

## Oligarchs After The Maidan: The Old System In A 'New' Ukraine

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There have been major changes in the balance of forces among the key Ukrainian oligarchs, representatives of big business with strong political influence, since the victory of the Maidan revolution. However, these changes have not undermined the oligarchic system *per se*. Over the past decade or so, the oligarchs have been key players in Ukrainian politics and economy, and they have retained this position until the present. One of the effects of the change of the government in Kyiv and the war in the Donbas was the elimination of the influence of 'the family' – the people from Viktor Yanukovich's inner circle who formed the most expansive oligarchic group in Ukraine at the time of his presidency. The influence of Rinat Akhmetov, the country's wealthiest man, has also weakened significantly; Akhmetov was one of the most influential people in Ukraine for more than ten years, partly owing to his close bonds with Yanukovich. Dmytro Firtash's group has also lost a great deal of its influence since Firtash was arrested in Austria in March 2014.

The elimination ('the family') or the reduction in influence (Akhmetov and Firtash) of what were until recently the most powerful oligarchic groups has been accompanied over the past few months by an unprecedented increase in the influence of Ihor Kolomoyskyi. The present governor of Dnipropetrovsk oblast has become Ukraine's most powerful oligarch, and has ambitions to expand his influence. Other representatives of big business (including Victor Pinchuk, Serhiy Taruta and Oleh Bakhmatyuk) have also maintained their positions. Petro Poroshenko is a special case. He had been considered a second-rank oligarch over the past few years, but since being elected president he has become the most important person in the country, along with Prime Minister Yatsenyuk. However, Poroshenko has promised to sell his main business assets. Despite the reshuffle among the key oligarchic groups seen over the past few months, and the new government's declarations that radical reforms are necessary, the oligarchs are unlikely to lose their influence on Ukrainian politics and economy in the foreseeable future. The conflict in the Donbas, the deep economic crisis in Ukraine and the instability of the government coalition all mean that the government is too weak and lacking in will to eliminate the oligarchs' influence. Furthermore, the outcome of the parliamentary election confirms that representatives of big business have retained significant influence in the Ukrainian parliament. The oligarchs' control of the key economic sectors and the media, coupled with the proneness of government representatives to corruption, means that any possible attempt to upset the oligarchic system will generate serious tension.

### The hidden dimension of Ukrainian politics

The influence of oligarchic groups has been one of the dominant features of Ukrainian politics since the mid-1990s. Even though govern-

ments have changed several times, the oligarchs have been able to maintain their significance and influence by monopolising key economic sectors, with all the possible negative consequences. These reached their apogee after the

'Orange Revolution' in 2004 as a result of the bitter rivalry between the president and the prime minister and the weakening of the state. As a consequence, competition between the major oligarch groups<sup>1</sup> has become one of the key mechanisms in Ukrainian politics. Each group has provided individual political parties with funds and support from the TV stations which they have owned. In exchange for this, their interests have been represented in parliament and other state institutions. One could say that a parallel dimension of Ukrainian politics has been formed, where oligarchs are key players, even though their game takes place behind the scenes. The oligarchic system has become a durable element of Ukrainian everyday political and economic life. However, paradoxically, this rivalry between the few most powerful oligarchs has ensured pluralism in politics, and has for many years successfully blocked any authoritarian tendencies.

### **The oligarchs are unlikely to lose their influence on Ukrainian politics and economy in the predictable future.**

The balance in the system was upset to a certain degree after Viktor Yanukovich was elected president in March 2010. The group focused around him ('the family') led by his son, Oleksandr, soon started expanding its influence, taking over more and more assets and weakening the other big business groups. However, the two strongest oligarchs, Rinat Akhmetov and Dmytro Firtash, were able to maintain a significant degree of influence<sup>2</sup>. As a result,

<sup>1</sup> See the comprehensive study concerning oligarchs in Ukraine: Sławomir Matuszak, 'Oligarchic democracy. The influence of business groups on Ukrainian politics', *OSW Studies*, September 2012; <http://www.osw.waw.pl/en/publikacje/osw-studies/2012-10-16/oligarchic-democracy-influence-business-groups-ukrainian-politics>

<sup>2</sup> Akhmetov remained the most important sponsor and 'shareholder' of the Party of Regions thanks to his good relations with Yanukovich. Serhiy Lyovochkin was the main representative of the Firtash group in the government. He served as the head of the Presidential Administration under Yanukovich (2010–January 2014). Both oligarchic groups took over more assets at that time.

a system was formed where three oligarchic groups held the strongest positions, and a few other oligarchs remained in the second tier<sup>3</sup>. The Maidan put an end to what had seemed the inevitable further growth of 'the family's' strength.

