

# OLIGARCHS AND POLITICS IN UKRAINE

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**Abstract:** Since Ukraine's formal political regime has changed substantially several times over the last two decades, the country offers an ideal case to study the relationship between political regime dynamics and the political role of the oligarchs. Based on an original dataset covering all Ukrainian oligarchs and on case studies of different forms of political influence, this article shows that a core of oligarchs has remained stable throughout the period under study from 2000 to 2015 and that their strategies to exert political influence have remained largely unchanged. These strategies, based on informal manipulations, have clearly put the political opposition at a pronounced disadvantage. However, oligarchs are not the major power brokers in Ukrainian politics, as they have always sought accommodation with those having or gaining political power, i.e. the oligarchs do not determine who wins political power, but they act as catalysts for an ongoing change by giving additional support to the winning side. In such settings the major impact of regime dynamics on the political role of oligarchs has been in the degree of political rivalry. A higher degree of political rivalry leads to pluralism by default, which gives political parties, parliamentary deputies and mass media more freedom and is reflected in democracy rankings by better marks. However, as the oligarchs' informal manipulations continue largely unchanged, such pluralism does not indicate a genuine commitment to democratic standards.

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Based on the classical definition of oligarchy, i.e. the rule of a few self-interested elites, the term “oligarch” denotes, among other things, entrepreneurs who use their wealth to exert political influence. In this context, the concept of an oligarch is also closely associated with political corruption, and the term is primarily used in the analysis of formally democratic systems with authoritarian tendencies, such as those found in Latin America, South-East Asia and, since the 1990s, in Eastern Europe. In a narrower sense, which is how the term will be used here, the concept does not include politicians or civil servants who use their political influence to obtain control over economic activities.

In post-Soviet Ukraine, the influence of oligarchs has increasingly come to be seen as a central feature of the political regime. When oligarchs succeeded in securing a pro-presidential majority in parliament in 2000, luring away deputies from other parliamentary factions, their power became evident. To the opposition, the oligarchs became symbolic of President Leonid Kuchma’s corrupt and undemocratic power-grabbing strategies. Some of the central demands of the successful opposition protests at the end of 2004 therefore included the prosecution of the oligarchs and the separation of business and politics. However, oligarchs remained an important feature of Ukrainian politics during the presidency of Viktor Yushchenko which followed. After Yushchenko lost the presidential election in 2010 to Viktor Yanukovich, the role of oligarchs was seen as gaining in importance. When Yanukovich was ousted in 2014, oligarchs again assumed prominent political offices. Accordingly, oligarchs are treated as a key factor in Ukrainian politics.

This analysis will compare the political role of oligarchs for the Kuchma presidency (2<sup>nd</sup> term from 2000 to 2004), the Yushchenko presidency (2005 to 2010), the Yanukovich presidency (2010 to 2014) and the Poroshenko presidency (since 2014). During the four periods under study, the formal political regime of Ukraine has changed substantially. Ukraine, therefore, offers an ideal case to examine the relationship between political regime dynamics and the political role of the oligarchs.

The analysis starts with a summary of the current state of research concerning the political role of oligarchs. After a brief introduction to the relevant changes of Ukraine’s formal political regime, the rise of the Ukrainian oligarchs as entrepreneurs is outlined and the term oligarch is operationalized for the empirical analysis. The major part of the analysis then examines the political activities of the oligarchs, looking at their informal networks, their assumptions of formal political offices and their control over politically relevant mass media. The data presented then allows for conclusions on the links between oligarchs and political regime dynamics.

## Oligarchs and Politics

Recently the debate about concepts to describe informal politics in non-democratic settings has regained attention in political science. In this context the academic literature regularly assumes that oligarchs have a decisive impact on the political regime.

The most wide-spread approach, dating back to the 1990s, has been neatly defined as state capture by Joel Hellman and his colleagues. This concept refers explicitly to the post-socialist countries and, therefore, focuses on the early winners of the first market reforms after the end of the planned economy. These winners profited from market distortions and political connections. As the author of the concept elaborates, “the winners from an early stage of reform have incentives to block further advances in reform that would correct the very distortions on which their initial gains were based. In effect, they seek to prolong the period of partial reforms to preserve their initial flow of rents, though at considerable social cost.”<sup>1</sup>

As a result, “in only a decade, the fear of the leviathan state has given way to an increasing focus on oligarchs with the power to ‘capture the state’ and shape the policy-making, regulatory and legal environments to their own advantage, generating concentrated rents at the expense of the rest of the economy.”<sup>2</sup> State capture is defined by the authors as “the extent to which firms make illicit and non-transparent private payments to public officials in order to influence the formation of laws, rules, regulations or decrees by state institutions.”<sup>3</sup> Accordingly, the attempts by the early winners to block further reforms are most likely to be successful in a political regime prone to corruption and manipulations of political decision-making. Thus, the state capture approach claims that in hybrid or semi-authoritarian regimes, oligarchs use informal and illegal methods on a large scale to influence political decision-making processes in a way which secures their rent-seeking opportunities.

While the state capture thesis focuses on the oligarch’s business interests, the more recent concept of competitive authoritarianism, developed by Levitsky and Way, offers the opportunity to conceptualize the role of oligarchs in politics. According to Levitsky and Way, “competitive authoritarian regimes are civilian regimes in which formal democratic

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<sup>1</sup> Joel S. Hellman. 1998, “Winners take all. The politics of partial reform in postcommunist transitions.” *World Politics* 50: 203-234, quote: 233.

<sup>2</sup> Joel S. Hellman, Geraint Jones, and Daniel Kaufmann. 2000. “‘Seize the State, Seize the Day.’ State Capture, Corruption, and Influence in Transition,” World Bank Policy Research Working Paper 2444, Washington: The World Bank, quote from abstract. See also: Joel S. Hellman, Geraint Jones, and Daniel Kaufmann. 2003. “Seize the State, Seize the Day: State Capture and Influence in Transition Economies,” *Journal of Comparative Economics* 31 (4): 751-773.

<sup>3</sup> Hellman, Jones, and Kaufmann. 2000: 5-6.

institutions exist and are widely viewed as the primary means of gaining power, but in which incumbents' abuse of the state places them at a significant advantage vis-à-vis their opponents. Such regimes are competitive in that opposition parties use democratic institutions to contest seriously for power, but they are not democratic because the playing field is heavily skewed in favor of incumbents. Competition is thus real but unfair."<sup>4</sup> Oligarchs can play an important part in such a system, as they can use their financial power and their media holdings to help the ruling political elites create an uneven playing field.

