



## Coalition Talks Nearing End

The Bloc of Yulia Tymoshenko (BYuT) is finalising negotiations for the formation of a coalition government with the pro-presidential Our Ukraine - People's Self Defence (OU-PSD) bloc. President Viktor Yushchenko declared that he was happy with the progress of the negotiations as political compromises had been reached. According to the Leader of the Opposition, Yulia



▲ Yulia Tymoshenko and Yuriy Lutsenko, the leader of OU-PSD, express their willingness to form a coalition government. Last week BYuT complied with the President Yushchenko's wish to offer some government posts to the opposition.

being the head of the Accounting Chamber, which acts as a watchdog on the government's finances.

Also available are opportunities to nominate at least one representative to supervisory councils of the National Bank of Ukraine, major state-owned companies and banks.

Whilst the concessions stop a long way short of a "grand coalition," they nevertheless represent a generous gesture by the president to his political foes.

President Yushchenko explains the development as necessary to bring unity to the nation. Yet not everyone agrees with him. Many political commentators see it as a move to curb the power of Yulia Tymoshenko, who is set to return as prime minister and could run for the presidency in 2009.

Tymoshenko, both blocs should be ready to make an announcement not long after the official election results are posted this week.

The major compromise requested by President Yushchenko was to offer a number of government positions to the Party of Regions.

### Major Concessions

Under an agreement hammered out last week, the opposition will be granted a number of government posts including deputy prime minister responsible for liaison with the Verkhovna Rada. This sole cabinet position is described as an observation and reporting role, providing the opposition with "eyes and ears" at the heart of the government

Also, the opposition will be able to nominate deputy ministers (currently each minister can nominate up to five deputy ministers) and will be offered top positions on a number of parliamentary committees, the most notable



▲ President Viktor Yushchenko says that he is happy with the progress on the coalition talks.



“Why the president thinks this will unite the country escapes me,” said one Western businessman based in Ukraine, “the move seems to ignore the inroads by BYuT in the east and south of the country. Tymoshenko has had to swallow deep and has demonstrated that she is both willing to compromise and be pragmatic.”

**“The plan is for the roles not to be ad-hoc positions for the life of this parliament, but entitlements enshrined in law and offered to future opposition forces.”**

Ms Tymoshenko looked to the positive, saying that emerging from the negotiations is a stronger law on the opposition. “The plan is for the roles not to be ad-hoc positions for the life of this parliament, but entitlements enshrined in law and offered to future opposition forces. It means that we will be the first authority not to hide anything from the opposition.”

Together BYuT and OU-PSD will control 228 seats in the 450-seat Verkhovna Rada, while the Party of Regions will control 175 seats, with the Communist Party holding 27 seats.

### The Question of Lytvyn

The remaining big question is which camp will the Lytvyn bloc align with? This centrist group, led by former Parliamentary Speaker Volodymyr Lytvyn, has 20 seats. To-date it has expressed its preference to join the Orange camp, but this is by no means certain. Some analysts think the bloc may stay non-aligned so as not to restrict Mr Lytvyn from running for the presidency in 2009. Meanwhile both camps continue to court the bloc as its support could prove decisive in parliamentary votes given the slender majority of the Orange forces.

“Now, the ball is with Lytvyn. All questions should be forwarded to him,” said Yuriy Lutsenko, the leader of OU-PSD, who refuses to countenance a coalition with the Party of Regions.

Ms Tymoshenko remains upbeat despite reports that the Party of Regions will refuse to accept the election results and will allege that BYuT bought votes.

“Such an allegation is ridiculous and indicates their level of desperation,” said Ms Tymoshenko. Then addressing the progress on the negotiations she said, “There should be no obstacles ahead, compromises have been made, the time is ripe to form a government and get down to the serious job of delivering the reforms this country needs and honouring the election pledges we made.”

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## Taking the Politics Out of Gas

Ukraine has agreed to pay its final demand gas bill from Gazprom much to the relief of many Western European states that feared supplies could once more be disrupted if Gazprom was to shut-off gas supplies to Ukraine. But according to the Russian Prime Minister, Viktor Zubkov, the final bill of more than \$2 billion — far higher than the \$1.3 billion demanded a week ago — will be paid in full by 1 November.

