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## ANALYSES

## Pro-government majority reconstituted in the Ukrainian parliament

On 9 December, the parliament of Ukraine appointed Volodymyr Lytvyn as its new speaker. Subsequently, Lytvyn officially announced the creation of a coalition composed of the Yulia Tymoshenko Bloc, Our Ukraine/People's Self-Defence and the Lytvyn Bloc. This means that early elections are no longer necessary. The parliament has regained its capacity to act, Yulia Tymoshenko has gained a certainty that she will keep the prime minister's post, perhaps even until the presidential election planned in early 2010, and President Viktor Yushchenko, who consistently opposed this coalition, has suffered another defeat, irrespective of whether or not the new coalition will prove effective and durable.

### An unexpected turn

Back on 8 December, it was generally expected in Kyiv that coalition talks would be finalised between the Yulia Tymoshenko Bloc (BYuT) and the Party of Regions. However, the participants did not manage to reach agreement concerning the division of departments in the new government. The fact that the two groups' leaders are both frontrunners in the presidential elections, due to take place in just one year, meant that reaching an agreement would be even more difficult.

The resumption of coalition talks between BYuT, Our Ukraine and the Lytvyn Bloc was a surprising development. Even more surprising was the speed of these talks; this proved that Yulia Tymoshenko, who had been present all day at the parliament, decided to take advantage of the situation in order to create a *fait accompli*: on that day, both the President and the Party of Regions leader Viktor Yanukovich were absent from Kyiv (the former was on a working visit to Lithuania, and the latter was attending Patriarch Alexei II's funeral ceremonies in Moscow), while the head of the President's Secretariat Viktor Baloha was on unexpected leave. The president's objections against a coalition with Yulia Tymoshenko were a known fact, and in addition, one of the MPs of Our Ukraine/People's Self-Defence recalled them in the afternoon of 9 December.

In the evening of that same day, the parliament finally elected a new speaker by 247 votes. Lytvyn's candidacy was backed by deputies of BYuT, the Lytvyn Bloc, Our Ukraine and the Communist Party of Ukraine. However, of the 72 Our Ukraine deputies, only 40 voted for Lytvyn, and it was the Communists' votes that were decisive for his appointment. The newly-elected speaker announced the formation of a new coalition grouping BYuT, Our Ukraine/People's Self-Defence and the Lytvyn Bloc, which has a total of 248 seats. Under the parliamentary rules, the statement had the force of law, and the coalition was established the moment it was made.

The coalition negotiations were conducted in great haste and ended with the signature of a declaration, instead of a proper coalition agreement. Some politicians therefore believe that the coalition has not been duly formed. Work on the coalition agreement may be difficult; it is also unclear whether the new coalition will be effective, given the apparent divisions within the Our Ukraine/People's Self-Defence Club. However, even if the coalition breaks up soon, the one-month period to form a new one will start again; any other interpretation would be glaringly inconsistent with the law.

## Winners and losers

With the election of a new speaker and the creation of a new coalition the parliament regains its ability to act (as only the speaker is empowered to sign the parliament's resolutions), and new opportunities have emerged for the government to function. However, it does not signify the end of the political crisis, which will continue at least until the presidential election. It is, nevertheless, an unquestionable victory for Yulia Tymoshenko. She has held on to the post of prime minister without having to give up control of economic policy (which the Party of Regions had demanded) and strengthened her influence on Our Ukraine's deputies, thus sealing the president's defeat. It also seems that by obtaining support from the Communists in the key vote, she considerably reinforced her control over this group (Tymoshenko's influence on the Communist Party of Ukraine stems partly from corruption, and partly from the fact that in the current parliament, her populist group is the closest to that of the Communists in terms of their political programmes).

The current solution also makes it more probable that Yulia Tymoshenko will still be prime minister when running for president. Giving away several ministerial posts to people from the Lytvyn Bloc will not undermine her position, and since Lytvyn himself has no presidential ambitions, he will not pose any threat to her as the leader of the parliament (in contrast to Yanukovich).

