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TYMOSHENKO TAKES ON THE OLIGARCHS

--*Taras Kuzio*

A congress of Ukraine's oligarchs is scheduled for April 13 under the guise of the "Assembly of Ukrainian Metallurgists" (ukrudprom.com, April 11). Representatives from 62 metallurgical enterprises will attend the "Extraordinary" congress in Kyiv. Prime Minister Yulia Tymoshenko described the event as an attempt to lobby the government to reverse its decision to raise transportation charges on Ukraine's railways by 50%.

Tymoshenko's ongoing fight against the oligarchs will likely increase her popularity even more. As she has pointed out, five families control Ukraine's metallurgical industry and she plans to audit every one. Russian investors own the four largest Ukrainian oil refineries.

Deputy Prime Minister Mykola Tomenko has openly accused oligarchs and regional barons of systematically sabotaging the government's work and points to rising fuel and food prices as proof. The "sabotage" is directed against the government's plan to cut the hidden subsidies, unfair privileges, and excessive profits enjoyed by the oligarchs. "President [Viktor] Yushchenko is mobilizing all government agencies at the central and regional level, in particular law-enforcement bodies, in order to make the Ukrainian authorities work as a single and well-coordinated team," Tomenko warned (*Uryadovi Kurier*, April 7).

Two other factors will also affect this looming clash between the state and the oligarchs.

First, Ukraine's largest metallurgical plant, Kryvorizhstal, will lead the participants at the "Extraordinary" congress. The plant was privatized for only \$800 million in June 2004 as a pre-election bribe for the Dnipropetrovsk and Donetsk clans, represented by Viktor Pinchuk and Renat Akhmetov respectively. Pinchuk is also former President Leonid Kuchma's son-in-law.

The new Ukrainian authorities have stated their readiness to re-nationalize Kryvorizhstal and re-submit it for tender. They hope to raise \$3 billion from the new sale. Tymoshenko predicted that re-privatization would take place later this month.

The oligarchs became noticeably nervous in March, when Tymoshenko mentioned that 3,000 enterprises would be subjected to re-privatization, a statement that also alarmed

Western investors. Yushchenko and other government ministers have calmed Western fears by reiterating that re-privatization would only apply to 30 companies, although which 30 has not been made public.

Second, on April 6 the head of Donetsk oblast council, Borys Kolesnykov, was arrested on suspicion of corruption, extortion, and attempted murder, charges that could lead to 12 years imprisonment (see EDM, April 11). Kolesnykov is a high-ranking member of the Regions of Ukraine party led by defeated presidential candidate Viktor Yanukovych.

Centrist parties have pointed to his arrest to claim that the new authorities have launched a campaign of political repression. Yanukovych wrote a long open letter to the EU and OSCE, in which he accused the authorities of launching "terror" against their opponents (ya2006.com.ua).

However, opposition-sponsored protests have been few, as the former parties of power are finding it difficult to work in opposition. Centrist parties have no real memberships and have traditionally paid or forced state employees to join their rallies and protests. Currently, protestors in Kyiv are paid 30-50 *hryvni* (about \$8) to attend rallies against the government.

As "roofs" for business interests, centrist parties are inclined to closely cooperate with the authorities rather than go into opposition, according to former Yanukovych election consultant Dmytro Vydryn (rep.int.ua). Their only ideology, according to former Donetsk adviser Volodymyr Kornilov, is to support the current authorities in order to protect their businesses. As they are business rivals, they are rarely a united force (glavred.info, April 5).

One of the first acts of Interior Minister Yuriy Lutsenko was to increase the strength of MVS Internal Troops in two key regions, Donetsk and Trans-Carpathia. Under Kuchma both of these regions became de facto autonomous fiefdoms totally controlled by the Party of Regions and Social Democratic Party United (SDPUo), respectively. Tomenko undoubtedly had these regions in mind when he warned, "In certain regions a conglomerate involving local authorities, business, and law enforcement leaders...has not been defeated yet" (*Uryadovyi kurier*, April 7).

Following Donetsk, the next area targeted for anti-corruption efforts will be Trans-Carpathia, where senior SDPUo leaders, such as Kuchma crony Viktor Medvedchuk, were elected to parliament in 1998. The region became notorious for "corruption, banditry, election falsifications, and poverty" (*Ukrayinska pravda*, April 5).

During the Orange Revolution, leaders tried to incite violence in Donetsk region in order to give the authorities an excuse to introduce a state of emergency. Local MVS personnel themselves worked to thwart the organized-crime skinheads who, along with the regional governor and the regional MVS leadership, had been preparing the provocation.

On April 7 Channel 5 television's *Zakryta Zona* investigative program researched how millions of *hryvni* were extorted from businesses to support the 2004 Yanukovich election campaign. If businesses refused to pay, they would receive frequent visits by government agencies. Also, local Trans-Carpathian businessmen were forced to sell some of their assets to senior SDPUo leaders. Former Donetsk oblast chairman Kolesnykov was charged with both of these crimes and his arrest could be the first of many.

Another senior SDPUo leader elected in Trans-Carpathia in 1998, Hryhoriy Surkis, has been accused of donating 6 million *hryvni* (\$1.12 million) to Kuchma's "Ukrayina" Foundation from offshore accounts. The MVS has called Surkis in for questioning.

Tymoshenko has declared that the oligarchs will no longer be able to earn super profits from monopolistic rents and channel the resulting funds into offshore accounts. Needless to say, the government is also attempting to block the return of these "shadow funds," so that they do not back the opposition in the 2006 parliamentary elections.