The anti-governmental protests were backed more or less openly by some Ukrainian oligarchs, including Petro Poroshenko and Viktor Pinchuk, although they did not belong to the most influential groups. They viewed the continuing expansion of 'the family' and the increasingly evident tendency towards undermining the previously existing pluralism as a threat<sup>4</sup>. Serious changes have been seen in the balance of forces between the oligarchic groups since Yanukovich fled the country and the conflict in eastern Ukraine broke out.

### **The major oligarchic groups after the Maidan**

One direct effect of the government change in February 2014 was the elimination of 'the family's' influence. The greater part of the assets and bank accounts which it controlled have been frozen, and the leading representatives of this oligarchic group (including Oleksandr Yanukovich, the former prime minister Serhiy Arbuzov, the former minister for energy Eduard Stavitsky, and their close aide Serhiy Kurchenko) fled abroad. Investigations were launched against them on charges of corruption, fraud and misappropriation

<sup>3</sup> According to *Forbes*, at the beginning of 2014, the following Ukrainian oligarchs owned a fortune worth more than US\$1 billion: Rinat Akhmetov (12.5 billion), Victor Pinchuk (3.2 billion), Ihor Kolomoyskyi (2.1 billion) and his business partner Henadiy Boholyubov (2.3 billion), Yuriy Kosyuk (1.5 billion), Vadim Novinsky (1.5 billion), Petro Poroshenko (1.3 billion), Kostyantyn Zhevago (1.2 billion), Serhiy Tihpko (1 billion). *Forbes* did not take into account Dmytro Firtash, whose fortune, according to *Focus*, was worth US\$3.3 billion in 2013.

<sup>4</sup> The oligarchs felt even more insecure when Oleksandr Yaroslavsky, a powerful businessman from Kharkiv, was forced to sell part of his assets to Serhiy Kurchenko, a young businessman linked to 'the family'. See: Wojciech Konończuk, Arkadiusz Sarna, 'The presidential "family" in Ukraine is developing its business base', 26 June 2013, <http://www.osw.waw.pl/en/publikacje/analyses/2013-06-26/presidential-family-ukraine-developing-its-business-base>

of state assets<sup>5</sup>. At the same time, 'the family', led by Yanukovich and in co-operation with Russia, provoked the destabilisation of the situation in Donbas in March-April 2014 by financing the separatists in the first phase of the conflict. However, the plan to use the region as a method to regain influence on Ukrainian politics did not work.

The political position of Rinat Akhmetov, who was one of the beneficiaries of the Party of Regions' rule, has been undermined significantly. It appears that the oligarch, who had vast influence in Donetsk oblast, was among those who inspired the destabilisation of the situation in eastern Ukraine. He thus attempted, like 'the family' and most likely in collaboration with them, to use this as a bargaining chip in his contacts with the new government. As the conflict escalated in the region and Russia increased its military engagement, Akhmetov was excluded from the main game<sup>6</sup>. As a consequence of the war in the Donbas, he has lost part of his assets which remain in the territories controlled by the 'separatists' (some of them have been destroyed during the fights, others have withheld or limited their operation). However, he has successfully diversified his business over the past few years, taking over assets in other parts of Ukraine, including in the power (DTEK)<sup>7</sup>, telecommunication (Ukrtelekom) and agricultural (HarvEast) sectors. The fact that Akhmetov is not in open conflict with the new government can be seen as proof that he has sealed a deal with Kyiv. Furthermore, the government has not called into question the results of the priva-

tisation of state assets since 2010, the key beneficiaries of which were Akhmetov and Firtash. The influence of Dmytro Firtash, the owner of Group DF, a holding operating mainly in the chemical, gas and banking sectors, has shrunk since the Maidan. He was among those oligarchs whose assets had increased under Yanukovich's rule. Firtash is viewed as a businessman who has links with Russia because he has traded in Russian gas in co-operation with Gazprom for many years; this was the source of his capital<sup>8</sup>. Firtash was arrested in Vienna on 12 March 2014 at the FBI's request on charges of bribery; this led directly to his loss of influence on Ukrainian politics. He paid bail of €125 million uros and was put under house arrest. At present, he is waiting for the Austrian prosecution authorities to decide whether he should be surrendered to US authorities. Serhiy Lyovochkin represents his political interests in Ukraine.