President Yushchenko, whose main objective had been to remove Tymoshenko from power, has lost the battle. He has no legal instruments left to influence the new coalition, and the only thing he can still do is to try to undermine it through behind-the-scenes activities. Initial reactions suggest that he will not fight the coalition, at least for the moment. The factors that have contributed to the president's failure include his inability to build political backing, his increasingly apparent weakness and inconsistency of action, and finally his failed attempt to regain control of Our Ukraine by becoming its leader. The fact that a majority of the head of state's parliamentary party openly opposes his policy means that – a year before the next election – Yushchenko is left without any political supporters, which, combined with his very low popularity (around 3%) signifies that he has no chances of being re-elected.

The Party of Regions is also among the losers. It did not manage to reclaim power and gain any influence on the distribution of the international financial aid to be provided in connection with the economic crisis, something which affects the interests of the entrepreneurs associated with this party particularly severely. It should therefore be expected that the Party of Regions club will try to remove the Communists from the influence of Yulia Tymoshenko

and corrupt Our Ukraine deputies in order to prevent any acts that would be detrimental to those entrepreneurs from being passed. At this stage, it is impossible to assess how effective these measures will be.

With a pro-government majority reconstituted in the parliament, it will possible to counteract the deep economic crisis affecting Ukraine more energetically than hitherto. However, it should not be assumed that the Our Ukraine/ People's Self-Defence grouping will unanimously support every proposal tabled by the government, and therefore it will be necessary to create ad hoc majorities with the Communists and, in some cases the Party of Regions also. In this new situation, the latter may be willing to support some of the anti-crisis solutions. Its support will be essential in overriding the presidential veto, the last instrument remaining at the disposal of President Yushchenko.

*Tadeusz A. Olszański*

## Georgia: is Saakashvili's team starting to erode?

Between 5 and 8 December, Georgian politics witnessed several unexpected changes in the composition of the council of ministers and a number of other reshuffles and dismissals within the ruling team. These major reshuffles seem to be President Mikheil Saakashvili's attempt to strengthen his position in the state, in connection with the fact that several of his former close aides have recently moved over to open opposition. If this decomposition of the ruling team continues, a new force may emerge in Georgia's political scene in the coming months, which may be capable of challenging Saakashvili's power, and forcing the country's leadership to hold early elections.

### The reshuffles

On 5 December, Prime Minister Grigol Mgaloblishvili (who has held this position since 1 November) informed the public about changes made to the government's composition in consultation with President Mikheil Saakashvili. The ministers for foreign affairs, defence and education were dismissed. On the same day, the president also dismissed the secretary of the Georgian Security Council. The second round of changes in the government occurred on 8 December; the vacant posts of the culture and defence ministers were filled, and the minister for the economy was replaced.

The cabinet reshuffle was unexpected, especially since only a month ago, the new PM's cabinet won the parliament's vote of confidence. The prime minister's explanations, that the changes had been necessitated by the need to speed up Georgia's economic reconstruction, sound unconvincing. The reshuffle should rather be seen as an element in the president's personal manoeuvring, and as an attempt to conceal the splits in the ruling team.

### Is the ruling group starting to erode?

Georgia's political scene has recently seen several new political initiatives launched or supported by persons originating from the group which has ruled Georgia for the last five years, and who now openly oppose president Mikheil Saakashvili.

On 23 November, the anniversary of the 'Rose Revolution', a new opposition political party, the Democratic Movement/United Georgia created by the former parliament speaker Nino Burjanadze, held its founding congress.

On 3 December, the former prime minister Zurab Nogaideli announced the formation of a new party, the Movement for a Fair Georgia. Burjanadze and Nogaideli, who were both close aides of Saakashvili, have announced that their objective would be early parliamentary and presidential elections.

On 8 December, a new opposition alliance was formed by the Republican Party and the New Right, which have both been in opposition for years. Their leaders have indirectly confirmed the correctness of media speculation, according to which talks are underway with Irakli Alasania; he has been invited to become the new bloc's front man (Alasania was Georgia's ambassador to the UN until 4 December, when he resigned at his own request; he is very popular in Georgia and highly esteemed abroad).

