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SUBJECT: UKRAINE: TYMOSHENKO ELECTED AS PM; NEW GOVERNMENT TAKES OFFICE

Classified By: Polcouns Kent Logsdon for reasons 1.4(a,b,d).

1. (C) Summary: After several weeks of debate and uncertainty, the orange coalition came together and confirmed Yuliya Tymoshenko as the new prime minister of Ukraine on December 18. Tymoshenko was confirmed with 226 votes, the minimum number of votes necessary in the 450-member Rada. Only MPs from Tymoshenko's BYuT and Our Ukraine-People's Self Defense (OU-PSD) participated in the vote; MPs from Regions, the Communists, and Lytvyn Bloc attended the session, but did not register or participate in any votes. Using a complicated "roll call" system for all of the votes, the Rada also dismissed Acting PM Yanukovich and his cabinet, and then elected a new Cabinet of Ministers (see paragraph 9 below). Up to the moment of the PM vote, there was uncertainty within the coalition about whether or not Tymoshenko would have the votes, with former PM Yekhanurov telling the press before the vote that he would not support Tymoshenko unless the full government slate was agreed and OU-PSD deputy Spodarenko unable to leave his hospital bed.

2. (C) Comment: The nail-biter successful vote for Tymoshenko ended the speculation that President Yushchenko did not want to see Tymoshenko regain the PM job (he fired her from the position in September 2005 after just eight months on the job), but it remains unclear how stable the new coalition will be. Tymoshenko is expected to hold her first cabinet meeting on December 19; the Rada will return to the important work of electing two deputy speakers (at least one of whom is traditionally from the opposition) and distributing all-important committee chairmanships. Former PM Yanukovich, now leader of the opposition, offered a bitter farewell message that started off with positive words about a change in government, but then recalled Tymoshenko's past government in negative terms, and predicted hard times ahead for the country under her renewed leadership. We will meet with the PM and members of the new government in the coming

days to talk about key issues in the bilateral relationship; senior-level congratulatory calls to the new PM and her



government will be well-appreciated and help underscore the need to leave the politicking behind and to get back to business. End Summary and Comment.

Tymoshenko Gets the Votes - a Nail-Biter

3. (C) Just minutes before the Rada opened its December 18 session, with the vote for the prime minister first up on the agenda, much of the orange coalition was nearly in panic. Former PM Yekhanurov, the President's candidate to be the next defense minister and widely considered to be representing Yushchenko within the OU-PSD faction, announced to the press that he planned to vote against Tymoshenko's candidacy as Prime Minister unless there was a final agreement on the slate of new ministers. The composition of the cabinet has been the subject of much internal dissension within OU-PSD over the past week. The Rada opened on time, and then went immediately into recess for 30 minutes for consultations in order to ensure that the orange coalition had at least 226 MPs in their seats and ready to vote.

4. (SBU) When the Rada reconvened, Speaker Yatsenyuk laid out the agreed plan of conducting votes -- first for the PM, then for dismissing Acting PM Yanukovych and the current cabinet, and finally electing a new government. At the request of 150 faction members, the Speaker had agreed to conduct the vote by a show of hands/roll call method rather than using the electronic voting system. The Rada's counting commission, normally formed only to count the votes from the secret ballot for speaker and deputy speakers, was called

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into action to conduct the vote. Although present in the Rada chamber, MPs from the Party of Regions, the Communists, and Lytvyn Bloc chose not to register and therefore, were not able to vote or to ask questions or make comments from the floor. Tymoshenko was invited to the podium to present her candidacy; Yatsenyuk read a letter from President Yushchenko introducing her candidacy and then Tymoshenko made a few short remarks, promising a strong, unified, and reform-oriented government, which she contrasted with a Yanukovych Cabinet she termed corrupt.

