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Ukraine

Return of the Oligarchs: the October parliamentary elections

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[<https://www.internationalviewpoint.org/IMG/jpg/ukraine1.jpg>]

The results of the elections on 26 October to the Verkhovna Rada (parliament) clearly show a return to the status quo ante, to the time of secure oligarchic rule before the Maidan. The Ukrainian ruling class continues on its course to reinforce its control over the state rather than to democratise and decentralise power. This appears to be its instinctive response to the external challenge posed by Russia and the deepening social and economic crisis at home.

The election results

Turnout for these elections was 52%, the lowest since the first multiparty elections to the Verkhovna Rada were held in 1990. Voting took place in 198 of the original 225 constituencies. Excluded were all 12 constituencies of Crimea, annexed by Russia in March, and 15 constituencies in Donetsk and Luhansk oblasts where the war goes on.

The current electoral system provides for half of the seats in the Verkhovna Rada being allocated on the basis of proportional representation and half on the basis of single member constituencies (first past the post). A party has to gain at least 5% of the total votes cast for party lists in order to win any seats by proportional representation.

The Rada had until this election seated 450 deputies, but given the loss of Crimea and the ongoing war in the east it will now seat only 423 deputies: 225 elected by proportional representation and 198 elected to represent individual constituencies.

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People's Front

The biggest share of the vote for party lists went to People's Front (22.14%). It is led by prime minister Arseniy Yatseniuk and Oleksandr Turchynov, former speaker and acting president after Yanukovich. A split in the leadership of the Bat'kivshchyna party in August resulted in the majority of its members quitting to follow Yatseniuk and Turchynov into the new People's Front. The Front recruited ten prominent commanders of volunteer battalions fighting in the east, and was viewed as "the party of war" against Russia. This allowed it to take votes from the Bloc of Petro Poroshenko, regarded by the electorate as the party of a negotiated compromise with Russia that has not yet brought peace.

Yulia Tymoshenko led the rump of Bat'kivshchyna into these elections and, with a vote of 5.68%, just managed to retain a fraction of 19 deputies in the Rada.

The Bloc of Petro Poroshenko

This Bloc was cobbled together out of the All-Ukrainian Union Solidarity, the UDAR party of Vitali Klychko and several rich and influential backers (see below). The Bloc secured the biggest number of elected deputies (132), but not because it was the most popular party. Far from it. Its popularity was actually declining rapidly in the weeks leading up to the elections. Getting 21.82% represented a halving of the share pollsters had predicted for the Bloc at the beginning of the election campaign. Poroshenko's Bloc only managed to recoup these losses by electing 69 of its members to single member constituencies. In these contests it could deploy considerable financial resources, choose locally popular and powerful candidates and highlight their individual profiles rather than drawing attention to the party they actually belong to.

The Bloc also made agreements with the People's Front not to compete with one another in a range of single member constituency contests to ensure they mutually benefited in the final outcome.

Why did the Poroshenko Bloc fare much worse than initially predicated? Poroshenko had approved the September Minsk Accords and then sponsored laws, adopted by parliament, to implement two of its clauses (3 and 5). They accorded a special status of self government to the militarily contested territories of Luhansk and Donetsk oblasts, and they exempted the combatants there from prosecution for crimes committed during the conflict. Self government was to be started up by local elections under Ukrainian law on December 9 (later brought forward to November 9) presumably after the withdrawal of all foreign combatants from the disputed territories.

The leaders of the Donetsk and Luhansk People's Republics rejected this interpretation of the Minsk Accords, prevented parliamentary elections from being organised in the districts they controlled, and organised their own elections to the councils of their own republics instead, which were held on 2 November.

The special status approved by the Rada was regarded by many in Ukraine – and in the zone of fighting no less – as a recognition and bestowal of legitimacy onto the Donetsk and Luhansk People's Republics and their leaders. After months of fighting adversaries that the Ukrainian government only referred to as “terrorists” many people in the rest of Ukraine – as well as voting soldiers on the front – were bewildered by, if not hostile to, Poroshenko's negotiated peace with them. He stood accused of giving up Ukrainian sovereignty over these territories, not to mention failing to bring the fighting to a close. [\[1\]](#)

What was regarded by the Ukrainian representatives in Minsk as a conflict resolution process to enable the withdrawal of Russian forces and the renewal of local government in the Donbass based solely on the will of its citizens turned into a breathing space for the separatists that allowed them to strengthen their control over the contested territories.

