

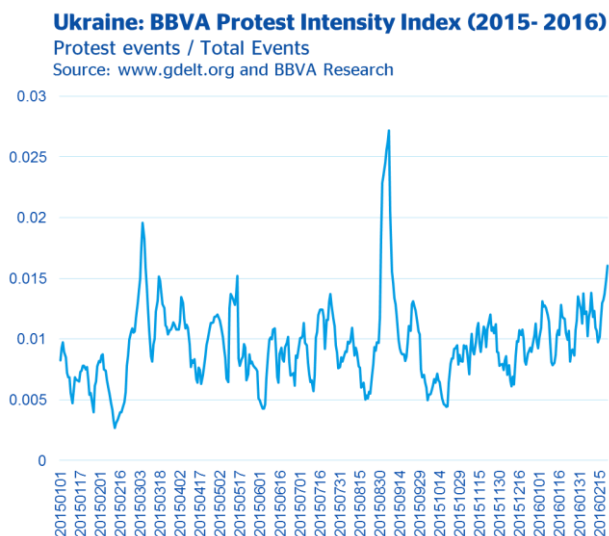
Global Hot Topics

Ukraine: on the brink of a new political crisis

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Social unrest in Ukraine is mounting given the latest political crisis. President Poroshenko called for Prime Minister Yatsenyuk's resignation in response to the increasing domestic and Western pressures to advance in the anti-corruption reform, prompting the disintegration of the governing pro-Western coalition, which lost its parliamentary majority at a moment of severe popular distrust of the President. This existential crisis, which coincides with the 2^o anniversary of the collapse of Russia's regime, introduces important risks and uncertainties with dangerous spillover effects such as a risky escalation of social unrest and the Russian conflict, as well as the refusal of the IMF to keep assistance if no significant advance in reforms is observed.

The collapse of the governing pro-Western coalition...



Ukrainian President Petro Poroshenko's party triggered the disintegration of the governing pro-Western four-party coalition by launching a failed vote of no confidence against Ukrainian Prime Minister Arseniy Yatsenyuk last 16 February. Poroshenko called for **Yatsenyuk's resignation** on the day of the vote after junior coalition parties (the "Fatherland" party and the Western Ukraine-based "Self Help" party) announced their unwillingness to work with him, arguing his inaction to advance with the economic and anti-corruption reforms. **The withdrawal of the two junior parties removes the "European Ukraine" coalition of its majority in parliament**, putting it off its initial constitutional supermajority and plunging the country into a new political crisis.

The failed no-confidence motion followed the **resignation of Economy Minister Abromavicius** on 3 February, who blamed corruption in the central government, singling out Poroshenko allies for his departure. After that, on 15 February it took place the **resignation of reformist Deputy**

Prosecutor General Vitaly Kasko, who accused the Prosecutor General Viktor Shokin of blocking judicial reforms. On the day of the failed no-confidence vote, **Poroshenko also called for the resignation of Shokin**, trying to satisfy the mounting pressures he's facing and to recover political stability in the country.

...has important and worrisome potential implications

Recent developments about the political crisis have significant risks and spillover effects:

- **Still a large room for recovering credibility:** Neither the no-confidence motion nor the dismissal of Shokin from the judiciary resolved the underlying driver of the political crisis. It was a prerequisite needed to prevent further deepening political crisis from devolving into a new wave of social unrest, but risks remain.
- **Escalation of social unrest:** this latest political crisis led to a worrisome increase of instability. Public polls reflect the growing unhappiness among population about the pace of reforms and several demonstrations for Prime Minister Yatsenyuk's resignation and against the government are putting it on evidence.
- **Doubts about IMF financial aid:** The collapse of the coalition questions the government's commitment to enacting reforms in a moment when the next tranche of the IMF's aid would be released. Ukraine must ensure the continued stagnation of reforms to maintain financial support from the IMF, which signaled a possible delay of the \$1.7bn next assistance package until the future of the cabinet became clear.
- **Russian-Ukrainian conflict:** Ukraine's political crisis coincides with the escalating offensive operations by Russian-backed separatist forces along the frontline. The worsening of economic and political instability in Ukraine could be used by Russia as a new pretext to refuse passing on the border's control to the government.
- **Early elections not likely, but could not be ruled out:** Former Prime Minister Tymoshenko has called for early elections recently and may fuel the crisis to reassert herself with the pro-Russian "Opposition Bloc" in the vacuum created by popular dissatisfaction with Poroshenko and Yatsenyuk. Nevertheless, all other party leaders have dismissed snap elections and they seem not likely given their potential to trigger further instability.

Summing up

A protracted political struggle and population's hardening distrust of Ukraine's political leaders, together with the worsening economic conditions, threaten to spiral into widespread social unrest. President Poroshenko will need to facilitate the formation of a renewed coalition agreement, as well as to take substantial steps to combat corruption to restore confidence and recover stability. Otherwise, the worsening political crisis, together with the economic crisis, may escalate into a new wave of social unrest and instability.

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