Accordingly, in the context of competitive authoritarianism, the oligarchs, when trying to preserve their rent-seeking opportunities, also promote informal political manipulations, thus undermining democratic consolidation. At the same time, they form rival centers of political power, thus also preventing authoritarian consolidation. As a result, competitive authoritarian regimes can remain stable for longer periods of time.<sup>5</sup>

Hale, who is looking at the organization of political power in his most recent book, argues that "in post-Soviet Eurasia, networks rooted in three broad sets of collective actors typically constitute the most important building blocks of the political system, the moving parts in its regime dynamics: (1) local political machines that emerged from reforms of the early 1990s, (2) giant politicized corporate conglomerates, and (3) various branches of the state that are rich either in cash or in coercive capacity. Whoever controls these bosses, "oligarchs," and officials controls the country. [...] Understanding that this is the way politics works, the country's machine bosses, oligarchs, and officials have a strong incentive to fall into line or, even better, to get on the chief executive's good side by proactively working in his or her interest. [...] The recent political history of almost every post-Soviet country, therefore, has included the creation of a single pyramid of authority, a giant political machine based on selectively applied coercion and reward, on individualized favor and punishment." In this context, "the most important distinction among patronalistic polities is whether these patronal networks are arranged in a single pyramid or multiple, usually competing pyramids."<sup>6</sup>

The approaches presented above differ in their focus, looking at rent-seeking by oligarchs, manipulations of the formal political regime and the "real" patronage-based political regime respectively, and with that they

<sup>4</sup> Steven Levitsky and Lucan A. Way. 2010. *Competitive authoritarianism. Hybrid regimes after the cold war*, Cambridge University Press: 5.

<sup>5</sup> On the example of Ukraine, this argument has been developed by: Lucan Way. 2005. "Rapacious individualism and political competition in Ukraine 1992-2004," *Communist and Post-Communist Studies* 38: 191-205.

<sup>6</sup> Henry Hale. 2015. *Patronal Politics. Eurasian Regime Dynamics in Comparative Perspective*. Cambridge University Press, quotes from the Introduction.

disagree about the relevance of specific parts of the political regime, but their basic assumptions about the role of oligarchs are not incompatible. All authors assume that oligarchs engage in informal networks with political elites in order to promote their business interests, leading to a symbiotic relationship which helps to block market-oriented and democratic reforms.

Moreover, all three approaches describe the existing regime as more stable than most observers assume. Hale states that research has to reorient “from a logic of regime change to a logic of regime dynamics, a logic that [...] can capture how the moving parts of highly patronalistic polities (such as oligarchic networks and regional political machines) arrange and rearrange themselves in regular, even predictable ways that might on the surface look like a regime “change” but that in reality reflect a stable core set of informal institutions and operating principles.”<sup>7</sup>

Concerning the political role of oligarchs, the post-Soviet region so far indeed does not offer empirical cases of big changes. However, based on political economy models, it has been argued that in the longer term the role of oligarchs in politics will change. Focusing on the role of property rights and citing the example of “robber barons” in the United States of America at the end of the 19<sup>th</sup> century, the argument goes that after they have accumulated huge wealth, the oligarchs get increasingly interested in a functioning legal system with secure property rights in order to defend their riches.<sup>8</sup>

In this context, Winters looks at the oligarchs’ strategies of wealth defense, differentiating between property defense and income defense. As long as property rights are not secure, wealth defense is based on informal political influence. However, once property rights are secure, the focus of the oligarchs shifts to income defense, which is mainly based on business strategies of tax minimization. This implies that in the longer run the oligarchs promote a political regime, which will allow them to keep their wealth without regular interventions in politics.<sup>9</sup>

At the same time, it also seems reasonable to assume that political regime dynamics have an impact on the political role of the oligarchs. Gill argues that oligarchs or, in his terminology, the industrial bourgeoisie “sought to fit into the hierarchy of power as it found it, using existing processes and structures to press its concerns and widen its influence.”<sup>10</sup> Similarly an analysis of 296 Russian business tycoons of the period from

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<sup>7</sup> Ibid.

<sup>8</sup> See e.g.: Christopher Clague, Philip Keefer, Stephen Knack, Mancur Olson. 1996. “Property and Contract Rights in Autocracies and Democracies,” *Journal of Economic Growth* 1 (2): 243-276.

<sup>9</sup> Jeffrey A. Winters. 2011. *Oligarchy*. Cambridge: Cambridge University Press.

<sup>10</sup> Graeme Gill. 2008. *Bourgeoisie, state, and democracy. Russia, Britain, France, Germany and the USA*. Oxford: Oxford University Press: 325.

1995 to 1999 leads Braguinsky to conclude that “new oligarchs appear to have by and large accepted the rules of the game [...], simply using political influence to their own advantage in the fight for control of valuable assets.”<sup>11</sup> Accordingly, the relationship between political regime and oligarchs is an interdependent one. Oligarchs have an impact on the political regime, but the political regime also influences the roles and strategies of the oligarchs.

One could expect that a sudden change in the group of political power holders leads to a change in the composition of oligarchs, because some fall out with the new rulers and new businesspeople are promoted to oligarchic status through their connections with the new rulers. For the Russian case, Braguinsky finds that “more than half of the postcommunist oligarchs who rose to prominence during the Yeltsin era did not survive in the ranks of the oligarchy until 2006.”<sup>12</sup> With new political rulers in charge, the rules of the political game might also change, which would lead to an adjustment of the oligarchs’ political strategies. If the political change leads to a change in the quality of democracy, the overall political influence of the oligarchs might change, too.

As Ukraine’s group of political power holders and the country’s formal political regime has changed substantially several times over the last two decades, the country offers an ideal case to study the relationship between political regime dynamics and the political role of the oligarchs. This analysis aims to provide a better understanding of the political role of Ukraine’s oligarchs by

- integrating the conceptual approaches presented above and the wealth of already available empirical case studies,
- examining the oligarchs at the individual level (instead of treating them as a group and thus assuming that they all have identical interests and strategies leading to similar outcomes with differences just in the degree of success), and
- paying attention to the effect of political regime dynamics on the oligarchs themselves, an aspect which has so far been rather neglected and limited to explaining survival.

### **Transformations of Ukraine’s Formal Political Regime**

With each new president, Ukraine’s formal constitutional order has changed considerably. During Kuchma’s first term Ukraine received a new constitution which established a semi-presidential system with a strong role for the president as head of the state executive. Towards the end of his

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<sup>11</sup> Sergey Braguinsky. 2009. “Postcommunist oligarchs in Russia. Quantitative analysis,” *Journal of Law and Economics* 52 (2) 307-349, here: p.346.