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Despite his problems with the justice authorities, Firtash is still making attempts to influence Ukrainian politics. The Austrian press has reported<sup>9</sup> that Firtash, Lyovochkin, Petro Poroshenko and Vitali Klitschko met in Vienna in late March 2014. Most likely, the main purpose of their meeting was to set the conditions on which Klitschko would withdraw from the presidential race and leave room for Poroshenko<sup>10</sup>.

<sup>5</sup> It is worth noting that initially the court accused Kurchenko of using a "criminal mechanism" at the time of purchase in 2013 of UMH media holding (US\$170 million) and FC Metalist Kharkiv (US\$100 million). However, the shares of the two firms have not been frozen and are still owned by him. Kurchenko bought UMH from Borys Lozhkin, who has served as the head of Poroshenko's Presidential Administration since June 2014.

<sup>6</sup> However, the 'separatists' have so far left Akhmetov's residence in Donetsk intact. This gives grounds for the assumption that he still has some influence in the self-proclaimed Donetsk People's Republic.

<sup>7</sup> DTEK controls 76% of the heat energy production market and 27% of total electricity production in Ukraine.

<sup>8</sup> Gazprombank was the main creditor of Group DF. Following the annexation of Crimea, Firtash remained the owner of Crimean Titan, one of Europe's largest titanium producers; <http://www.dsnews.ua/economics/firtash-otdal-krymskiy-titan-moskovskoy-dochke--20102014080300>

<sup>9</sup> <http://www.oe24.at/oesterreich/politik/daniel/Klitschko-Poroshenko-geheim-mit-Firtasch-in-Wien/138157731>

<sup>10</sup> Serhiy Leshchenko, 'Poroshenko-Klitschko. Videnskiy alians pod patronatom Firtasha', *Ukrayinska Pravda*, 2 April 2014.

Since the Klitschko's party UDAR came into existence, the Ukrainian media have suggesting that it is linked to Firtash, who is believed to be its main sponsor. Several days after the meeting in Vienna, Klitschko officially announced that he would not run for the presidency and declared his support for Poroshenko. This marked the beginning of the ongoing alliance between these two politicians. Poroshenko, who had no political base of his own, used the structures of UDAR in his presidential campaign. UDAR later joined the Petro Poroshenko Bloc. It can be assumed that Firtash, who most likely 'gave birth' to this agreement, received security guarantees for his assets in exchange<sup>11</sup>.

### The growing significance of Kolomoyskyi

The most important tendency seen in the Ukrainian oligarchic system over the past year has been the enormous increase in Ihor Kolomoyskyi's influence. He has been one of the most powerful people in Ukraine since the 1990s. His economic influence covers the following sectors: banking (PrivatBank, Ukraine's largest bank<sup>12</sup>), oil (control of Ukrnafta, the most important fuel company), chemical (including DniproAzot), mass media (several TV stations, including the popular channel 1+1) and airlines (including MAU). Most of Kolomoyskyi's assets form the Privat Group, a non-transparent holding which is controlled by Kolomoyskyi and his long-term business partner, Henadiy Boholyubov. Both oligarchs are known for taking over business assets illegally and by force ('corporate raiding')<sup>13</sup>.

<sup>11</sup> Firtash manifested his self-confidence in his interview for *New York Times* in which he openly admitted: "Yes, I can influence politics. I am not a politician, but I have certain influences." David M. Herszenhorn, 'Brash Ukrainian mogul prepares to fight U.S. bribery charges', *New York Times*, 6 May 2014.