5. (C) Prior to the roll call vote, Yatsenyuk asked the deputies to register -- there were 227 MPs registered in the hall, including all members of BYuT and all but one member of OU-PSD (including former NSDC secretary Plyushch who has not signed the coalition agreement), Ivan Spodarenko who is in the hospital, suffering from a heart attack and stroke. (Embassy Note. OU-PSD deputies told us that there was an effort to bring Spodarenko to the Rada since he had come to participate in the successful vote for the Speaker, but he was too ill to move. End Note.) The head of the counting

commission then read aloud the names of every BYuT and then every OU-PSD MP so that each could say "Za" (for) or "Proti" (against). After all the BYuT MPs voted "Za," tension in the hall mounted as the roll call began for OU-PSD.

6. (C) As the vote was being conducted, negotiations continued between coalition heavyweights, with Yekhanurov and Tymoshenko engaged in a heated conversation in the back of the hall. A short time later, the two held a second, considerably more relaxed conversation. Finally, Yekhanurov withdrew to the back of the chamber to take a phone call, widely-believed to have come from the President or someone in his entourage, and then returned to vote for Tymoshenko. After Yekhanurov (who was about 1/4 of the way down the alphabetical list) voted "Za," an audible sigh of relief rolled through the coalition ranks and the vote continued without incident. Plyushch, as expected, abstained, and with

the absence of Spodarenko, Tymoshenko got 226 votes, the bare minimum needed to be elected. Tymoshenko looked visibly relieved and after the counting commission announced the official result, Tymoshenko was escorted to the PM's chair in the Rada.

Yanukovych - A Bitter Farewell

7. (C) Former PM Yanukovych was then invited to the rostrum to make farewell remarks, prior to the vote for his dismissal. For the first part of his speech, he read a conciliatory note of congratulations to the new government. He then closed his notes and engaged in another 11 and a half minutes (in what should have been a five-minute speech) of vituperative attacks on Tymoshenko and the orange coalition. He said that when he came to office in August 2006, he had to deal with the consequences of instability left by the previous orange governments, and he was saddened to see he had to return power to those same, irresponsible people. According to Yanukovych, the new government augured increased political instability and a slow-down in social and economic development. He accused the 2005 Tymoshenko government of engaging in political persecution of its opponents and widescale reprivatization in favor of its allies. Yanukovych said a 226-member majority was inherently ineffective. Tymoshenko, he noted, had come back to power on the back of an array of social promises that she had no intention of keeping. Food prices will rise and Ukraine's image internationally will suffer, he warned. The orange team, Yanukovych said, was ready for bloodshed and civil war, and only Regions' agreement to hold the September pre-term Rada elections had prevented such an outcome. In closing, he said that Regions supports the President and the Rada, and will be a constructive opposition, but will stop the government from destroying the economy and hurting the working class with populist policies.

8. (C) After cheers from the Regions' benches for Yanukovych subsided, Yatsenyuk followed with more gracious comments, thanking Yanukovych and his Cabinet for all their hard work for the people of Ukraine. He also noted that this was Ukraine's first democratic, transparent transition of power. (Embassy note: By our count, this would be the second democratic parliamentary transition following the March 2006 elections. End note.) Yanukovych then left the hall. Once it was clear that the next vote would be a successful motion to dismiss Yanukovych as Prime Minister -- an act required by the controversial CabMin law, but not the Constitution, but deemed necessary by the Coordinating Council -- the entire Regions faction walked out, boycotting the rest of the day. However, members of the Lytvyn Bloc and Communist Party remained in their seats.

New Government a Mix of Old and New, Rada MPs and Outsiders

9. (U) After successful roll call votes were taken to dismiss acting PM Yanukovych and the current cabinet, Speaker Yatsenyuk invited Tymoshenko back to the podium to introduce the candidates for her cabinet. After introductions were made, a final roll call vote for the day was held, and the new cabinet was approved by 227 votes, including a "Za" vote from Plyushch announced to applause and an ovation from the coalition. The new cabinet list is as follows:

First Deputy Prime Minister - Oleksandr Turchynov (BYuT)
 Deputy Prime Minister (Humanitarian Affairs) - Ivan Vasyunyk (OU-PSD)
 Deputy Prime Minister (Euro-integration) - Hryhoriy Nemiriya (BYuT)
 Foreign Affairs - Volodymyr Ohryzko (President)