<sup>12</sup> Ibid.

first term, Kuchma increasingly used his powers as president and support from oligarchs to discriminate against the political opposition and to gain informal control over the media, thus creating a political regime, which according to Way, can be described as competitive authoritarian.<sup>13</sup>

In the context of the Orange Revolution, the constitution was changed at the end of 2004 and during the Yushchenko presidency Ukraine had a parliamentary system where the government was dependent on a parliamentary majority and the powers of the president had been substantially reduced. The standard perception is that the quality of democracy improved after the Orange Revolution. The indicator “Voice and Accountability” of the World Bank’s Worldwide Governance Indicators which had been negative during the Kuchma presidency (indicating a value below the world average) turned positive during the Yushchenko presidency.<sup>14</sup> Freedom House rated Ukraine as partly free during the Kuchma presidency and as free for the Yushchenko presidency.<sup>15</sup>

After Yanukovych had been elected president in 2010 the Constitutional Court declared the constitutional changes of 2004 invalid and the semi-presidential system of the Kuchma period was re-established. At the same time, a worsening of democratic standards was observed. The World Bank’s “Voice and Accountability” indicator turned negative and Freedom House rated Ukraine as partly free.

After Yanukovych had been ousted in February 2014, the constitutional reforms of 2004 were reinstated, thus weakening the powers of the president and strengthening the role of parliament once more. The change was also seen as a return to higher democratic standards, including free and fair presidential and parliamentary elections in summer 2014.

In addition, there have regularly been further changes in Ukraine’s formal political regime. For example, “Ukraine has substantially altered its parliamentary electoral system three times since its first post-communist election in 1994: from majority-runoff (1994) to a mixed-member system (1998, 2002), to a proportional representation system (2006, 2007), returning to a mixed-member system for the 2012 campaign.”<sup>16</sup> The mixed system remained in place for the election in 2014, as all reform attempts failed to receive a majority in parliament.

The changes in Ukraine’s political system were always marked by strong political conflicts. The period under study covers three changes

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<sup>13</sup> Lucan A. Way. 2004. “The sources and dynamics of competitive authoritarianism in Ukraine,” *Journal of Communist Studies and Transition Politics* 20 (1): 143-161,

<sup>14</sup> Data are available at <http://info.worldbank.org/governance/wgi/index.asp>.

<sup>15</sup> Data are available at <http://www.freedomhouse.org/report-types/freedom-world#>. UtFMzfuFfVE.

<sup>16</sup> Erik S. Herron. 2014. “The parliamentary elections in Ukraine, October 2012.” *Electoral Studies* 33 (1): 353-356, here: 353.

of power from one political camp to its rival in 2004, 2010 and 2014. Tensions are also highlighted by popular demands as well as political actions to imprison political rivals. In order to understand the political role of the oligarchs in this context, the following section will provide a brief collective profile of Ukrainian oligarchs, including an operationalization of the term.

### **Oligarchs in Ukraine: A Brief Profile**

From the end of the 1980s until the mid-1990s, the first generation of future oligarchs acquired their start-up capital and set up their first companies or took them over during the privatization process. Most of their business activities consisted of trade and financial operations. In both cases big gains were only possible with political support. Regulatory and inspection authorities turned a blind eye to the new entrepreneurs' activities. The National Bank provided preferential credits. State enterprises became clients. In 1995, the transfer of the formerly state-run natural-gas imports to private firms became another main source of rents.

In the late 1990s, the oligarchs turned from profiteers of political connections into important political actors and with that became proper oligarchs in the sense of the definition used here. The oligarchs were regularly able to manipulate political decision-making processes in order to preserve and expand opportunities for large-scale rent-seeking, prominently blocking reforms related to privatization auctions,<sup>17</sup> energy trade,<sup>18</sup> state procurement,<sup>19</sup> and state aid.<sup>20</sup> However, the oligarchs were not only profiting from links to political elites, but were also blackmailed by these elites to provide support, especially for election campaigns. State actors used their control over regulatory and control agencies, like the tax police or fire inspections, to put pressure on specific businesses while ignoring malpractices conducted by others.<sup>21</sup>

At the same time the oligarchs developed strategic business preferences and invested in vertical integration and modernization. A number of holdings became increasingly integrated into the global economy.<sup>22</sup> As

<sup>17</sup> Heiko Pleines. 2008. "Manipulating politics. Domestic investors in Ukrainian privatisation auctions 2000-2004." *Europe-Asia Studies* 60 (7): 1177-97.

<sup>18</sup> Margarita Balmaceda. 2013. *Politics of Energy Dependency: Ukraine, Belarus, and Lithuania between Domestic Oligarchs and Russian Pressure*, Toronto: University of Toronto Press.

<sup>19</sup> Susan Stewart. 2013. "Public Procurement Reform in Ukraine: The Implications of Neopatrimonialism for External Actors," *Demokratizatsiya* 21 (2): 197-214.

<sup>20</sup> Antoneta Dimitrova and Rilka Dragneva. 2013. "Shaping convergence with the EU in foreign policy and state aid in post-Orange Ukraine. Weak external incentives, powerful veto players," *Europe-Asia Studies* 65 (4): 658-681.

<sup>21</sup> Keith Darden. 2008. "The Integrity of Corrupt States: Graft as an Informal State Institution" *Politics & Society* 36 (1): 35-60.

<sup>22</sup> Yu. Gorodnichenko and Ye. Grygorenko. 2008. "Are oligarchs productive? Theory and

a result, the oligarchs' fortunes grew enormously. According to *Forbes* magazine, which until 2004 did not list a single Ukrainian billionaire, there were seven entrepreneurs with fortunes exceeding US\$1 billion in Ukraine in 2007.<sup>23</sup> A year earlier the Ukrainian journals *Korrespondent* and *Kyiv Post* estimated that 29 Ukrainian entrepreneurs had amassed fortunes worth at least US\$200 million.<sup>24</sup> Although their worth is difficult to calculate precisely due to cross-shareholdings as well as rapidly changing business cycles, it is nevertheless clear that a small group of very wealthy entrepreneurs had established itself in Ukraine.

