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How Yanukovych Turned Tycoons Into Enemies

By Anders Aslund

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Ukraine's parliamentary election on Sunday will be neither free nor fair. After eight unproductive years since the 2004 Orange Revolution, the democratic opposition is depressed and demoralized. Even so, the elections may check President Viktor Yanukovych's power.

Yanukovych came to power in February 2010 in elections that were rated free and fair. This was a time when Freedom House still ranked Ukraine as democratic. But Yanukovych quickly consolidated power and turned Ukraine into a mildly authoritarian state. A dozen prominent opposition politicians have been sentenced to prison, including former Prime Minister Yulia Tymoshenko and the former interior minister, Yury Lutsenko.

Tymoshenko, who was and remains the leader of the liberal and pro-Western opposition, was sentenced to seven years in prison for a gas deal with Russia in which she was not even accused of having benefited personally. Without her, the democratic opposition has no strong leader.

But Yanukovych has not stopped there. He exerts heavy pressure on private television channels and has blocked licenses and cable access for the independent television channel TVi, which has exposed the most serious corruption cases of his administration. Moreover, he uses the civil service and law enforcement authorities extensively to repress the opposition and promote his proteges.

Yet the upcoming election matters. Ukraine has a vibrant civil society and excellent free Internet media. But the opposition, which comprises half the country, is badly demoralized after five years of stalemate among the Orange Revolution's leaders. The largest share of the blame for this falls on former President Viktor Yushchenko, who by almost all accounts has betrayed the democratic breakthrough that he represented. He now leads a party that supports Yanukovych, who has even allowed Yushchenko to remain in the presidential residence since leaving office.

Ukrainian voters are fickle. They voted against the incumbent powers in the presidential elections of 1994, 2004 and 2010. They may do so again. The most recent public opinion poll suggested that Yanukovych's Party of Regions would get 28 percent of the vote, and that its only ally to surpass the 5 percent electoral threshold would be the Communists, with 11 percent. This would give these two parties a total of 39 percent, compared to 36 percent for two opposition parties: Tymoshenko's Fatherland party (19 percent) and the heavyweight boxing champion Vitaly Klitschko's UDAR (17 percent).

The predatory nature of Yanukovych's rule is not exactly well hidden. His family members and loyalists control the entire security apparatus and the main economic agencies. He is rightly scared by the democratic opposition, which he is emasculating. Anticipating that his party might lose the upcoming election if Ukraine's proportional voting system were maintained, Yanukovych has reverted to the electoral system of 2002, with only half of the 450 seats to be distributed proportionally. The remaining 225 seats will be filled in winner-take-all single-member constituencies, a change that gives regional tycoons a great opportunity to buy seats.

But Yanukovych failed to anticipate that tycoons would dare to be disloyal to him. Initially, his government contained nine groups of big businessmen. But that number has fallen gradually, and even top businessmen have been marginalized by his core loyalists, who are widely rumored to be enriching themselves at the expense of both the state and private business. Unlike President Vladimir Putin, Yanukovych seems to have steamrolled too many too fast, overestimating his power and narrowing his base. Indeed, he appears to have turned all of Ukraine's top oligarchs into his enemies.

Each summer, the prominent Ukrainian businessman Victor Pinchuk organizes a major international conference, the Yalta European Strategy, attended by the Ukrainian elite and prominent foreigners. This September, the lesson of the conference was that Yanukovych has isolated himself not only from the West and Russia, but also from his main backers at home.

The Ukrainian tycoons are no fools. They view the upcoming election as their last chance to stand up against Yanukovych. The many parliamentarians to be elected in single-member constituencies are more likely to obey them than Yanukovych. Under the electoral system

in place in 2002, the ruling party quickly disintegrated into nine oligarchic party factions. Something similar is likely to happen this time around.

The tycoons might not oust Yanukovych, but they will check his power. Their most vocal public representatives are First Deputy Prime Minister Valeriy Khoroshkovskiy and the economy minister, Petro Poroshenko, who was a major force behind the Orange Revolution.

The businessmen's main objection to Yanukovych is that he prefers to keep Tymoshenko in prison rather than obtain an Association Agreement with the European Union. The already-concluded free trade agreement with the EU would offer Ukraine badly needed market access and increased exports, but the EU will not ratify it unless Tymoshenko is released and repression of the opposition and media ceases.

Similarly, the tycoons advocate restored cooperation with the International Monetary Fund, because they want access to credit at reasonable interest rates. But Yanukovych refuses to liberalize gas prices, a key IMF demand.

Concern that the West's pro-reform stance will push Ukraine into Russia's embrace is largely unfounded. Yanukovych's personal relations with Putin are so poor that Putin all but refuses to talk to him — other than to make preposterous demands.

The West thus has an important role to play in the election and is providing 2,000 election monitors to help ensure a free and fair vote. Indeed, the United States and the EU, in particular, have a large stake in the outcome. Ukraine is a friendly country, one that always joins Western "coalitions of the willing." But it is a lapsed democratic country. They must help to change that.

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