Poroshenko also needed a breathing space to hold these parliamentary elections, and both Russia and the Ukrainian separatists obliged with a de-escalation, though not a cessation, of attacks against Ukrainian government positions. New incursions by Russian armour and troops began immediately after the elections were over, strengthening suspicions that a tacit agreement between Ukrainian and Russian forces at least to hold fire had indeed been in place.

Poroshenko's Bloc failed to live up to initial expectations of a strong showing in the elections because his agreement with Russia and the separatists not only failed to halt the fighting but also resulted in a greater de-facto loss of Ukrainian sovereignty over the two eastern oblasts.

Self Reliance

The surprise of this election was the new Self-Reliance party (Samopomich) taking third place in the proportional representation vote at almost 11% and securing the third largest number of elected deputies overall. Its campaign focussed on the need for long-term domestic reforms, in the first place a genuine decentralisation of power from Kyiv to the cities and regions as the key to restoring the economy, building effective and accountable government, and so making the country strong enough to resist Russian aggression.

The party is led by Andriy Sadoviy, Lviv city mayor for the past eight years. It did particularly well in Lviv and Kyiv. In the capital it secured the biggest share of votes given to any political party. Self Reliance fielded a list of young candidates, among them many community organisers, journalists and participants of the Maidan. Heading up the list were Hanna Hopko, a prominent journalist and campaigner on public health, and Semen Semenchenko, leader of the Donbas volunteer battalion. Veteran politicians and big businessmen were kept off the list.

Svoboda

Self Reliance's surge in support was mirrored by the collapse in support for Svoboda (Freedom) the other party originating in Western Ukraine. Having won 10.54% of the party list votes in the 2012 parliamentary elections Svoboda failed this time to clear the 5% threshold. It managed to get deputies elected in six constituency contests in Western Ukraine. After the elections the party's three ministers in the current Cabinet resigned their posts. Svoboda's electoral base was eroding throughout the year as a result of the mismanagement and corruption in local and regional governments where Svoboda members hold office.

Radical Party

The populist-conservative Radical Party of Oleh Liashko, also drew away voters from Svoboda, in particular those militantly opposed to any accommodation with the separatist movement or with Russia. The Radical Party espouses Ukraine's re-armament with nuclear weapons in response to Russia's bid to hegemonies the region. It also projects a populist class hatred of big capitalists, which appeals to many people within and outside the nationalist camp.

Heirs to the Party of Regions

Composed of members of the former Party of Regions the Opposition Bloc did unexpectedly well to gain a 9.43% of the party vote. It was a particularly strong showing for a party once led by Yanukovich, whose electoral strongholds were in Crimea and the Donbass where voting did not take place this time. This Bloc is led by Serhii Lyovochkin, head of the president's Administration under Yanukovich and Yuri Boyko, deputy prime minister and energy minister under Yanukovich.

The party Strong Ukraine (Syl'na Ukraina) led by businessman Serhii Tyhipko also provided refuge to former Party of Regions members. It failed to clear the 5% threshold, and elected only one member to represent a constituency.

The Stalinists

The Communist party also failed to clear the 5% hurdle, and it won no seats in single member constituency contests either. It is the first time it not represented in the Rada since 1922, when the Ukrainian Soviet republic was established.

Some people on the left in Ukraine see the Communist party's demise as a positive development, as it might put some distance between this relic of Stalinism and those who are trying to establish a genuine party of labour (members of the independent union Defense of Labour (zakhyt Pratsi), the Left Opposition collective, the Kryviy Rih miners).

The fact is that the Communists failed to enter parliament this time for at least three reasons. Like the Opposition Bloc, the Communist Party lost the support of its strongholds in Crimea and parts of Eastern Ukraine where the elections did not take place. Second, the Communist Party was widely discredited by its enduring alliance with Yanukovych. And third, they espoused domestic and foreign policies – and acted on them in the territories under DNR and LNR rule – that negate Ukraine's right to national self determination and support Russian hegemony over it. In the current climate, such a profile damned their prospects.