<sup>12</sup> At the end of 2014, PrivatBank's assets were worth 201 billion hryvnias and were larger than the assets of the two next largest Ukrainian banks taken together; <http://banker.ua/officialrating/active/active/11/2014>

<sup>13</sup> For more information on corporate raiding in Ukraine, see Matthew A. Rojansky, 'Corporate Raiding in Ukraine: causes, methods and consequences', *Demokratizatsiya*, no. 3, 2014.

In the early period of Viktor Yanukovych's rule, Kolomoyskyi came into conflict with Yanukovych's inner circle, and the media began to speculate that he might thus be deprived of part of his assets<sup>14</sup>. However, the oligarch soon reached an agreement with the new government; and this was accompanied – as can be assumed – by consent to grant unclear financial concessions. Until early 2014, Kolomoyskyi lived mainly outside Ukraine. Although he did not lose any of his assets, unlike other major oligarchic groups, he did not gain any new ones either. Immediately after the Maidan, when Russia launched its aggression in Crimea, and the situation in the east of the country became destabilised, Kolomoyskyi put forward his candidacy to become governor of Dnipropetrovsk oblast to the new government. Before this, the oligarch had shunned any public activity, and had never held any political functions.

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The acting president Oleksandr Turchynov nominated him as the governor on 2 March 2014. What might seem at first glance to have been a surprising decision was a result of the convergence of interests of Kyiv and Kolomoyskyi. The oligarch's key assets were located in this critical region for Ukraine, which was then under high risk of Russian-inspired destabilisation. He himself had spent most of his life in Dnipropetrovsk and was able to strongly influence the situation there. It did not take long for Kolomoyskyi and his group<sup>15</sup> to calm the situation in the region and to successfully thwart

<sup>14</sup> Alexey Pedosenko, 'Donetskiye pilyat biznes Kolomoyskygo?', *Glavcom.ua*, 15 September 2010.

<sup>15</sup> Henadiy Korban, Boris Filatov and Svyatoslav Oliynyk, Kolomoyskyi's trusted people who are in charge of his business, were appointed deputy governors.

attempts to expand the destabilisation out of Donbas. The first volunteer battalions (Dnipro and Dnipro-1, each consisting of around 500 people) were formed upon the Kolomoyskyi group's initiative and are financed in part by the Privat Group. Kolomoyskyi also provided financial support for several months to various newly-formed battalions (including the Azov, Aydar, Donbas and Right Sector battalions).

### **Kolomoyskyi's political successes encouraged him to embark upon business expansion at the expense of other oligarchs.**

Kolomoyskyi's effective rule in Dnipropetrovsk oblast was especially evident when compared to the failure of Serhiy Taruta, an oligarch from the metallurgical sector who holds shares in the metallurgical holding ISD, and who had been nominated as governor of Donetsk oblast at the same time<sup>16</sup>. Even though Taruta comes from Donbas and his business assets are located there, he has proved unable to contain the growing destabilisation in the region; he had initially downplayed the threat.

Within a few months of taking office, Kolomoyskyi was able not only to stabilise the situation in Dnipropetrovsk oblast (winning the residents' support) and protect his business, but also to expand his influence to other regions. In early May 2014, as a consequence of Kolomoyskyi's lobbying, Ihor Palytsia was appointed governor of Odessa oblast, a region of strategic significance for Ukraine. Palytsia is the chairman of the supervisory board of the Ukrnafta company, and has worked for Kolomoyskyi for many years. Kolomoyskyi also has a certain, albeit unclear, scope of influence in Kharkiv oblast owing to his good relations with the mayor of Kharkiv, Henadiy Kernes.

<sup>16</sup> According to Ukrainian media reports, Kyiv initially offered this function to Rinat Akhmetov, but he rejected this offer.