With the global financial and economic crisis, which hit Ukraine in 2008, the rise of the oligarchs came to an end and several business holdings were restructured or taken over. The Ukrainian journal *Fokus* estimated in 2009 that the crisis had reduced the wealth of the 100 richest Ukrainians by 70 percent.<sup>25</sup> The *Forbes* list of billionaires included only 4 Ukrainians in that year, down from 7 in the preceding year.<sup>26</sup>

The economic recovery as well as the change in the political leadership after the presidential elections of 2010 marked the start of another rapid expansion. Again the political leadership promoted well connected oligarchs. The *Economist* has estimated that in 2013 only 10 percent of the wealth of Ukraine's billionaires came from sectors of the economy which were not dominated by rent-seeking.<sup>27</sup> As a result, many established oligarchs regained their wealth and some new oligarchs emerged, mainly in the food industry, which was being liberalized. The number of Ukrainian billionaires had risen to a new high of 10 by 2013.<sup>28</sup>

The dramatic political and economic crisis of 2014 again put a heavy strain on the position of many oligarchs. The ousting of President Yanukovich discredited those oligarchs with close ties to him. Two oligarchs faced arrest warrants and some others were confronted with criminal investigations. Moreover, the economic crisis and fighting in industrial regions of eastern Ukraine hit some businesses especially hard. As a result, the number of Ukrainian billionaires had shrunk to 5 by 2015. According to *Forbes* the 100 richest Ukrainians had on average lost half of their fortune compared to 2013. The number of entrepreneurs with assets worth at least

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evidence." *Journal of Comparative Economics* 36 (1): 17-42; R. Puglisi. 2008. "A window to the world? Oligarchs and foreign policy in Ukraine." In S. Fischer (ed.): *Ukraine. Quo vadis?* Paris: EU Institute for Security Studies (Chaillot Paper 108):55-86.

<sup>23</sup> <http://www.forbes.com/lists/>

<sup>24</sup> *Kyiv Post*. 2006. The 30 richest Ukrainians. *Kyiv Post* (Special Insert), 29 June (identical to: *Korrespondent*. 2006. Top-30. *Korrespondent* 25 [214] 1 July).

<sup>25</sup> *Fokus*: 150 samykh bogatykh lyudei Ukrainy 2009, *Fokus* 14 (127), 3 April 2009, 25-27.

<sup>26</sup> <http://www.forbes.com/lists/>

<sup>27</sup> "The countries where politically connected businessmen are most likely to prosper." *The Economist*. 15 March 2014.

<sup>28</sup> <http://www.forbes.com/lists/>

US\$200 million had been reduced to 22, i.e. fewer than in 2006.<sup>29</sup>

In this analysis not all rich Ukrainians are covered, but only those who meet the definition of an oligarch as a politically active entrepreneur for at least one year within the period 2000 to 2015. The respective selection criteria are:

- *Political activity at the national level:* The aim of this criterion is twofold. First, it restricts the analysis to businesspeople who are politically active – the key definition of oligarchs. Those who do not engage in politics, like some foreign investors and some domestic investors in agriculture, are not included.

Second, it restricts the analysis to the national level, as political regime dynamics have the most direct impact at the national level and as regional and local politics differ across the country. This criterion, therefore, also excludes oligarchs who are active in local or regional politics only.

Political activity at the national level can be formal or informal, but it should be clear that the entrepreneur has the intention and potential to influence political decision-making processes at the national level on a regular basis. Formal political activities are based on the assumption of political office. Informal activities are harder to identify, but investigative journalistic reporting on oligarchic connections and network analysis of personal links still provide a comprehensive picture. Both kinds of political activities are described in the respective empirical sections below.

- *Business interests as core activity:* In order to define oligarchs as a group which can be analyzed separately from political elites, this criterion draws an analytical distinction between oligarchs who engage in politics to promote their business activities and full-fledged politicians who aim for political power as an end in itself. That means if oligarchs assume formal political office, then they focus their activities on their own narrow business interests. A good example are oligarchs who have been elected to the national parliament. As will be described below, their legislative activities were limited and concentrated on favorable treatment for their enterprises.

When oligarchs start to develop a broad political agenda and engage in policy-making as a full time activity far beyond their business focus, they are no longer treated as oligarchs in this analysis. The best example for this is Petro Poroshenko. The political positions he held prior to 2014 were all clearly subordinated to his business interests. However, when he became president in

<sup>29</sup> Forbes Ukraine (2015): 100 bogateishikh, 4-2014 (April): 48, 51.

2014, he focused his attention on the political game beyond his business interests.<sup>30</sup> Accordingly, he is not treated as an oligarch for the period of his presidency.<sup>31</sup>

Similarly, politicians or civil servants who use their political influence to obtain control over economic activities, but continue to focus on politics are not defined as oligarchs. For this analysis it is, therefore, not relevant how much wealth President Viktor Yanukovych had amassed as this did not turn him into an entrepreneur.

- *Estimated wealth of at least 200 mn USD*: In order to restrict the analysis to richer entrepreneurs, this criterion draws an analytical distinction between oligarchs, the definition of whom implies financial weight, and the broader social group of businesspeople. The wealth estimates are taken from journalistic sources (namely the journals *Forbes* and *Korrespondent*). As they only provide a rough orientation, a rather low threshold has been chosen.<sup>32</sup> All oligarchs who pass the threshold in at least one year of the period under study are included in the analysis.<sup>33</sup>
- *No affiliated position in a business empire*: The aim of this criterion is to avoid double counting of the same source of influence. If two business partners act in tandem based on joint holding companies, they are treated as one collective actor. The most prominent example for this is Henadiy Boholyubov, who is a partner of Ihor Kolomoyskyi in the Privatbank holding group and does not personally engage in any activities related to politics. In this analysis the media assets of Privatbank are, therefore, covered exclusively through the inclusion of Kolomoyskyi. Another example are the Buriak brothers, who were both politically active, but were jointly promoting the interests of their jointly owned bank. They are, therefore, counted as one oligarchic team.

<sup>30</sup> For the definition used here, it is not relevant whether he kept ownership of his business empire or not, as the definition is not based on wealth, but on core activity.

<sup>31</sup> Apart from Poroshenko since 2014, there are three further Ukrainian oligarchs who may have become full-fledged politicians during the period under study: Haiduk, Khoroshkovskiy and Tihipko. However, their cases are less clear-cut and they are treated as hybrids between oligarchs and politicians. That means they are included in the analysis, but it is checked whether their exclusion makes a difference to the interpretation of results.

<sup>32</sup> Comprehensive data covering businesspeople with an estimated wealth below this threshold are not available for Ukraine.

<sup>33</sup> The only exception is Serhii Kurchenko, who has been included although no estimates of his wealth are available in the lists of millionaires used in this study. He started his major business only in 2013, when it was assumed that he owned more than 200 mn USD, but his companies had already been confiscated by the state in the wake of criminal proceedings before new wealth estimates were published in 2014.

