

### Political

**Political Structure**

Presidential Republic

**President**

Viktor Yushchenko

**Prime Minister**

TBC post-election

**National Legislative Bodies**

- Verkhovna Rada (450 seats)

**Major Parties**

- Party of Regions (175 seats)
- Bloc Yulia Tymoshenko (156 seats)
- Our Ukraine-Narodna Samoobrona (72 seats)

**Last Elections**

- Presidential: December 2004
- Legislative: October 2007

**Next Elections**

- Presidential: 2009
- Legislative: 2012

**Press Freedom Survey:**

- 2007 Score: 53 (Partly Free) (0: Free; 100: Not Free)
- [freedomhouse.org](http://freedomhouse.org)

**Control of Corruption Index:**

- 2005 Score: -0.63 (-2.5: Worst; +2.5: Best)
- [worldbank.org](http://worldbank.org)

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**General Political Environment:** Popular protests in October 2004 successfully brought down the government of Leonid Kuchma by forcing the re-running of presidential elections. The original elections that pitted Kuchma successor Viktor Yanukovich against Viktor Yushchenko were fraught with electoral discrepancies. On December 26 2004, in a new election widely viewed as free and fair, the Central Election Commission declared Viktor Yushchenko the winner with 52% of the vote.

Ukraine is a country where the political system is dominated by oligarchs: individuals with both political and industrial power. Key players within the oligarchy are those that own the heavy industries in eastern Ukraine, who are allied with Yanukovich. Thus, the 2004 election changed the balance of power in the country by shifting power away from these oligarchs from eastern Ukraine. With Yushchenko, a more pro-Western leader in place, the government began to tackle corruption. Following his electoral victory President Yushchenko, who had a positive track record as a reformer from his time as central bank governor and prime minister (1999-2001), undertook significant reform in a short period of time. The pace of reform was quick and motivated by the coming into force in January 2006 of constitutional reforms inherited from President Kuchma that curbed the extensive powers of the President. Yet, Yushchenko has repeatedly used his position over the past three years to override the Constitution in the area of judicial appointments.

In September 2005, Yushchenko dismissed the entire government and replaced Prime Minister Yulia Tymoshenko with Yury Yekhanurov after major conflicts between Yushchenko and Tymoshenko. Yushchenko then was forced into signing a memorandum of understanding with Yanukovich's Party of the Regions (PoR). This was followed by the March 2006 parliamentary elections which were fiercely contested and resulted in no single party winning a majority of seats. The PoR won the most seats, taking almost 30% of the vote. Tymoshenko's eponymous party (BYuT) took second place and was followed by Yushchenko's Our Ukraine (NU) party. Post-election negotiations resulted in an agreement reached on 3 August 2006 that formed a coalition between Our Ukraine and PoR. Yanukovich was subsequently confirmed as Prime Minister.

Despite the agreement the power struggles between Yanukovich and Yushchenko continued. In early April 2007, Yushchenko issued a presidential decree to dissolve the Rada and force parliamentary elections in mid-May to ostensibly solidify his position. This was initially thwarted by Yanukovich and members of the Rada allied with the PoR with the Prime Minister refusing to pass the legislation required to finance an election. On 4 May, Yanukovich and Yushchenko agreed that early elections would be held. Elections were held on 30 September 2007 resulting in the PoR being returned with the largest number of seats (175). However, an agreement between NU and the Bloc Yulia Tymoshenko (BYuT) to form a renewed coalition with their combined 228 seats has brought the Orange Coalition back to power with the likely support of the 20 seats of the Lytvyn Bloc. BYuT is the dominant party in the coalition and Tymoshenko will return as PM with Yushchenko's somewhat reluctant support. It remains to be seen what the longevity of this coalition will be given the still thorny relations between Tymoshenko and Yushchenko and their two parties. It widely anticipated that both leaders will be competing for the Presidency in 2009.

**Investment Environment:** The government has stated its commitment to attracting foreign investment to Ukraine. Most sectors are fully open to FDI, however some restrictions remain in a couple of key sectors including banking and telecoms. There is widespread corruption at all levels of the system, aided and abetted by an unwieldy Soviet-era bureaucracy where vested interests can stifle investment. Some of this is likely to be rooted out by Yushchenko's government, but entrenched, institutionalized corruption will be more difficult to combat. The risk of FDI being challenged by oligarchic interests and their political allies is a continuing and serious challenge. Yet given the focus of the government and the political parties on governance issues and achieving greater stability there has been little attention directed towards regulating investors meaning that the investment environment continues to function with little by way of encumbrances.

**Political Violence:** Other than the street protests of the Orange Revolution, Ukraine is not known for political violence.

**Political Outlook**

Since 2004 there has been a renewed interest in democratic and economic reform, transparency and a desire to unify the country, despite the ongoing political challenges facing Ukraine. The advent of a renewed Orange coalition government is unlikely to result in much of a change to the status quo of troubled and unstable coalition politics. Constitutional reform will ultimately be required to clarify the roles of the President and Rada and achieve greater stability. The focus is now squarely on the 2009 Presidential Election and the now all-too familiar Yushchenko-Yanukovich-Tymoshenko power struggle.