

END NOTE

UKRAINE BEGINS LOOKING TO THE POST-KUCHMA ERA

By Taras Kuzio

Ukraine is experiencing a "crisis of power," popular former Prime Minister Viktor Yushchenko recently said, and nowhere is this more evident than in how Ukraine's elites are already thinking of how the post-Kuchma era, which begins in November 2004, will look like and what their role in it will be. The oligarchs are conscious of the fact that President Leonid Kuchma's power has declined since 2000 and that their positions and often ill-gotten gains may not be secure in the post-Kuchma era. As the respected weekly "Zerkalo Nedeli/Dzerkalo Tyzhnya" wrote on 29 December, far fewer businessmen and politicians are "willing to get closer to him," while many of them "are trying to play it safe" by "diversifying their political stakes like they diversify business investments."

There are growing signs that businessmen, such as Zaporizhzhia governor and former head of Intergaz Oleksiy Kucherenko, are tacitly or covertly supporting Yushchenko's Our Ukraine. Those members of Ukraine's elites, such as former Foreign Minister Borys Tarasyuk, who are unhappy with Kuchma now have in Yushchenko a strong alternative candidate who is patriotic, reformist, and moderate. Yushchenko is always diplomatic in his interviews when referring to Kuchma or Ukraine's other oligarchs, except when referring to former first deputy parliament speaker Viktor Medvedchuk, whom he does not see as working for the "good of the state." The only oligarch group that is irrevocably hostile to Yushchenko is the Social Democratic Party-United (SDPU-O).

Although it is frequently assumed that the executive and oligarchs are allies, the reality is more complex. While the two sides need each other, the relationship is characterized more by distrust and instability. Since 1997, Kuchma's mistrust of all outsiders apart from his family has grown, a pattern similar to the situation late in Boris Yeltsin's presidential era in Russia. During the Kuchmagate scandal, President Kuchma complained that none of Ukraine's elite groups supported him during the five months (November 2000-March 2001) when his position was in danger. Although no oligarch group has ever been accused of backing what Kuchma describes as this "provocation," only an oligarch group could have had the resources and motives to undertake such action, possibly with the external support of Russia. Of Ukraine's oligarch groups, the finger has been increasingly pointed at the SDPU-O.

An example of the instability of the current system is how oligarch groups are used and then discarded by the executive if they outlive their usefulness. Two recent examples are the destruction of former Prime Minister Pavlo Lazarenko's Hramada in 1998-1999 and the recent falling out of favor of the SDPU-O. All centrist oligarch parties are top-down ideologically amorphous structures that are interwoven with

the state apparatus in different regions of Ukraine. They maintain a low profile except during elections and as parliamentary factions. The only exception to this rule is the SDPU-O whose leaders have — so far unsuccessfully — attempted to legitimize themselves as a bona fide social democratic party both domestically and with the Socialist International. The SDPU-O was the only oligarch party to support changing the election law to increase the proportion of seats elected by party lists (oligarchs tend to favor one-seat constituencies). The SDPU-O's growing strength as a party with nationwide membership and local branches, its likely involvement in Kuchmagate and the widely held perception that its members control too many sectors (such as energy and the media) may have led Kuchma to regard it as a threat.

The SDPU-O is fearful of the authorities now turning against it. (Kuchma made anti-Semitic comments about SDPU-O leader Hryhorii Surkis on the Kuchmagate tapes.) Moreover, the SDPU-O's access to "administrative resources" (which helped them reach a 4.01 percent vote in the 1998 elections) may now be in jeopardy as SDPU-O governors are being removed and campaigns have started against Medvedchuk's brother, Serhiy, who heads the Lviv Oblast Tax Administration; former Ukrainian President and SDPU-O member Leonid Kravchuk's son, Oleksandr, over corruption charges; and the state prosecutor has opened a case against SDPU-O supporter and National Security and Defense Council Secretary Yevhen Marchuk over allegations that he was involved in the illegal export of arms in the early 1990s. The party therefore seeks a role for domestic election monitors who would publicize attempts to falsify the outcome of the upcoming ballot by understating the number of votes cast for it.