Based on these selection criteria, a total of 29 oligarchs have been identified for the period from 2000 to 2015. A separate table, which could not be included here for space limits and is available online, gives an overview of major characteristics of the oligarchs. Column 2 indicates for which period all criteria of oligarchic status are fulfilled. It distinguishes between the second term of the Kuchma presidency (2000-04), the Yushchenko presidency (2005-09), the Yanukovych presidency (2010-14) and the Poroshenko presidency (since 2014).<sup>34</sup>

## Forms of Political Influence

Oligarchs, by definition, establish their political influence through informal networks with political elites. However, in Ukraine more than in other post-Soviet states oligarchs have also chosen to gain formal political offices, mainly parliamentary seats. In addition, some oligarchs have created media holdings which offer them the opportunity to influence public opinion on political issues. The following sections give an overview of the use of these three strategies, differentiating between the four periods under study and the 29 oligarchs included in the analysis.

### *Informal Networks*

With respect to Kuchma's presidency, research has shown that the oligarchs active in Ukrainian politics did not act individually, but instead formed regional networks (so-called clans) that united economic and political actors. Three distinct regional networks with influence on the national level in Ukraine emerged. The Dnipropetrovsk network was represented in the economy by the Interpipe Holding of Kuchma's son-in-law, Pinchuk, and by Privatbank belonging to Kolomoyskij and Boholyubov; politically, in addition to President Kuchma, the network supplied several prime ministers. The Donetsk network united two oligarchic holdings, namely the holdings of the Industrial Union of Donbas, with an opaque ownership structure and Haiduk as public face, and System Capital Management, formed by Akhmetov. In the political arena the network was represented by the Donetsk regional leadership, and when Yanukovych, the former governor of Donetsk, was appointed prime minister in 2002 it also gained a presence in national politics. The Kiev network was economically fueled by the "Dynamo-Kiev" group, informally held together by Surkis, and was represented in politics primarily by Medvedchuk, who was appointed head of the presidential administration in 2002.<sup>35</sup>

<sup>34</sup> The table is available online as excel file at <http://www.forschungsstelle.uni-bremen.de/UserFiles/file/table-oligarchs-overview.xls>

<sup>35</sup> Sławomir Matuszak. 2012. "The oligarchic democracy. The influence of business groups on Ukrainian politics," *OSW Studies* 42: 13-20; T. Kuzio. 2007. "Oligarchs, Tapes and Oranges: "Kuchmagate" to the Orange Revolution." *Journal of Communist Studies and Transition Po-*

But informal networks between oligarchs and politics, in which politicians support the economic interests of the oligarchs and in return profit from political support, are not only formed on a regional basis, but also include connections between individual oligarchs and representatives from the executive branch responsible for their commercial areas of interest. A glaring example of this is the rise of Firtash after the Orange Revolution. His seizure of a monopoly position in Ukrainian natural gas imports was accepted by Yanukovich as well as Yushchenko. Both also supported the extremely opaque formation of the respective business connections and for a long time protected Firtash's anonymity as the majority shareholder of the RosUkrEnergo import company.<sup>36</sup>

The composition of the group of oligarchs did not really change as a result of the Orange Revolution, as they were neither prosecuted nor systematically challenged in their business position.<sup>37</sup> Instead, the configuration among the oligarchs changed.<sup>38</sup> In the terminology of Hale, instead of a single pyramid of power - with Kuchma on top of it - two competing pyramids, organized by Yushchenko and Tymoshenko emerged, opening up space for the creation of further pyramids.<sup>39</sup>

Of the three regional networks between oligarchs and political elites, which had dominated under president Kuchma, two fell apart after the Orange Revolution. The Donetsk informal network revolving around Yanukovich, his Party of Regions and Akhmetov as oligarch thus established itself as an independent political power. However, at the beginning of the Yushchenko presidency they found themselves in the opposition. As a result, many oligarchs defected to the Orange camp. The increasing uncertainty about the distribution of power, with the Orange camp split between President Yushchenko and Prime Minister Tymoshenko and with the Party of Regions partly returning to power with the formation of a

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*litics* 23: 30-56; T. Kowall. 2006. Leonid Kutschma und die Oligarchen. Vom Gewinnen und Verlieren der Macht. In: E. Bos and A. Helmerich (eds.): *Zwischen Diktatur und Demokratie. Staatspräsidenten als Kapitäne des Systemwechsels in Osteuropa*. Münster: LIT, pp.117-133; R. Puglisi. 2003. The rise of the Ukrainian oligarchs *Democratization* 10 (3): 99-123; Serhyi Kudelia 2012. The sources of continuity and change of Ukraine's incomplete state. *Communist and Post-Communist Studies* 45: 417-428, here: pp.420-423.

<sup>36</sup> S. Pirani. 2007. Ukraine's gas sector. Oxford: Oxford Institute for Energy Studies. <http://www.oxfordenergy.org/pdfs/NG21.pdf>; J. Kuszniir. 2006, RosUkrEnergo. *Ukraine-Analysen* 2: 10-11. <http://www.laender-analysen.de/ukraine/pdf/2006/UkraineAnalysen02.pdf>.

<sup>37</sup> A quantitative study on enterprise performance after the Orange Revolution shows no clear effect for enterprises owned by oligarchs, as they may "find it comparatively easy to forge new connections following political turnover". (John S Earle and Scott Gehlbach. 2015. The productivity consequences of political turnover. Firm-Level Evidence from Ukraine's Orange Revolution *American Journal of Political Science* 59: 708-723, here: p.719.

<sup>38</sup> See column 2 (oligarchic status) of the table which is available online as excel file at <http://www.forschungsstelle.uni-bremen.de/UserFiles/file/table-oligarchs-overview.xls>

<sup>39</sup> Henry Hale. 2015. *Patronal Politics. Eurasian Regime Dynamics in Comparative Perspective*, Cambridge: Cambridge University Press, esp. chapter 9.

government coalition, caused many oligarchs to hedge their bets. As a result, affiliations were looser and individual rivalries increased.<sup>40</sup>

The lack of new big informal networks meant that only the Donetsk one was left, when Yanukovich won the presidency in early 2010. It could, therefore, monopolize political power and, with that, links to oligarchs,<sup>41</sup> again creating a single pyramid of power.<sup>42</sup> At the same time, compared to the Kuchma presidency, the political elites seem to have changed the balance of power vis-à-vis the oligarchs in their favor.