Kolomoyskyi's political successes encouraged him to embark upon a programme of business expansion at the expense of other oligarchs. Last July, in his capacity as governor of Dnipropetrovsk oblast, he announced that the state should confiscate assets owned by supporters and sponsors of separatism, and also by those who gained their assets as a result of unfair privatisation<sup>17</sup>. On that occasion he mentioned companies which had been privatised after 2010 by Akhmetov and Firtash. The two groups felt endangered by the growing significance of the oligarch from Dnipropetrovsk. Ivan Fursin, Firtash's trusted business partner, said in an interview that "Kolomoyskyi feels that we have been weakened, and wants to destroy us, take away everything from us"<sup>18</sup>. However, Kolomoyskyi has still not managed to deprive the competitive oligarchic groups of their assets, due to a lack of consent from Kyiv<sup>19</sup>. Nevertheless, he knows how to use the new political situation to develop his business: Ukrnafta is the main fuel supplier for the army, PrivatBank received significant loan support from the National Bank of Ukraine last year, and the companies controlled by him have won tenders announced by the state.

### **Oligarchs in the election process**

When the 2004 constitution was reinstated in late February 2014, the role of the president was weakened, and the parliament's prerogatives strengthened significantly. The change of the political system is beneficiary from the point of view of the oligarchs who since the 1990s had been influencing the key political parties,

<sup>17</sup> 'Kolomoyskyi rozpoviv, schcho iz aktyviv Akhmetova i Firtasha slid natsionalizuvaty', *Ukrayinska Pravda*, 14 July 2014.

<sup>18</sup> Tatiana Nikolayenko, 'Oligarkhi na vyborakh: stavki Lyovochkina, Firtasha i Boyko', *The Insider*, 20 October 2014.

<sup>19</sup> His only successful move to this extent was the refusal to renew the long-term lease of two titanium factories to Group DF. These factories were leased to Kolomoyskyi's companies; <http://biz.liga.net/all/industriya/stati/2830037-dobycha-firtasha-chto-zhdet-titanovyy-biznes-oligarkha-bez-dvukh-gokov.htm>

which have become an instrument for lobbying for their interests. Representatives of big business have traditionally offered financial and media support to political parties in exchange for placing their people or themselves on party lists to gain immunity (for example, Akhmetov, Poroshenko and Pinchuk were members of parliament in the past). Despite the changes in the balance of forces between the Ukrainian oligarchs, ensuring a strong representation in the new parliament has become one of their key political goals.

An analysis of the election campaign, the information policy of the TV stations controlled by the oligarchs, and the biographies of the new deputies leads to the conclusion that the major Ukrainian oligarchic groups have gained significant influence in the Verkhovna Rada as a result of the parliamentary elections on 26 October 2014. It is impossible to present this in detail, but the scope of their impact on individual political parties can be reconstructed.

The Petro Poroshenko Bloc, which has formed the most numerous faction in the parliament (148 out of 422 parliamentary seats), is clearly influenced by two oligarchic groups: the group of Dmytro Firtash, who has links with UDAR, and the group of Ihor Kolomoyskyi, who was able to place his people on the list of candidates of this presidential bloc<sup>20</sup>. However, Kolomoyskyi clearly has the strongest influence on the People's Front led by Prime Minister Arseniy Yatsenyuk (81 deputies). Several businessmen and volunteer battalion commanders linked to Kolomoyskyi were placed as candidates on this party's lists<sup>21</sup>. While Kolomoyskyi's TV station 1+1 actively supported the election campaign of Yatsenyuk's Front, Ukraine's most popular channel Inter, which is

controlled by Firtash and Lyovochkin, backed above all the Poroshenko Bloc.

Firtash's group has also had visible influence on other parliamentary factions, including the Radical Party (22 seats) led by Oleh Lyashko (who has had links with Firtash for a long time) and to an extent in the Opposition Bloc (40 seats), a new grouping formed after the break-up of the Party of Regions. The Opposition Bloc project has a few major 'shareholders'; in addition to Firtash, these include Rinat Akhmetov and Viktor Medvedchuk, one of the key lobbyists for Russian interests in Ukraine<sup>22</sup>.

### **The most recent parliamentary election has proven that Ukraine's strongest oligarchic groups remain important political players.**

It is unclear precisely what share of the parliament is controlled by the oligarchs, especially as some of the deputies they supported won their seats in single-member constituencies (for example, Boris Filatov, the deputy governor of Dnipropetrovsk oblast, and Serhiy Taruta)<sup>23</sup>. Furthermore, there is a group of nineteen independent deputies who form a parliamentary group called People's Will, which was established by Ihor Yermeyev, a second-league oligarch from the oil sector<sup>24</sup>. Another group of independent deputies, Economic Development (19 seats) formed by Vitaliy Khomutynnik, is in turn within the orbit of Kolomoyskyi's influence. Apparently, Self-Reliance (32 seats) is the party least influenced by the oligarchs, even though it was clearly backed by the TV channel 1+1 during the election campaign.

