



BULLETIN

No. 123 (718), 23 October 2014 © PISM

Editors: Marcin Zaborowski (Editor-in-Chief) • Katarzyna Staniewska (Managing Editor)
Jarosław Ćwiek-Karpowicz • Aleksandra Gawlikowska-Fyk • Artur Gradziuk
Piotr Kościński • Sebastian Płociennik • Patrycja Sasnal • Marcin Terlikowski

Moving Forward or Back? What to Expect after the Election in Ukraine

Ievgen Vorobiov

Against the backdrop of war in the eastern regions and a deteriorating economic situation, Ukraine will hold a snap parliamentary election on 26 October 2014. The new parliament is likely to be composed of between six and eight political factions, with Petro Poroshenko's bloc holding the greatest share and thus the entitlement to form a coalition government. Poroshenko's choice of a coalition partner will indicate his priorities for domestic and foreign policies. Picking "People's Front" and Samopomich will lay foundations for a reformist, pro-European coalition, while partnering up with Sergiy Tigipko's "Strong Ukraine" may herald a return to business as usual. The European Union should not change its policy towards Ukraine, but the level of financial support should depend on the actions of the new government in Kyiv.

After the previous coalition had fallen apart in July 2014, Poroshenko used his constitutional right to call a snap election. Members of the Ukrainian parliament, Verkhovna Rada, will be elected according to a mixed electoral system. Half of the Rada, i.e. 225 MPs, will be elected on the basis of nationwide political party lists, while in single-deputy districts the "first-past-the-post" rule will be applied. Due to Russian occupation, all 12 electoral districts in Crimea will be excluded from the poll. Similarly, the continuing war with pro-Russian militants and regular Russian troops will preclude election from taking place in eight districts of Donetsk region and six in Luhansk region. Thus, 199 Ukrainian MPs will be elected in single-mandate districts.

Expected Result: Poroshenko's Bloc Wins. There are 29 parties and blocs participating in the election, but only eight of them are realistic contenders for seats in the Rada. According to polls, four parties appear certain to pass the 5% electoral threshold. These are the pro-presidential bloc (expected to win between 26% and 33%), Yulia Tymoshenko's Batkivshchyna (7% to 9%), Arseniy Yatseniuk's "People's Front" (7% to 9%), and the Radical Party (6% to 12%). Given that a quarter of voters are undecided about their vote, Civic Position/Democratic Alliance and Samopomich also stand a solid chance of being elected, although polls show they are balancing on the electoral threshold.

Among pro-Russian forces in Ukraine's post-Maidan politics, two parties have a chance of being elected. The "Strong Ukraine" party, which is headed by millionaire Tigipko, now presenting himself as a peace-maker, may get as much as 7%. The "opposition bloc," formed by the remnants of the Party of Regions and financed by Akhmetov, may pass the threshold if the turnout in the Kharkiv region and the government-controlled areas of Donbas is high enough. If both parties manage to pass the 5% threshold, their share of seats in parliament will not exceed 30 MPs, but they are likely to hold enough to help Poroshenko form a coalition. Although the share of openly pro-Russian political groups is likely to be diminished in the next parliament, they may still multiply their influence by joining the future coalition. Svoboda and the Communist Party, which are currently in parliament, are unlikely to pass the electoral threshold and form their factions in the new Rada.

Under Ukrainian law, a coalition is formed on the basis of political factions in parliament. Depending on the political composition of the Rada and Poroshenko's preferences, there are two scenarios for the future coalition in Ukraine.

A "Pro-European" Coalition. With the likely faction comprising some 150-180 seats in the Rada, Poroshenko's bloc will need MPs from at least two other factions to forge a majority of at least 226 MPs. The most likely option

would be to form a coalition with Yatseniuk's "People's Front" and the reformist "Samopomich." Such a tripartite pro-Euromaidan coalition would alleviate Poroshenko's asymmetric dependence on either of his minor coalition partners, while channelling the influence of Euromaidan leaders. The first compromise that must be addressed will be on the question of the prime minister, as Poroshenko looks set to promote the current deputy prime minister Volodymyr Hroysman. Because of this, the current party quota system in the government is likely to be retained, although with new ministers.