Yet negative perceptions of the CP and its resultant demise do not on their own strengthen the prospects for a new party of labour to emerge. They merely re-emphasise the fact that no party yet exists that sets at its main mission to defend in deed the rights of working people, rather than merely in words.

Widespread mistrust of parties and the political process

The Ukrainian public is deeply cynical of all established parties and disbelieving of their programmes and manifestoes as statements of intent. This cynicism stems from a long history of betrayals, and it continues to be reinforced by such incidents as the following: spying a vacant niche in the political spectrum Mykola Rudkowsky, a wealthy businessman in the gas extraction industry launched a balloon of his own in these elections – the “Bloc of Left Forces”. The Bloc presented itself as a typical social democratic party of the European type. [2]. Fortunately it did miserably.

This widespread cynicism towards all parties is fuelled also by the certainty that elections are contested in Ukraine principally by big business groups vying with each other to place their representatives in the Rada, the government and its ministries. Parties are rightly regarded as vehicles to promote the interests of powerful individuals and groups, not to represent the interests and aspirations of those who vote for them in elections.

Bottom of the pork barrel

Independent (non-party) candidates elected to single member constituency contests deserve a special mention. Ninety four of them were elected, more than one fifth of the corpus of people's deputies in the new parliament. A good proportion of them – 54 in all – had voted for the January 16 laws suppressing democratic rights. (Ten candidates on the Opposition Bloc party list who made it into the parliament had also voted for the January 16 laws.)

The single member constituency elections are the favoured arena for tried and tested techniques of intimidation of candidates, corruption of election committee, vote buying and falsification of results. According to the monitoring organisation OPORA independent candidates in these constituency elections were accused of 70% of all reported incidents of vote buying and the majority of reported abuses of public office for electoral gain. Other reported practices included producing and distributing slanderous and provocative campaign literature in the name of an opposing candidate, sending thugs to beat up a candidate to prevent them registering for the elections, and fielding one or more “ghost” candidates with names similar or identical to an opposing candidate.

At least 80 of the 94 successful independent candidates were returned to represent the same constituency they were elected to represent in the 2012 elections, the dirtiest on record. For such candidates familiarity with local government officials in their vicinity as well as the fact that many of them have businesses there that employ people helps them to bring out the vote regardless of their record in the previous parliament. A frequently made claim is that such independent candidates bring direct benefits to a constituency, such as securing domestic gas distribution pipelines, repairing roads, equipping a school, or funding the construction of a church. [3]

In order to get elected, many independent candidates make good on such bribes during the election campaign – i.e. they literally deliver the goods. The fact that it happens so often merely demonstrates a general rule of the Ukrainian political order that power is personalised rather than subject to the rule of law.

Having been elected as independent candidates does not prevent them from joining a parliamentary fraction of the party of their choice. Thus they can more easily process their individual business interests and sell their votes to support policies of mutual benefit to the business class as a whole.

Big business in the elections

Corporate interests gravitated to the existing parties for these elections and, even sooner, to President Poroshenko after his election in May. Poroshenko, a billionaire in his own right, formed his own eponymous bloc in order to capitalise on the high post-election hopes placed in him and to secure a solid bloc of deputies, if not a majority, in parliament, who would back his presidential aims.

Even though the Rada had restored the supremacy of parliament over the presidency, big business continued to believe that the president should and eventually would remain the font of policy, “the guarantor” of all important decisions, the divider of spoils, the silent partner to all hefty business projects. And access to gas, lifeblood of the economy, would remain in the gift of the president as it has been since Kuchma’s decade in power.

So where did the oligarchs place their bets in this election to secure representation in the Rada and influence in the new government it will select?