## The essence of the current political struggle in Georgia

Georgia's political life in recent years has been characterised by the absence of any serious policy debate. The government team and most opposition groups agree as to the assumptions of the economic and foreign policy (NATO membership, relations with Russia, etc.). The opposition lacks human, organisational and financial resources and does not have the same access to the media as the leadership; the ruling group so far has been, and remains, the only group possessed of the tools necessary for serious political activity. This situation has been very specifically influenced by Georgia's lost war with Russia. Some members of the ruling group believe the president's team – in other words, Saakashvili personally – to be jointly responsible for the outbreak of the war, its development and consequences. This sense of insecurity is pushing Saakashvili to seek the support of people unconditionally loyal to him, which makes both the country's political leaders and the general public even more uncertain and tired of the president. Some of Saakashvili's colleagues are therefore drifting towards openly anti-presidential positions. If this process does not stop, it will be they, and not the old opposition parties, that will pose a real threat to Saakashvili.

The social and economic problems which are very likely to occur this winter (including the state's difficulties in guaranteeing gas and electricity supplies), combined with possible further decomposition of the ruling team and the moves of more presidential aides to the opposition, may, in the medium term, exceed the critical mass needed to force the president to announce early elections.

*Wojciech Bartuzi, Krzysztof Strachota*

## EVENTS

**Russia: Another anti-crisis package  
to support the citizenry**

**On 5 December, the Russian government approved another set of anti-crisis measures. This time, state aid is being addressed mainly to the general public, who have been increasingly affected by the negative consequences of the economic crisis. However, the main objective behind the package approved by the government is to convince the public that the authorities are endeavouring to protect the people from the adverse impact of the crisis, and to boost social support for the government's activities.**

The economic crisis is increasingly consuming the financial resources of the Russians (decreasing wages and employment rates). Consequently, many people are experiencing difficulties meeting their financial obligations. In order to combat the negative consequences of the crisis, the government has decided to allocate another portion of state aid, amounting to more than US\$7 billion, for restructuring unpaid mortgage loans (by means such as buying out the loans and moratoriums on repayment). The authorities have also pledged to allocate around US\$1.8 billion to support the labour market in Russia (for example, through aid for job migrants, people seeking to acquire new qualifications, business start-ups). The government has also announced that it would review the tariff increases planned in 2009 by the natural resource monopolies (including gas suppliers and municipal & housing services). It is difficult to assess how effective the aid offered by the state to the citizens will be. It is already clear that meeting the criteria to suspend mortgage loan repayments will be very difficult (obtaining the necessary documents will be a problem). In this situation, the limitation of tariff increases mentioned above may be the only form of aid that the people will really notice.<iwo>

**Russia: PM Putin's 'anti-crisis' teleconference**

**On 4 December, Prime Minister Vladimir Putin's teleconference took place, during which he answered selected questions posed by inhabitants of several dozen Russian regions. Most of the questions concerned the economic crisis. The objective of this media exercise was, on the one hand, to appease public sentiments, and on the other to strengthen Putin's position as the unquestionable political leader.**

Having repeatedly stated in recent months that the 'Wall Street-provoked' crisis poses no threat to Russia, Vladimir Putin admitted for the first time that Russia should brace itself for a difficult period. However, he then assured the public that the state reserves would suffice to survive the crisis, and that the authorities would meet all of their welfare obligations, allocate financial aid to different sectors of the economy, and prevent any major depreciation of the rouble. The conference also included some personal questions intended to bring warmth to his image.