Whilst Gazprom is entitled to payment, the manner in which it is being paid is worrying and only serves to underline the urgent need to eliminate the shady deals that have blighted Ukraine's energy sector for too long.

The deal proposed by the Ukrainian Fuels Minister, Yuriy Boyko, will see \$1.2 billion worth of gas transferred from Ukraine's vast underground storage facilities. The remaining \$929 million



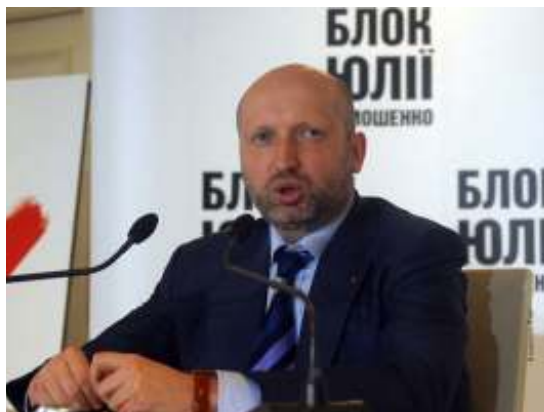
will be paid by companies that supply gas on the Ukrainian market.

## Government to Pay Private Debt

What has raised eyebrows is the speed at which the Ukrainian government has moved to cover what is essentially a private debt.

"The government recognised a debt that belongs not to the state but to companies," said Volodymyr Omelchenko, an energy analyst with the Kyiv-based Razumkov Centre, "this is the biggest shortcoming of these agreements, it is a stain on Ukraine's reputation."

In an interview with Pravda, Margarita M Balmaceda of the School of Diplomacy and International Relations, Seton Hall University, and Harvard Ukrainian Research Institute, Harvard University, picked up on this issue: "It is very clear to me as well to Ukrainian energy experts that this is not Ukraine's state debt, but RosUkrEnergO's private debt, so it is very worrying that the Ukrainian government has decided to treat it, basically, as state debt. Moreover, the sudden increase in the debt from \$1.3 billion to \$2 billion tells me some non-transparent business may be going on." She went on to say that this was why the Bloc of Yulia Tymoshenko (BYuT) ordered an investigation.



▲ Taking a tough stance on cleaning-up the energy sector. According to BYuT's Oleksandr Turchynov shadowy intermediaries have gained complete control of the energy market.

At the heart of the issue is RosUkrEnergO, the troubled Swiss intermediary company that is half-owned by Gazprom and half-owned by two Ukrainian businessmen: Dimity Firtash (45 percent) and Ivan Fursin (5 percent).

BYuT Deputy Chairman and a former head of the SBU, Oleksandr Turchynov, has called for the National Security and Defence Council to meet to find out precisely how the debt came about. He pointed out that Viktor Yanukovych's administration had ruined Ukraine's energy policy by allowing shady practices to proliferate.

"It was during Yanukovych's reign that shadowy intermediaries obtained complete control over the energy market while opponents of Ukraine obtained additional arguments for lobbying the construction of additional pipelines bypassing Ukraine," said Mr Turchynov.

## Stepping out of the Shadows

Yulia Tymoshenko has long argued that "the gas sector should be taken out of the shadows and cease to be a political football." She has called for contracts to be put in place between states and an end to intermediary companies like RosUkrEnergO.

The consistency of her policy was noted by Ms Balmaceda: "If a Tymoshenko government comes to power, it is very likely that the January 2006 gas agreements with Russia, involving the intermediary company RosUkrEnergO, will be repudiated. In that case, the energy relationship with Russia, intermediaries and Central Asian producing states will need to be renegotiated. This could touch important economic and political interests on both sides of the border."



Meanwhile, BYuT is sympathetic to Gazprom which has been stuck “between a rock and a hard place” regarding the timing of its payment demand. To call for payment before the election would have resulted in accusations that Russia was attempting to influence the election’s outcome. A request following the formation of the new government similarly would be viewed as a move to undermine it.

Russian Minister of Foreign Affairs, Sergey Lavrov appealed not to politicise the situation. “There are no political grounds in the situation when money had to be paid, but was not paid,” said Mr. Lavrov.

“This should not be a political situation,” agreed Mr Turchynov, “for Ukraine it is a matter for legal investigation. We must establish why the debt was not paid, where the money resides and who has profited from it.”