<sup>20</sup> For example, Oleksandr Dubinin, until recently director of DniproAzot (Kolomoyskyi's company); Oleksandr Shevchenko, director of the Carpathian holiday resort Bukovel (owned by Privat); Vitali Kupyi, Kolomoyskyi's advisor, Taras Batenko, former director of UkrTransNafta (a company controlled by Kolomoyskyi); and Ihor Palytsia, the governor of Odessa (he rejected a parliamentary seat).

<sup>21</sup> Yuriy Bereza (Dnipro-1) and Andriy Teteruk (Mirotvoret).

<sup>22</sup> 'Soobrazili na troikh', Hubs.com.ua, 3 October 2014.

<sup>23</sup> According to Filatov, Kolomoyskyi controls fifteen deputies from the Poroshenko Bloc. 'Filatov: zachem zvat inostrantsev v kabmin, yesli prokurory v dole?', Liga.net, 3 December 2014; Maksim Kamenev, 'Igry oligarkhov posle vyborov', *The Insider*, 10 December 2014.

<sup>24</sup> Maksim Kamenev, *op. cit.*

## The de-oligarchisation of Ukraine?

The most recent parliamentary elections have proven that Ukraine's strongest oligarchic groups remain important political players. Two of them, Kolomoyskyi's group and that of Firtash/Lyovochkin, have gained the strongest influence in the parliament. This means that they will be an essential element in politics throughout the present parliamentary term.

At present, nothing seems to indicate that the new government could bring about a de-oligarchisation of the state. The extensive coalition agreement does not even mention the problem posed by the oligarchs' excessive influence. It appears that no change in this context can be realistically expected in the foreseeable future, for several reasons. Firstly, the most powerful oligarchs have an extensive range of influence on the key political parties, whose leaders – as it seems – have certain (non-public) obligations with regard to them. There is still no answer to the question as to what extent the people who govern the post-Maidan Ukraine are willing to carry out systemic reforms; and this would be contrary to the oligarchs' interests. Secondly, even if the required political will were present, the government is too weak to significantly curb the oligarchs' influence, especially given the continuing war in the Donbas and – as everything seems to indicate – the worsening ongoing economic crisis. Thirdly, the oligarchic groups are strong entities which control entire sectors of the economy and almost all the key TV stations; and this offers them a strong instrument to influence the public. Any attempt to strip them of part of their assets, even in the form of annulling some dubious privatisations, would give rise to open conflict between Kyiv and the oligarchs. As a result, it appears that we cannot expect a disassembly of the oligarchic system. What can be expected, at the very most, is a further weakening of some oligarchs' positions and gradual steps aimed at 'civilising' the system.

Measures promised by the government aimed at de-monopolising the economy will contribute to reducing the oligarchs' influence.

The government in Kyiv is interested in maintaining a pluralism of oligarchic influences, which means a relative balance of forces between the strongest groups. The rise in significance of Ihor Kolomoyskyi's group observed over the past few months is especially dangerous for the state in this context. The government took some visible measures in December 2014 and January 2015 against this oligarch, including an attempt to deprive him of control of Ukrnafta<sup>25</sup> and the summons sent to Henadiy Korban, deputy governor of Dnipropetrovsk oblast, to appear at a public prosecutor's office. However, this does not appear to be a beginning of an open conflict between President Poroshenko and Kolomoyskyi, but rather a desire to show that the rules of the game are set by Kyiv. As mentioned above, the government is too weak, and Kolomoyskyi is too strong for such a confrontation to be possible. It is also worth noting the oligarch's growing influence in Dnipropetrovsk oblast, which is becoming his 'appanage principality'. Public opinion polls carried out in December 2014 indicated that 34.2% of the residents of this oblast wanted Ukraine to be federalised (11% had supported this concept eight months before), this being the highest rate among all regions<sup>26</sup>. Furthermore, the vote in parliament on a law that would deprive the Privat Group of control over Ukrnafta has made it clear that Kolomoyskyi has extensive influence inside Yatsenyuk's party (only 13 out of 82 deputies from the People's Front voted in favour of this act).