First, Yanukovich managed to transfer substantial business to relatives and friends, commonly referred to as “family,” especially via state procurement. The “family,” however, was not an oligarchic group which functioned through patronage, i.e. the exchange of political support for lucrative business deals. Instead the “family” is an example of nepotism, where personal bonds ensure lucrative business deals.<sup>43</sup>

Second, when oligarchs lost the support of Yanukovich, they had no alternative options in politics and business, thus losing their oligarchic status, too, as the example of Khoroshkovskiy most prominently illustrates. This is partly due to the direct grip on power established by Yanukovich with the help of the Party of Regions, and partly due to the weakness of the oligarchs at the beginning of his presidency, which coincided with the crisis phase of the oligarchs’ businesses, as outlined above.<sup>44</sup>

When Yanukovich was ousted in February 2014, the role of the oligarchs was not systematically challenged. Kurchenko was the only oligarch to be subject to prosecution by Ukrainian authorities in the interim period of the first Yatsenyuk government. His holding company was confiscated on the order of a Ukrainian court. In a separate development Firtash was arrested in Vienna on an FBI warrant – and not on the initiative of Ukrainian authorities – in March 2014, but remained actively involved in business and politics in Ukraine. At the same time four oligarchs lost

<sup>40</sup> Serhyi Kudelia. 2012. The sources of continuity and change of Ukraine’s incomplete state. *Communist and Post-Communist Studies* 45: 417-428, here: 423-426; Sławomir Matuszak. 2012. The oligarchic democracy. The influence of business groups on Ukrainian politics, *OSW Studies* 42: 20-33.

<sup>41</sup> Tadeusz Olszański. 2010. The Party of Regions monopolises power in Ukraine, *OSW Commentary* 40 (29 September 2010), Kudelia:426-427.

<sup>42</sup> Hale. 2015: chapter 9.

<sup>43</sup> Anders Aslund. 2014. Oligarchs, Corruption and European Integration. *Journal of Democracy* 25 (3): 64-73; Wojciech Konońchuk and Arkadiusz Sarna. 2013. The presidential “family” in Ukraine is developing its business base, in: *OSW Eastweek* 26 June 2013, <http://www.osw.waw.pl/en/publikacje/eastweek/2013-06-26/presidential-family-ukraine-developing-its-business-base>; Sławomir Matuszak. 2012. The oligarchic democracy. The influence of business groups on Ukrainian politics, *OSW Studies* 42, pp.40-50; Julia Samsonova and Alisa Yurchenko. 2013. Maskarad, in: *Vlast’ Deneg* 29-30: 8-12; Stewart. 2013: 197-214.

<sup>44</sup> Sławomir Matuszak. 2012. The oligarchic democracy. The influence of business groups on Ukrainian politics, *OSW Studies* 42, pp.50-57.

their status as a result of the economic crisis.<sup>45</sup>

As with the Orange Revolution, the ousting of Yanukovych did not so much change the composition of the group of oligarchs, but the configuration among them in the context of the appearance of multiple pyramids of power.<sup>46</sup> Poroshenko and Kolomoiskyi rose to influential political positions, before they fell out, leading to Kolomoiskyi's ouster from politics. Kolomoiskyi then transformed his network into a separate pyramid of power, entering into a power struggle with the president and setting up his own political parties.<sup>47</sup> Several oligarchs remained within the old network of the Party of Regions and its de facto successor party, the Opposition Bloc, which also formed a separate pyramid of power. But the most prominent oligarchs of the Yanukovych network kept a low profile in politics, demonstrating that their control over important infrastructure, mainly in the energy sector, was vital for the country and started to sponsor public interest activities, including humanitarian convoys for the Donbas and international consultation projects.<sup>48</sup>

In summary, under Kuchma there were several competing oligarchic networks grouped around one political camp, while after the Orange Revolution most oligarchs acted on their own and were attached to different political camps. Under Yanukovych oligarchs were again attached to only one center of political power, but they were no longer part of bigger informal coalitions – with the exception of the Donbass network – and they were rivalled by networks of nepotism. After the sacking of Yanukovych, the Donbass network and individual oligarchs joined different political camps. Poroshenko, who turned into a full-fledged politician, and Kolomoiskyi were the only oligarchs who were able to form influential political networks, while the other oligarchs were mainly trying to defend their endangered business interests through low profile lobbying.

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<sup>45</sup> See columns 2, 3 and 5 of the table which is available online as excel file at <http://www.forschungsstelle.uni-bremen.de/UserFiles/file/table-oligarchs-overview.xls>

<sup>46</sup> Hale, who wrote his book in mid-2014, formulated this just as an expectation. Hale, 2015. end of chapter 9.1.

<sup>47</sup> Poroshenko and Kolomoyskii are the only cases during the period under study, where an oligarch started to build his own pyramid of power instead of integrating his network into the pyramid of a member of the political elite. This is an indicator of the chaotic situation after the only case of an unexpected power change in the post-Soviet region Hale. 2015 chapter 7.10.

<sup>48</sup> Serhiy Leshchenko. 2015, Sunset and/or Sunrise of the Ukrainian Oligarchs after the Maidan?, in: Andrew Wilson (ed.): What does Ukraine think?, European Council on Foreign Relations: 99-107; Tadeusz Olszański. 2015. A Trial of Strength in Ukrainian Politics after the Head of the Special Services resigns, OSW Analyses (24 June). Steffen Halling. 2015. Pazifismus, Patriotismus und Reformismus. Öffentlichkeitsstrategien der Oligarchen nach dem Maidan, in: Ukraine-Analysen 154: 14-19.

### *Assumption of Political Office*

In order to stabilize their connections to politics, many oligarchs have also assumed formal political office. Out of the 29 oligarchs covered in this analysis, only 3 have never held any formal political office, while 23 were elected to the national parliament at least once and 6 have held a formal position in the state executive throughout the time under study here, i.e. since 2000.<sup>49</sup>

Three of the oligarchs who held positions in the state executive did so for most of the time of their oligarchic status and became hybrids between oligarchs and professional politicians, while Poroshenko clearly turned into a politician after his election as president in 2014.

For the formal political activities of the oligarchs, representation in parliament has played a much bigger role than engaging in the state executive. Most oligarchs understood their presence in parliament as a service to a specific politician and not as a way to engage in law-making. This is clearly demonstrated by their performance as parliamentary deputies. During his full term as parliamentary deputy from 2007 to 2012, Akhmetov participated in only one session. An analysis of the 20 richest parliamentary deputies, conducted by the journal *Forbes Ukraine* in 2013, shows that attendance was low for many, that most did not participate in any legislative initiatives, and that those who did mainly supported draft legislation in favor of their narrow business interests.<sup>50</sup>

However, the role of oligarchs in the national parliament differs between the four periods under study. During Kuchma's second term most oligarchs – as part of the regional informal networks – rallied around pro-presidential factions, while only two joined opposition factions. The major aim of the pro-presidential oligarchs was to ensure a parliamentary majority for the president.