Putin's carefully directed dialogue with the public, in which he was represented as an influential and caring politician, became a tradition during Putin's presidency, and provided regular boosts to his popularity. On leaving the Kremlin, Putin did not hand over this important propaganda tool to his successor; moreover, in his dialogue with the public, he continued behaving as if he were still the undisputed leader of the state. On the other hand, immediately after the teleconference, Putin told journalists that the authorities were not planning an early presidential election, and that the ballot would take place as planned, in 2012. Putin said he did not rule out running for president at that time. <JR>

### **Ukraine: The National Bank of Ukraine destabilises the currency market**

**On December, the National Bank of Ukraine set the official exchange rate of the hryvnia at nearly 7.40 to the American dollar, thus acknowledging the dynamic depreciation of the hryvnia by 59% over three months. The weakening of the hryvnia has been caused by pressure brought by growing demand on the currency market; this should be blamed on the central bank, whose successive decisions have instilled a sense of unpredictability in the market.**

The main problem concerning the NBU's activities, the objective of which has been to stabilise the exchange rate of the Ukrainian currency, is the inconsistency and unpredictability of the measures taken. The NBU imposed administrative restrictions on particular segments of the market, and then lifted them fairly quickly. It announced interventions in the market that never took place. It set a desired exchange rate, but then took no measures to protect it. At the same time, it granted refinancing loans to selected banks in order to improve liquidity in the banking system, and the loans were then converted into currency, thus creating additional demand in the currency market.

The NBU's unpredictable policy has reinforced the negative market trends stemming from the imbalance of the current payments account; in October, the deficit in this account was covered from the NBU's currency reserves for the first time.

As a result, the currency market became seriously destabilised. The only way to restore its stability is for the central bank to implement a consistent policy, especially in terms of exchange rate projections and the principles governing currency market interventions. <AnG>

### **Belarus: United Democratic Forces step up their activities**

**On 3 December, the leadership of the United Democratic Forces (UDF), the largest opposition coalition in Belarus, decided to create two new expert groups. One will be tasked with analysing the government's measures for democratisation, and the other with developing the coalition's unified position in contacts with abroad. In this way, the Belarusian democratic communities are trying to actively join the dialogue between Minsk and Brussels.**

The first UDF expert group is intended to monitor the internal situation in Belarus closely and assess the government's implementation of the European Union's postulates concerning modifications of the election laws and the criminal code, better conditions for political activity and opposition access to the media. The information is to be transferred to the European Union, the Council of Europe and the OSCE. The specially appointed Foreign Policy Council will co-ordinate the UDF's co-operation with Western partners, and develop the group's position on issues such as the EU's eastern policy. According to the coalition leaders, the main objective of these measures is to provide the EU with reliable information on the situation in Belarus which would be an alternative to the regime's official version. It seems, however, that the main impulse for these initiatives may have come from concerns on the part of the Belarusian opposition, which does not enjoy much popular support, that it might become marginalised or even excluded from the dialogue between Minsk and Brussels. <kam>

## Completion of construction work on the Iran-Armenia gas pipeline

**On 1 December, the completion of the Iran-Armenia gas pipeline was celebrated. The new route is to be put into operation within the next few weeks. The new gas pipeline will enable Armenia to diversify its sources of supplies and gas import routes, and thus enhance the country's energy security in the event of an interruption of Russian gas supplies via Georgia, which is in conflict with Russia.**

The 197-kilometre long Iran-Armenia gas pipeline has a capacity of around 2.5 billion m<sup>3</sup> of gas a year, and may fully meet Armenia's gas needs (it has been declared that in 2009, the supplies would amount to 1 billion m<sup>3</sup>). The route is controlled by ArmRosGazprom, a company in which Russia's Gazprom holds a controlling stake. Gas supplies from Iran to Armenia are to be conducted on a barter basis; Armenia will provide electricity to Iran in exchange for the gas supplied.

The launch of the new gas pipeline before the upcoming winter is of crucial importance for Armenia's energy security, because of the possible interruption or discontinuation of Russian gas supplies to Georgia, which would entail interruption of gas transit to Armenia (such a scenario has already arisen many times). The fact that Gazprom controls the new route increases Russia's capacity to influence Armenia; at the same time, this reduces the chances that the new route might be extended in the future and used as a possible transit route for Iranian gas exports to Georgia and Europe. <ola>

## CES

### The Centre for Eastern Studies

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