<sup>25</sup> Even though the state holds more than 50% of the shares in Ukrnafta, Privat (with a 42% stake) has controlled this profitable company for ten years, paying out either only small dividends or (as in 2011–2013) none at all. In January 2015, the Verkhovna Rada changed the law reducing the number of votes required to convene a general meeting of shareholders from 60% to 50% plus one share. This might be a step towards Kyiv's regaining control of Ukrnafta. The law will take effect in 2016. Furthermore, Ukrnafta has tax arrears worth 3 billion hryvnias (around US\$200 million).

<sup>26</sup> KMIS survey, [opros2014.zn.ua](http://opros2014.zn.ua).

The government has also made some moves aimed against the interests of Rinat Akhmetov. The Ministry for Energy has taken measures to weaken the position of his company, DTEK, accusing it of setting excessively high electricity prices. Until recently, DTEK was briskly heading towards the monopolisation of the Ukrainian power sector. Akhmetov himself was interrogated by prosecution authorities in connection with the suspicions of financing separatism in the Donbas. At present, nothing seems to indicate that this could be a beginning of the end of Akhmetov's business empire, but – of all the major oligarchic groups – he has the least political possibilities to lobby for his interests. The government has also taken visible measures towards Firtash's companies (for example, the state-owned company Naftohaz insists that several chemical companies from Group DF be declared bankrupt due to their gas debts, and a group of influential politicians has appealed for a cancellation of Inter TV's licence), which can be viewed as attempts to discipline this oligarchic group. This comes in addition to the intensifying dispute between Firtash and Akhmetov on the one hand, and on the other between these two oligarchs and Kolomoyskyi, who would like to strip them of part of their assets<sup>27</sup>.

The likely further decline in the influence of some 'old' oligarchs, especially those from the metallurgical and coal sectors (including Akhmetov, Novinsky and Taruta) will be accompanied by the growing significance of the

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<sup>27</sup> Korban, Kolomoyskyi's trusted man, has stated in an interview that a new distribution of property is "100% sure" and that "some Ukrainian oligarchs may lose their assets". Yulya Lavrystyuk, 'Hennadiy Korban: u rossiyskikh kompaniy my dolzhny otobrat vse', *Obozrevatel*, 29 August 2014.

agrarian lobby, which generates 25% of Ukrainian exports. Certain oligarchs from the food and agricultural sector (including Oleh Bakhmatyuk, Andriy Verevskyi and Yuriy Kosyuk<sup>28</sup>) already have powerful political connections, and will try to use them to influence the passage of an act introducing free trade in arable land, which is expected to be presented during the present term of the Verkhovna Rada<sup>29</sup>.

Ukrainian oligarchs, capitalising on the state's weakness and the government representatives' proneness to corruption, have gained such extensive influence on the economy over the past few years that some of its key sectors have been monopolised, with all the accompanying negative consequences. Their financial strength has enabled them to successfully lobby for their interests on the political level. The Maidan revolution has left the Ukrainian oligarchic system unshaken, and the parliamentary elections have shown that the most powerful oligarchs have gained serious opportunities to influence Ukrainian politics. It should be expected that the oligarchs will remain influential players in Ukraine for as long as they are able to use the weak state and well-developed corruption mechanisms to support their interests. The still strong oligarchic system will thus be one of the impediments in the process of reforming the Ukrainian state.

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<sup>28</sup> From July to December 2014, he served as deputy head of Poroshenko's Presidential Administration. It is worth noting that companies owned by Petro Poroshenko control 96,000 ha of agricultural land.

<sup>29</sup> For more information on the condition and future of the Ukrainian agriculture, see: Arkadiusz Sarna, 'The transformation of agriculture in Ukraine: from collective farms to agrohholdings', *OSW Commentary*, 6 February 2014; <http://www.osw.waw.pl/en/publikacje/osw-commentary/2014-02-07/transformation-agriculture-ukraine-collective-farms-to>

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