Accordingly, the oligarchs did not just stand for election as parliamentary deputies. In 1998/99 they were behind the creation of several political parties which supported Kuchma's re-election campaign in 2000. In addition, oligarchs managed to attract deputies from other factions. For example, the Workers' Party, which was founded on the initiative of oligarch Pinchuk only a year after the parliamentary elections of 1998, was represented in parliament with a faction of 36 members (equal to 8 percent of votes) in March 2000. As a result of several such changes, pro-presidential factions gained a parliamentary majority (though a fragile one) for the first time in early 2000. In the parliamentary elections of 2002,

<sup>49</sup> The table providing a detailed overview of key economic and political activities of the oligarchs is available online as excel file at <http://www.forschungsstelle.uni-bremen.de/UserFiles/file/table-oligarchs-overview.xls>

<sup>50</sup> Maksim Kamenev. 2013. 20 samykh bogatykh narodnykh deputatov, forbes.ua 17 July 2013, <http://forbes.ua/nation/1355394-20-samyh-bogatyh-narodnyh-deputatov>

pro-presidential parties gained a third of all parliamentary seats. Again they lured oppositional deputies into their factions and were able to form a parliamentary majority.<sup>51</sup> The Party of Regions, associated with the color blue, became the most successful party in this context.

In early 2005 the victory of Yushchenko in the repeated presidential elections after the Orange Revolution caused a substantial change, as many oligarchs defected to the winning political forces, as indicated in Table 1. Moreover, some left politics, decreasing the overall number of oligarchs in parliament.

**Table 1: Political Affiliation of Oligarchs in Parliament**

President	Kuchma	Yushchenko	Yanukovych	Poroshenko			
Year	2004	2005	2007	2011	2012	2014	2015
Blue	13	7	4	8	11	6	2
Orange	2	8	6	3	0	2	0
Independent	0	0	0	0	2	4	3
Total	15	15	10	11	13	12	5

*Note:* The Blue camp stands for political forces close to the Party of Regions (Kuchma, Yanukovych). The Orange camp refers to the forces supported by the Orange Revolution (Yushchenko, Tymoshenko, Poroshenko).

*Source:* For individual information on each oligarch, see column 6 of the table which is available online as an Excel file at <http://www.forschungsstelle.uni-bremen.de/UserFiles/file/table-oligarchs-overview.xls>

However, many oligarchs were now represented in parliament by cronies. The change in the electoral system from single constituency mandates to a mixed system and then to fully party-list-based nominations promoted this development, as candidates in the lower section of the party lists were not scrutinized by the media and did not influence voters' decisions. Accordingly, having cronies in parliamentary seats enabled the oligarchs to retreat from public oversight and allowed their parties to develop a less special-interest-oriented image. Additionally, stepping

<sup>51</sup> Erik S. Herron. 2002. Causes and consequences of fluid faction membership in Ukraine. *Europe-Asia Studies* 54 (4):625-639; Paul Kubicek. 2001. The limits of electoral democracy in Ukraine. *Democratization* 8(2):117-139; Oleh Protsyk and Andrew Wilson. 2003. Centre politics in Russia and Ukraine. Patronage, power and virtuality *Party Politics* 6: 703-727; Rosaria Puglisi. 2003. The rise of the Ukrainian oligarchs. *Democratization* 10(3): 99-123, esp.: pp.109-115; Andrew Wilson. 2002. Ukraine's 2002 elections. Less fraud, more virtuality, *East European Constitutional Review* 3; Kerstin Zimmer. 2004. Wahlen als Business. Betrachtungen zur Ukraine vor den Präsidentschaftswahlen, Arbeitspapiere und Materialien der Forschungsstelle Osteuropa No.60: 35-40.

out of the political arena permitted the oligarchs to run their companies themselves, as members of parliament were forbidden from participating in entrepreneurial activities as a result of the constitutional reform of 2004. Moreover, sending cronies to parliament can be seen as a reaction to the less stable political situation. Oligarchs could diversify their political influence by sending cronies to various political camps.<sup>52</sup>

When Yanukovich won the presidential elections in 2010, clearly establishing his Party of Regions as the only center of political power, the representation of oligarchs in parliament changed accordingly. Again support from oligarchs was one of the vital factors in ensuring a parliamentary majority for the president.<sup>53</sup> When Yanukovich was ousted as president in February 2014, the loss of power for the Party of Regions meant that similar to the situation after the Orange Revolution several oligarchs switched sides. However, contrary to the situation in 2004 a majority of oligarchic deputies remained with the losing side. Their strong association with the Yanukovich team and the stronger cleavage in the political landscape made a change much harder. The opposition parties were clearly not eager to tarnish their image by accepting oligarchs in their ranks. As a result, the number of oligarchs in Ukraine's national parliament has decreased from no less than 10 for the full period from 2000 until 2014 to just 5 in 2015.

Although the governing coalition formed after the 2014 parliamentary elections did not include a single oligarch, oligarchs could still influence parliamentary votes with the help of their proxies. A prime example is Kolomoiskyi. The governing coalition uniting over 70 percent of deputies was for several month not able to pass a law in support of its position in the conflict with Kolomoiskyi. As many as 30 deputies in the governing coalition were loyal to Kolomoiskyi at the time,<sup>54</sup> while it was possible to gain further support for specific parliamentary votes through bribe payments.<sup>55</sup> This might indicate that the political strategy of the oligarchs is shifting from holding formal political office to informal influence through proxies and backroom deals.<sup>56</sup>

<sup>52</sup> P. Wolowski. 2008. Ukrainian Politics after the Orange Revolution. How far from democratic consolidation?. In: S. Fischer (ed.): Ukraine. Quo vadis?, Paris: EU Institute for Security Studies (Chaillot Paper No. 108): 25-54.

<sup>53</sup> Oleksandr Fisun. 2012. Electoral Laws and Patronage Politics in Ukraine, PONARS Eurasia Policy Memo No. 229.

<sup>54</sup> Stanislav Miroshnichenko, Elisaveta Bukreeva. 2015. Rada Kolomoiskogo, Fokus 3 April 2015: 28-29.

<sup>55</sup> One vote of a parliamentary deputy was reported to cost 10,000 US-Dollars. (Roman Panov. 2015. 'Khaltura' dlya zakonodatelei, *Argumenty i Fakty v Ukraine*, 13: 10-11).

<sup>56</sup> Serhiy Leshchenko. 2015. Sunset and/or Sunrise of the Ukrainian Oligarchs after the Maidan?, in: Andrew Wilson (ed.): What does Ukraine think?, European Council on Foreign Relations: 99-107; Tadeusz Olszański. 2015. A Trial of Strength in Ukrainian Politics after the Head of the Special Services resigns, OSW Analyses (24 June).