Rinat Akhmetov, head of System Capital Management, the richest man in Ukraine and Yanukovich’s erstwhile principal backer, has found himself in the most difficult position. His core industries in coal, steel and iron ore are located in the heart of the Donbas, where the fighting started and still rages. Akhmetov worked out a modus vivendi with the separatists at first – some say he financed their original leaders, others that he made a non-aggression pact with them – but ultimately he could not persuade them that the best future for the Donbass – and therefore his core industries – lay in Ukraine.

His own political credibility in Ukraine was shattered. And with the separatists refusing to allow voting to take place in

more than half the constituencies of the Donbass, it was virtually impossible for Akhmetov to field candidates from his home turf and so rebuild his influence in the Rada. Of all the oligarchs, he is the most vulnerable now to raids – not only by other Ukrainian oligarchs, but by Russian ones who are looking to acquire new assets in the Donbass. [4]

Ihor Kolomoisky is head of the Pryvat Group, owner of the biggest bank in Ukraine and manager and major shareholder of the UkrNafta state oil and gas trading company. He placed his candidates in the lists of People's Front and Self Reliance. He is a rising star in the firmament of patriotic oligarchs, having distinguished himself over the spring and summer as governor of Dnipropetrovsk oblast and the scourge of the separatists. Kolomoisky made gains at the expense of Rinat Akhmetov not only in terms of his political reputation, but also financially: he received favourable tax treatment by Yatseniuk's cabinet this summer.

Kolomoisky is also trying to block the Firtash clan from finding their way back to the inner circle of power, from which they were ejected when Yanukovich was overthrown. Dmytro Firtash, gas trader and founder of the infamous RosUkrEnergo operation, has been working towards this goal with Serhii Lyovochkin, former head of Yanukovich's presidential administration, and Yuri Boyko, Yanukovich's deputy prime minister and minister of energy.

When the Firtash-Lyovochkin-Boyko clan supported Poroshenko's bid for the presidency he encouraged Firtash to stay on side and process his business interests through the UDAR party, which is part of the Petro Poroshenko Bloc. However, the clan spread its bets in this parliamentary election by placing its people also on the party lists of the Opposition Bloc, Strong Ukraine and the Radical Party of Oleh Liashko.

Forward to the Coalition!

With the elections over, negotiations are underway to form a coalition government. A Coalition Agreement has been drawn up by the leaders of the People's Front and Bloc of Petro Poroshenko. Other parties have been invited to support it and to join in forming a government.

The opening passage of the draft Coalition Agreement sets out the most radical goals:

“We need to break the neo-feudal political and economic model and demolish that mechanism which enriches a small circle of oligarchs and corrupt bureaucracy, who together have parasited the state.”

Strong stuff, this rhetoric, but what about the actual reforms the new majority in the Verkhovna Rada proposes to implement? A plan for economic recovery, the decentralisation of government, creating an anti-corruption bureau, reform of policing, the lofty aim “to staff government organs with professional and honest people”. Surely, no-one would oppose these aims set out in the Agreement.

But what about the aim to adopt a state budget for 2015 that meets the requirements of the IMF, at a time when 40% of the state budget already goes to servicing the state foreign debt? Or to forgive tax arrears owed by businesses, which squirrel most of their profits offshore in tax havens anyhow? Or to privatise all state property except that deemed essential “for the functioning of state institutions”? And this privatisation will include land, coal mines, rail transportation, port facilities, at a time when hot money is hovering around the hemorrhaging economy, ready to snap up these assets for a song? To deregulate the energy sector and liberalise domestic markets at a time when real wages have fallen by over a quarter and wage arrears are rising? And to implement the new Labour Code (that Tymoshenko and Yanukovich tried and failed to implement) that will make it easier for employers to lay off and dismiss their employees?

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The Coalition Agreement says that breaking the old system of inequality will strengthen the country's capacity to resist foreign aggression. "Corruption, poverty and economic backwardness are the strongest allies of the fighters, the terrorists, the interventionists and revanchists". We wait to see which policies the new government implements, which fall by the wayside, whose interests the new government will serve.

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[1] <http://gazeta.dt.ua/internal/pislya...>

[2] <http://tradeunion.org.ua/intervyu-g...>

[3] <http://www.pravda.com.ua/articles/2...>

[4] <http://tradeunion.org.ua/intervyu-g...>