

Ukraine Shackled by Revolution - and Oligarchs

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Many people see the Ukrainian uprising as a direct result of a sort of doubles match that paired ousted Presidents Vladimir Putin and Viktor Yanukovich against German Chancellor Angela Merkel and European Commission President José Manuel Barroso. Others suspect that Washington instigated the turmoil. But if we clear the haze surrounding the crisis, then suddenly we can see that the real root of the problem lies buried deep beneath the surface: an intricate web woven by Ukraine's wealthiest business leaders.

It would be a mistake to think that Ukraine wants to repeat Russia's accomplishments and Yanukovich sought to replicate Putin's success as a powerful leader. Even though the two countries share a similar language and culture, their political systems are vastly different, especially when it comes to the part played by wealth businessmen in influencing politics.

By the late 2000s, the operative influence of billionaires on daily politics had almost completely vanished in Russia, mainly a result of measures taken by Putin. Clear examples of those measures include the 10-year imprisonment of Russia's once most wealthy man,

Mikhail Khodorkovsky, and the banishment of one-time Kremlin powerbroker Boris Berezovsky into self-exile and apparent suicide in Britain. While Russian billionaires visibly controlled politics via "the Family" at the end of the Boris Yeltsin era, Putin systematically destroyed their influence by appointing siloviki, who have controlled Russia for the past decade.

In contrast with Russia, Ukraine has established a fairly unique political system after the 1991 dissolution of the Soviet Union. Similarly to Russia, several billionaires and their clans have emerged due to the unaccountable and fast privatization of former state assets under President Leonid Kuchma during the 1990s. Dominant clans from Donetsk, Dnipropetrovsk and Kiev have appeared in metallurgy, banking, energy and other industries.

By the early 2000s, Kuchma's presidential powers began to fade thanks to a status quo-based system that lacked reform. That is why the last few years of his regime are known in some circles as the Kuchma vapidity.

Enter an unexpected and interesting turn of events. In 2004, Ukrainian voters elected a president, Viktor Yushchenko, who was out of the reach of the clans' influence. Yushchenko, with his independence, patriotism and radical anti-corruption and anti-Russian attitude, became a significant threat to the billionaires who controlled Ukrainian politics. Yushchenko's supporters were mere businessmen from the western part of Ukraine: small fry compared to billionaires such as Rinat Akhmetov and Dmytro Firtash. This is exactly what proved to be Yushchenko's undoing. He only had the support of the masses but barely any financial or political support from the ruling elite. That disadvantage proved to be quite costly in an oligarch-controlled nation such as Ukraine.

By the 2010 presidential election, Yulia Tymoshenko, a former prime minister and top energy executive, had gained a tremendous amount of support and popularity and, similar to a wrecking ball, had gone wild, threatening to tear down the carefully built system of clans. Tymoshenko was not only a popular female leader, a pejorative term in Slavic politics, but her background in business and politics meant she also knew the weaknesses and inner structure of the clans.

Nonetheless, the clans made a huge mistake by backing Yanukovych in 2010. Yanukovych, who seemed like a weak and reliable politician, immediately started to establish his own economic power base after winning the election. In contrast to Putin, believed to be amassing wealth subtly and sophisticatedly, Yanukovych charged in and founded yet another "Family" of his own by naming his two sons as leaders, just as Yeltsin had done earlier in Russia.

It is highly unlikely that the billionaires who actually control Ukraine want to choose between the customs unions offered by the European Union or Russia because both options infuriate them. The EU would bring the Western business model to Ukraine, opening the door to free trade and business competition — terrifying prospects to business monopolies that grew large feeding on protective customs. But the Russian customs union sounds equally frightening because it would completely open the borders between the two countries, gravely endangering the interests of indigenous clans.

The EU has made the mistake of competing with the Russians on their terms, without knowing who's who and what's what. Any attempt to overbid Russia when it comes to natural

gas prices or dollar loans would have been a futile attempt. Moscow has shaken the money tree, simple as that. Instead the EU should have realized that the road to Ukraine does not lead through Yanukovich, Tymoshenko or the Ukrainian opposition (at least not until now). Instead it leads through the billionaires actually controlling the country. No one wanted the EU to make a side deal with the billionaires. A proper evaluation of the Ukrainian situation — a consideration of economic interests on the basis of common sense and realistic expectations — would have been sufficient to reach a compromise that would have pulled the country out of its internally and externally binding shackles and would have given way to integration into the European community.

The demonstrations in Kiev, which became a true revolution with each passing day, hold a huge risk. Instead of an organized, EU-supported transition, an irreversible chain of events may be set in motion by protesters demanding stability and a pro-EU policy today. Then the Ukrainian developments could become irreversible and escalate to a global level, making Russian intervention almost certain through the blockage of outgoing gas pipelines (which would affect Europe as well) or a military intervention similar to the one in Georgia in 2008. The Russian enclave in Ukraine's port of Sevastopol has already asked for military intervention. Such a scenario would result in an incredibly tense conflict that the EU and NATO would have to deal with in their immediate vicinity. The Balkan wars would seem like a minor incident in comparison.

The EU took the lead in negotiating an agreement between Yanukovich and opposition leaders following a bloody week this month. But hours later Yanukovich was ousted by the parliament, and Russia is complaining that no one is honoring the agreement.

It is hard to forecast how long the EU will be willing to play an active role in Ukraine's crisis or when Moscow will wake up and deal with it. As of Friday, Putin had yet to make any public comment on Yanukovich's ouster and the appointment of a transition government.

For now it looks like the people on the streets and the opposition have seized power. But never forget the billionaires, who like mice gnawing at the roots have slowly caused life to fade from the tree of Ukrainian democracy. Russia is aware of the oligarchs. The question is: Are the EU and the Ukrainian opposition aware of them, too?

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