet Union. However, the country has yet to develop a rugged democratic culture. Politics still exerts inordinate influence on policy (economic and otherwise), and the inability of the elites to share power has led to protracted instability at the top. The need for major reform has been all but ignored, and none of the current presidential candidates are likely to undertake the fundamental restructuring Ukraine needs.

President Yushchenko, the protagonist of the Orange Revolution, has been the most important casualty of the democratic progress he helped introduce, but also of the political turmoil he has played a key role in perpetuating. Today, the two main presidential candidates define themselves in opposition to him, with Mr. Yanukovich calling for an end to his "anti-Russian" policies and Ms. Tymoshenko using his ostensible incompetence as a foil to her own capable management.

The 2010 vote thus represents a test for Ukraine's fledgling democracy. A successful election would be widely considered the first authentically democratic presidential vote since independence, and it would indicate that the basic ground rules set out in 2004 had been accepted and assimilated. With major political and economic challenges ahead, Ukraine needs that kind of good news.