PISM POLSKI INSTYTUT SPRAW MIĘDZYNARODOWYCH
THE POLISH INSTITUTE OF INTERNATIONAL AFFAIRS

BULLETIN

No. 16 (866), 18 February 2016 © PISM

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The Oligarchs Are Becoming Stronger in Ukraine

Piotr Kościński

Despite repeated attempts to undertake reforms aimed at increasing the transparency of the state, Ukraine remains a country in which oligarchs play a key and the negative role. They control a significant part of industry and the most important media. The most recent local elections showed that they are building their own political centres and creating new groups, and the vote of no confidence against Arseniy Yatsenyuk's government reveals they also control part of parliament as well. The dispute between President Petro Poroshenko and leading oligarch Igor Kolomoisky, a businessman supporting him, is becoming increasingly evident. This can result in the destabilisation of the political scene, and in the long run lead to the oligarchic system becoming embedded. The EU should make support for Ukraine a priority, pushing above all for action over rhetoric in the fight against corruption (reform of the judiciary, the police and the public procurement system), and should monitor the actions of the authorities in Kyiv.

The fight against corruption and the removal of oligarchs from power was one of the most important expectations of participants in the Revolution of Dignity. Yet in Transparency International's corruption index, Ukraine still ranks 130th (in 2014 it was 142). What's more, the recent resignation of Aivaras Abromavičius, economy minister, shows that statements about the elimination of corruption are more about rhetoric than concrete priorities for the Ukrainian authorities. When submitting his resignation, Abromavičius blamed the people surrounding the Ukrainian president for indulging the inhibition of reforms, in particular those aimed at tackling corruption, and accused Ihor Kononenko, vice-president of the Poroshenko's parliamentary group "Bloc Solidarity," of hindering the work of his ministry.

The current Ukrainian authorities, including Poroshenko and the government of Prime Minister Arseniy Yatsenyuk, have taken no decisive action against the oligarchs, who not only control a significant part of the Ukrainian economy but also most media, while having a very large influence on politics. The only decisive proceedings were related to the so-called "family," a group of oligarchs associated with Viktor Yanukovych, accused of corruption during the privatisation of state enterprises, the misuse of unclear public procurement procedures to the detriment of the state, "dirty money laundering," and removing huge amounts of money abroad. According to various estimates, the losses of the Ukrainian state are at least $30 billion. Members of the "family" are being sought, and their accounts have been frozen.

The authorities failed in their plans to use the oligarchs, including Kolomoisky (head of the Dnipropetrovsk oblast) and Serhiy Taruta (head of the Donetsk oblast), to manage the east of the country and strengthen the defence against Russia. In Kolomoisky's case the result was in fact an increased level of conflict. What's more, the oligarchs are increasingly trying to influence events in the country. In December, 2015, Ukraine's 30 top businessmen met in Kyiv and announced that they would create their own plan to improve the situation. Some of the oligarchs are also striving to bring about early parliamentary elections, taking measures to weaken Poroshenko.

The Oligarchs in the Economy and Politics. The change of power in Ukraine following the Revolution of Dignity has had consequences for oligarchic groups associated with Yanukovych, who have been deprived of influence. Thus only those oligarchs who had enriched themselves earlier and did not belong to the "family" remained on the scene. The richest of them is still Rinat Akhmetov. His assets are estimated by *Forbes* at $6.9 billion, and his companies operate mainly in Donbas. Akhmetov maintains relationships with both the government in Kyiv and the separatists, trying not to lose money and influence.

Poroshenko, worth $750 million, is another among the oligarchs. Despite being president he has not sold his companies, and still owns, among others, the Roshen confectionary business, offering no official explanation for this. It should be emphasised that as a result of Russian aggression and a sharp economic downturn, the value of the leading businessmen's assets has declined significantly.

Before the Revolution of Dignity, the oligarchs supported various political forces, mainly financially. Now some wealthy businessmen have begun to create their own groups. An example is Kolomoisky, who after being removed from office in Dnipropetrovsk oblast created his own party, the Ukrainian Union of Patriots (UKROP), which targets the Russian-speaking population, but opposes Russian aggression. Hennadiy Korban, an associate Kolomoisky and his deputy in Dnipropetrovsk, became the leader of UKROP. In local elections in 2015, the party's mayoral candidate Boris Filatov won there, gaining 62% of the vote. According to media, Kolomoisky also supports financially the Revival Party, which brings together former politicians of the Party of Regions.