Defense - Yuriy Yekhanurov (President)
Interior - Yuriy Lutsenko (OU-PSD)
Education - Ivan Vakarchuk (OU-PSD)

Transportation - Iosip Vinskiy (BYuT)
Culture - Vasyl Vovkun (OU-PSD)
Economy - Bohdan Danylyshyn (BYuT)
Social Policy and Labor - Lyudmila Denysova (BYuT)
Health - Vasyl Knyazevych (OU-PSD)
Cabinet of Ministers - Petro Krupko (BYuT)
Regional Development and Building - Vasyl Kuybida (OU-PSD)
Communal Services - Oleksiy Kucherenko (BYuT)
Agriculture - Yuriy Melnyk (OU-PSD)
Industrial Policy - Volodymyr Novytskyi (BYuT)
Justice - Mykola Onishchuk (OU-PSD)
Family, Youth and Sports - Yuriy Pavlenko (OU-PSD)
Finance - Viktor Pynzenyk (BYuT)
Coal Industry - Viktor Poltavets (BYuT)
Fuel and Energy - Yuriy Prodan (BYuT)
Environment - Hryhoriy Filipchuk (OU-PSD)
Emergency Situations - Volodymyr Shandra (OU-PSD)

10. (C) There is still an empty slot for a third deputy prime minister, who will be responsible for regional policy. It was intended for Vinskiy (BYuT), but he was moved to Transportation, with rumors circulating that OU-PSD MP Matviyenko is lobbying heavily for the position. Per the coalition agreement, BYuT and OU-PSD agreed to split the cabinet positions 50/50, with OU-PSD concentrating on national security, foreign affairs, and social policies (not coincidentally the President's priorities) and BYuT ending up with the bulk of economic-related ministries. The battle over the cabinet that has raged within OU-PSD for the past week nearly scuttled the entire PM vote as faction members expressed dissatisfaction with several of the choices reportedly made by President Yushchenko. Most discussed were the President's candidates to be the Education, Justice, and Agriculture Ministers, as well as the President's decision to summarily fire long-time loyalist Anatoliy Hrytsenko as Defense Minister and replace him with former Prime Minister Yekhanurov, who up until now has shown no particular interest in military affairs. Many OU-PSD MPs expressed to us dissatisfaction that MPs who originally opposed Tymoshenko as PM -- Yekhanurov and Onishchuk -- should be rewarded with Cabinet positions. Moreover, Presidential Secretariat Chief Baloha had tried to install an old friend Vasyl Kremen as Education Minister, despite Kremen's blatant abuse of office as Minister of Education in 2004 campaigning for Yanukovych for President.

11. (C) Comment. The new Cabinet is a mix of seasoned politicians and technocratic experts. Nearly half are from western Ukraine, although Donetsk, Luhansk, Dnipropetrovsk and Crimea are all represented. Tymoshenko has key allies in the government -- Turchynov, Vinskiy, and Pynzenyk ; so does Yushchenko -- Yekhanurov, Pavlenko, Lutsenko, and Shandra. According to the short bios Tymoshenko read for each nominee, a number of ministers, including Education, Coal, Social Policy, and Health, are experts in their fields; however, some in the Rada expressed concern to us that these experts had little government experience. Most coalition MPs view Yekhanurov as a bad fit for the Defense Ministry and believe he is there to serve as a thorn in Tymoshenko's side. Melnyk will also remain a controversial figure; although previously a member of OU-PSD constituent party Ukrainian People's Party, his willingness to stay in the Yanukovych government under the Communist quota and his corrupt ties to the poultry industry make him very unpopular within the orange coalition and suggest he was placed there by the Presidential Secretariat. (Bio notes and additional details on the new

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ministers will follow septel.)

12. (U) Visit Embassy Kyiv's classified website:
www.state.sgov.gov/p/eur/kiev.
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