“As far as Gazprom is concerned, there is no reason why we cannot turn a new-leaf with Russia and work together in cleaning up the energy industry to our mutual benefit,” added Hryhoriy Nemyria, BYuT deputy chairman and Ms Tymoshenko’s foreign affairs adviser.



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## Myth of the Grand Coalition

Listening to the rhetoric of Viktor Yanukovich you could be misled into believing his party won the parliamentary election and therefore has a right to claim a place at the government table.

While it is true that his party polled more votes than any other single bloc — 34.37 percent compared to BYuT’s 30.71 percent and OU-PSD’s 14.15 percent — it still fell a significant 10 percent short of the combined Orange total. In other words he was soundly beaten into second place by the pro-democracy forces.

Indeed, if Ukraine operated a “first past the post system,” as in the UK, BYuT would be the outright winner as it came first in 15 out of Ukraine’s 25 regions and in the city of Kyiv. Furthermore, BYuT was voted in first place by Ukrainian voters casting their votes abroad.

So what about the argument that the Party of Regions should be in government because they represent a significant proportion of the population, particularly those in the east? Well, BYuT’s 40 percent increase in its share of vote over 2006 was largely attributable to voters in the east and south. The fact is, there is only one political force in Ukraine with nationwide appeal and that is BYuT.

Just because you command a reasonable portion of the vote does not entitle you to a seat in government. If it did, why hasn’t America a coalition government? The Democrat majority in the Senate is only 1 percent and the nation is divided politically on geographical lines. Applying the same twisted logic, the pro-presidential parties in France, which received 45 percent of the vote, should unite into one coalition with the Socialists, which received 35 percent, thereby “uniting” the country.

The fact is this argument does not hold water. It goes against many of the principles of democracy and is being applied by those who are either unaware of the facts or seek to manipulate opinion to meet their political ends. Ukraine is not unique, few countries are. Don’t be fooled.



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# Tymoshenko Opens Special Headquarters for Gas Explosion Victims

Opposition leader Yulia Tymoshenko opened a special headquarters to render help to victims of the gas explosion at the apartment block in the Ukrainian city of Dnipropetrovsk.

According to the emergency situations ministry, at least 14 people including two children are confirmed dead following the household gas explosion on Saturday. Another 17 people including three children were hospitalised with eight people still unaccounted for.

BYUT's special headquarters will render free medical help to victims, help people to find new apartments, value the price of damaged property and assist people to obtain compensation.

"Today our team talked to various charity funds and from this morning we will pay 2,000 hryvnas (\$400, 303 euro) to each victim," said Ms Tymoshenko on Sunday, after visiting the site to meet the victims and their families.

"We have 11 teams which will put in new windows to replace broken ones. But I wonder why the people in power are not doing this?"

Ms Tymoshenko called the government to provide full compensation for the damaged apartments.

Emergency Minister Nestor Shufrych said on Sunday that they are giving 500 hryvnas (\$100, 76 euro) to each victim.

The Saturday blast destroyed much of the 10-storey building in the industrial city of Dnipropetrovsk, about 600 kilometres from the capital, Kyiv, ripping off parts of the roof and blowing out dozens of windows. The blast at 10:20 am local time was so powerful that its shock wave severely damaged several other multi-storey apartment buildings and smaller houses.

A team of around 100 rescue workers with sniffer dogs searched for survivors after emergency services evacuated residents from the remaining part of the block.

The local gas company DnipropetrovskGorGaz said a sharp increase in gas pressure in the city system may have helped to cause the blast, Interfax reported.

According to Ukrainian news agencies, several people said they had smelled gas before the blast. Local prosecutors have already launched a probe into the accident.

Ms Tymoshenko noted that the explosion has occurred at a time when the government has lost control over much of the nation's gas and electricity system, as many companies which provide gas and electricity to residential buildings have been privatised.

"Today nobody knows when and what can explode, where technical mistakes were made. It a huge problem for the state," said Ms Tymoshenko.

"It appears that people were calling since Friday to inform about gas smells at their apartments but nobody came to help."

Natural gas explosions resulting from leaks in poorly maintained infrastructure or problems with canisters are common in the former Soviet Union.