In contrast, Rinat Akhmetov, whose main financial support is for the "Opposition Bloc," put forward his own candidates in other areas. In Zaporizhya, Volodymyr Buriak, strongly supported by Akhmetov, was elected as mayor. Vadym Boichenko, another of Akhmetov's associates, also won the deferred mayoral election in the front-line city of Mariupol. Officially, he was nominated as candidate by the employees of companies belonging to the Akhmetov group Metinwest, which is a key employer in Mariupol.

Thus, the local elections have shown how strong the oligarchs are locally, and taking into account that they have connections with many deputies in the majority of parliamentary factions, their impact on politics increases. This in turn means that, for the political parties, the interests of the wealthiest businessmen are most important. The media also has a great impact on politics, especially since all major television stations are owned by the top Ukrainian businessmen. Akhmetov owns the TV station *Ukrain*e, Dmytro Firtash and Serhiy Lovochkin have *Inter*, *STB*, *ICTV* and *Novy Kanal* are Viktor Pinchuk's, Kolomoisky and Hennadiy Boholubov own *1 + 1*, and Poroshenko, albeit through his firms which he requested be led by foreign investment companies, controls *5 Kanal*. In this situation, television and the press serve the oligarchs and their interests, and their objectivity combined with lack of control by the authorities have become the main problems.

The Dispute between Poroshenko and Kolomoisky. Kolomoisky is the main opponent of Poroshenko. From the point of view of the authorities he sought too actively to strengthen his economic and political position, especially in Dnipropetrovsk, at the turn of 2014 and 2015. The oligarch is popular for his support for the anti-terrorist operation in Donbas, and the creation and funding of volunteer battalions. The government, however, seeks to undermine public trust in him and has pointed out that his people conduct criminal activity. At the end of October 2015 the leader of Kolomoisky's UKROP, Hennadiy Korban, was arrested. Authorities say he embezzled funds intended to support the troops fighting in Donbas, but he argues that his detention is politically motivated.

Kolomoisky is attempting to create of an alliance in parliament that would cause the collapse of the government and lead to early elections. This action is increasingly supported by Akhmetov, who has his own influence in the Verkhovna Rada. It is of note that former prime minister Yulia Tymoshenko could stand at the head of such an alliance with the support of her own party Batkivshchina as well as Samopomich and the Radical Party.

As a result, power in the country might be taken by populist parties, nominally pro-European, but not guaranteeing the necessary reforms and implementation of the Association Agreement with the EU. A government built by oligarchs would be very helpful for them, because it would not prevent them from taking unlawful or questionable benefits from state procurement and would prevent the prosecution of wealthy businessmen for economic crimes.

During the vote of no confidence in Yatsenyuk's government on 16 February, most of the MPs from the Opposition Bloc and Party of Revival, affiliated with Akhmetov and Kolomoisky, left the room, supporting the survival of the cabinet. In so doing, they prevented the strengthening of the political centre under President Poroshenko. Paradoxically, however, given the weakening position of the prime minister, this will give time for populist parties to strengthen, although their chances of winning the elections are still small.

How to Limit the Influence of the Oligarchs? Reducing the oligarchs' power is possible only by changing the conditions of the functioning political and economic systems, making them clear and transparent. In this context, it is necessary to introduce a transparent public procurement system, monitored by independent foreign institutions. Only then will there be a long-term reduction of the oligarchs' influence on Ukrainian politics and the economy. In this context, it will be important to establish a transparent system of state purchases, especially in the field of energy and tendering for, among other things, equipment for hospitals, the army and the police, and state investments. Ukraine should take advantage of EU law and the experience of new EU Member States, including Poland. The European Union should also help Ukraine to fight corruption and rebuild the most corrupt institutions (the courts, the prosecution and the police) under pain of suspension of financial assistance. The experience of Romania, which has created effective institutions against corruption leading to the prosecution and conviction of those politicians, judges and businessmen responsible, would be of benefit in this regard.