High-ranking representatives from Labor Ukraine, based in Kuchma's home city of Dnipropetrovsk, have begun sounding out reaction to Labor Ukraine's proposals to legitimize the gains made by oligarch groups, declare an amnesty for corrupt activities and shadow capital, and to start business dealings on a more legal and equal footing. The fact that Labor Ukraine is putting out feelers on this sensitive question testifies to its wariness as to what will happen in Ukraine — first after the March 2002 elections when parliament may increase its powers, and then two years later when their protector, Kuchma, ends his second term.

Kuchma's tactics in the run-up to the March election are to provide "administrative resources" for the pro-presidential For a United Ukraine (ZYU), to ignore the SDPU-O and Our Ukraine, and to obstruct the Socialists and former Deputy Prime Minister Yuliya Tymoshenko, thereby ensuring no group gains a majority while possibly even blocking his vociferous opponents from entering parliament. But although ZYU members will gain from the lack of executive support for the SDPU-O, they also know that the same could happen to them if they fall out of favor with Kuchma. For that reason, the ZYU now appears more inclined toward changing the current unpredictable system that relies on "kompromat" to ensure loyalty. That system has been described by Keith Darden, writing about Ukraine recently in "East European Constitutional Review," as the "blackmail state."

Disgruntlement within Ukraine's elites with the country's current political course was reflected in the initial failure of pro-Kuchma parties to cobble together a unified bloc, as the Party of Regions of

Ukraine (PRU), the Donbas party of power led by Tax Administration head Nikolai Azarov, had argued that it could easily go it alone. The ultimate emergence of ZYU was only made possible by Kuchma naming the one person he fully trusts outside his family, Volodymyr Lytvyn, the head of the presidential administration, to lead it. Yushchenko too had made overtures to the Donbas business elites, many of whom support his attempts at creating a transparent, stable, and predictable business climate, but Kuchma was able to cajole and bribe them to instead join ZYU. But Kuchma was unable to impose his will on the youth wing of the PRU, which has decided to back Our Ukraine -- not ZYU.

Vitaly Hayduk, a founder of the Industrial Union of the Donbas, Ukraine's largest regional and business elite, was appointed Fuel and Energy Minister on 20 November 2001. Hayduk was a former Donetsk Oblast governor and is now a leading member of PRU. Increased spending on the Donbas coal mines and the creation of a fuel-energy company combining electricity and coal-metallurgical companies, a move opposed by the Yushchenko government, are two further concessions to the Donbas elites to induce them to back ZYU. The Donbas elites feel slighted at the domination of the Dnipropetrovsk clan in central politics since Kuchma first came to power in 1994, and possess a strong regional "patriotism." Their loyalty is not necessarily to Kuchma and they are not hostile to pro-business Yushchenko.

The People's Democrats (NDPU) and Agrarians (APU) are similarly uncomfortable as members of ZYU as many of their members openly sympathize with Yushchenko. Ivan Plyushch, parliamentary speaker and a member of NDPU, was instrumental in helping to block the SDPU-O from using the language card to obtain votes from Russian-speakers in the elections. Interviewed by the parliamentary newspaper "Holos Ukrayiny" on 27 December, Plyushch admitted that although he is a member of ZYU his sympathies lie with Our Ukraine. Like many members of the NDPU, he sees it as having become "obsolete" under Kuchma ally and former Prime Minister Valeriy Pustovoytenko. Plyushch hopes that a "pro-statehood democratic faction" and majority can be created in the next parliament on the basis of Our Ukraine -- not ZYU. Our Ukraine is therefore likely to gain many defectors from ZYU in the next parliament.

Taras Kuzio is a research associate at the Centre for Russian and East European Studies, University of Toronto.