In terms of domestic policies, this coalition is likely to focus on three major priorities: fiscal decentralisation, demonopolisation of the economy, and anti-corruption policy. The progress in forming the Anti-Corruption Bureau, in which both the Rada and the government are stakeholders, will be one of the first benchmarks for measuring the effectiveness of this coalition. In terms of economic policies, tax reform and energy sector reform will remain at the top of the long-term agenda. That said, the most crucial short-term challenge for this coalition will be drafting and adopting the 2015 budget, which is already overdue.

Forming such a "pro-European" coalition would suggest that Poroshenko sees the election result as a popular mandate to pursue the reform agenda outlined in the Association Agreement, even at the expense of escalating confrontation with Russia. Given the hawkish stance of the "People's Front" on policy towards Russia, it will be somewhat harder for Poroshenko to keep "monopolising" the negotiation agenda, as the scope of agreements with the Kremlin will have to be first approved by more Russia-weary coalition partners. Members of this coalition will support an increase in Ukraine's defence spending for the next year, as already suggested by Poroshenko. Finally, the "non-bloc status," mentioned in Ukraine's law on foreign policy, is likely to be cast off as a signal of willingness to boost cooperation with NATO.

Coalition of "Interest Groups." If Poroshenko's bloc gains more than 200 seats in parliament at the expense of MPs elected in the single-mandate districts, he will be freer to choose another partner for the coalition. If confronted with politically unacceptable demands from the above-mentioned pro-European parties, he will be tempted to form a coalition with Tigipko's "Strong Ukraine." Such a choice would herald a rollback in the country's domestic reform and a likely return to the "geopolitical balancing" in Ukraine's foreign policy.

In such a coalition, "Strong Ukraine" would have a veto over the major economic reforms, as representatives of pro-Russian oligarchic groups and Yanukovich's former security service officials form the core of this party. The prevalence of interest groups would also be detrimental to anti-corruption policy in Ukraine. The formation of a truly independent Anti-Corruption Bureau would be hampered, as representatives of both the president and the cabinet would have a de facto majority on the appointment commission, which would enable them to appoint loyalists to the bureau. Therefore, economic policies of this coalition will be focused on retaining "closed access" to major strategic sectors (primarily energy) and subsidising major industrial producers to curtail their losses from the on-going war with Russia. Such policies would suit Russia, as they would in effect prolong dependency on gas supplies and market access. In the long term, it would further aggravate Ukraine's budgetary woes and decrease competitiveness.

Despite pro-European rhetoric, this coalition would be likely to drag its feet on implementation of the Association Agreement with the EU for fear of Russian retaliation, instead delivering on the bare minimum to obtain another tranche of IMF loans. Peace talks with the Kremlin would be a priority in foreign policy. In effect, this "Russia-friendly" coalition would be likely to serve as a conduit for legislative approval of bilateral deals forged between Poroshenko and Vladimir Putin. Being unable to bypass the constraints of Ukraine's parliamentary-presidential system, Poroshenko would need approval from parliament for any concessions, similar to a law on the special status of local authorities in the occupied Donbas areas, adopted after the September talks in Minsk. Although they would lack a stable constitutional majority, the coalition may pave the way for the ad-hoc adoption of the Kremlin's demands as simple laws, such as Ukraine's commitment to finance the occupied territories in Donbas, and to further delay implementation of the DCFTA with the EU. Under this coalition, plans to revise the current legal provisions on Ukraine's "non-bloc status" would be postponed.

Conclusions and Recommendations. The newly-elected Ukrainian parliament is likely to comprise six to eight parties, thus creating a rather fragmented political landscape. There have so far been no public commitments on the future coalition, therefore Poroshenko will have a free hand in negotiating with several factions. A choice in favour of pro-Euromaidan factions, such as "People's Front" and Samopomich, would indicate his readiness to pursue the European reform agenda at the expense of yielding some political power. A coalition with oligarchic "interest" groups, such as Tigipko's "Strong Ukraine," would spell out an attempt to return to "business as usual." This path could lead to stalling domestic reform and making risky concessions in a bid to rekindle relations with Russia.

The European Union should continue with ratification and implementation of the Association Agreement with Ukraine. If a pro-European coalition is created in Kyiv, the EU should start discussing specific priorities for increasing technical and financial support along the lines of the signed coalition agreement in Ukraine. Should an oligarchic coalition emerge, the EU should instead focus on Ukraine's implementation of the commitments within the Association Agenda.