In summary, the parliamentary representation of oligarchs played an important role for Kuchma and Yanukovych during their presidencies, as the oligarchs ensured political majorities by luring oppositional deputies into the pro-presidential camp. During the Yushchenko presidency, the Orange camp managed to dilute this impact by attracting and promoting its own oligarchs. A similar situation emerged after the ousting of Yanukovych in 2014, while this time more oligarchs than in 2005 withdrew from formal politics.

### *Mass Media*

Although consumer and advertiser demand in Ukraine has proven insufficient to run large media concerns profitably, 9 of the 29 oligarchs covered in this analysis have integrated bigger media companies into their holdings. Oligarchic ownership of major TV stations has remained rather stable over the period under study with only two out of eight TV stations owned by oligarchs experiencing ownership changes.

For the oligarchs, the major political value of media ownership has been the ability to support election campaigns of specific politicians.<sup>57</sup> As the media monitoring of the OSCE/ODIHR Election Observation Mission concluded for the 2010 presidential elections: “Candidates had direct access to the content of newscasts based on an agreement between the candidate and the TV station’s management. This practice, rather than professional considerations of newsworthiness, determined which candidates received coverage in the news. This undermined the fundamental principles of fairness, balance and impartiality in the news, in contradiction with professional ethics and international principles.”<sup>58</sup>

Throughout the period under study television was the primary information medium for the Ukrainian population, named by more than 80 percent as the main source of information.<sup>59</sup> Accordingly, television networks with political coverage offer the best access to public opinion. Based on the viewer shares indicated in Table 2, for most of the period under study, about two thirds of Ukrainian television viewers saw news programs from stations that are controlled by oligarchs.

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<sup>57</sup> Marta Dyczok. 2005. Breaking Through the Information Blockade. Election and Revolution in Ukraine 2004, Canadian Slavonic Papers 47 (3-4): 241-264; Daria Orlova. 2010. Standards of Media Coverage of Elections in Ukraine, in: Olexiy Khabyuk, Manfred Kops (eds.) Public Service Broadcasting: A German-Ukrainian Exchange of Opinions. Working Papers of the Institute for Broadcasting Economics at the University of Cologne No. 277, Cologne, December 2010: 95-104, <http://www.rundfunk-institut.uni-koeln.de/institut/pdfs/27710.pdf>

<sup>58</sup> Office for Democratic Institutions and Human Rights. 2010. Ukraine. Presidential Election 17 January and 7 February 2010, OSCE/ODIHR Election Observation Mission Final Report, Warsaw 28 April 2010, quote: p.16.

<sup>59</sup> Sergii Leshchenko. 2013. The two worlds of Viktor Yanukovych’s Ukraine, openDemocracy 14 March 2013, <http://www.opendemocracy.net/print/71579>.

**Table 2: Viewer Share of Television Channels Owned by Oligarchs 2004-15**

Channel	Oligarchic owner	2004	2006	2009	2011	2015
Inter	Surkis/ Khoroshkovskiy/ Firtash	23%	20%	20%	19%	15%
1+1	Rodnianskiy/ Kolomoisky	21%	19%	9%	14%	11%
Ukraina	Akhmetov	n.a.	5%	8%	11%	9%
ICTV	Pinchuk	8%	7%	8%	8%	8%
STB	Pinchuk	4%	6%	9%	6%	7%
Novyi Kanal	Pinchuk	10%	8%	7%	5%	4%
5. Kanal	Poroshenko	> 1%	2%	n.a.	1%	1%
TET	Surkis/ Kolomoisky	n.a.	3%	n.a.	2%	n.a.
Others	-	33%	30%	39%	35%	43%

*Note:* The data do not always cover the full year.

*Sources:* GFK Ukraine viewer panel 2004-11 (cited in: Marta Dyczok. 2006. "Was Kuchma's censorship effective? Mass media in Ukraine before 2004," *Europe-Asia Studies* 58(2): 215-238, here: p. 238; *Ukraine-Analysen* 17/2006: 6, *KAS Policy Paper* 18/2010: 12-13; *Wikipedia*, [http://en.wikipedia.org/wiki/Television\\_in\\_Ukraine](http://en.wikipedia.org/wiki/Television_in_Ukraine)) and Ukrainian Television Industry Committee (cited in: Economist 12 March 2015, available online at [www.economist.com/node/21646280/print](http://www.economist.com/node/21646280/print)).

In terms of political affiliation, under President Kuchma, opposition oligarchs (and the opposition in general) had only marginal access to mass media, while during the Yushchenko presidency, a plurality emerged when some oligarchs with media holdings changed sides. During the Yanukovych presidency, oppositional oligarchs (and the opposition in general) again had only marginal access to mass media.<sup>60</sup> This changed gradually when the public protests at the end of the Yanukovych presidency grew stronger.<sup>61</sup>

<sup>60</sup> This assessment is supported by the media monitoring of the OSCE/ODIHR Election Observation Missions to all national level elections from 1999 to 2012. All reports are available online at <http://www.osce.org/odihr/elections/ukraine>.

<sup>61</sup> J. Szostek. 2014. The media battles of Ukraine's EuroMaidan. *Digital Icons* 11: 1-19.

## Conclusion

During the 15 years under study, the composition of the oligarchs has changed, with 15 losing their status and 12 newly emerging.<sup>62</sup> However, of the 29 oligarchs identified in this analysis, only 7 lost their oligarchic status by 2011. The following three years were more turbulent, with a further 8 oligarchs losing their status. But most of them lost their status not as a result of the political changes, but because their business collapsed, or was sold in times of economic crisis. Moreover, of the total of 15 oligarchs who lost their status in the full period under study, 8 had been relatively minor actors, whose wealth did not exceed \$300 million USD.

At the same time, the analysis of the oligarchs' formal political positions and media ownership also indicates that a core of oligarchs has remained stable throughout the period under study. About half of the oligarchs covered have held formal political positions in all four periods included in the analysis. TV ownership by oligarchs has also remained fairly stable.

One major explanation for the relative stability of the oligarchic factor in Ukrainian politics is the continuity of the informal network from Donetsk formed around Yanukovich and the Party of Regions. The other major explanation for this relative stability is the oligarchs' flexibility in political alignments. Eight oligarchs who had been close to Kuchma assumed formal political positions in the Orange camp during the Yushchenko presidency. Two years after Yanukovich had been elected president, not a single oligarch continued to be associated with opposition parliamentary factions. After the ousting of Yanukovich, nearly half of the oligarchs left his faction.

This political flexibility also explains why the business fortunes of most oligarchs, as described in the brief profile at the start of the empirical part, have been more dependent on macro-economic developments, namely the global economic crisis of 2008/09 and the domestic one of 2014, than on domestic political changes.

However, more important for the political role of the oligarchs than personal continuity is the fact that their strategies to exert political influence have remained largely unchanged. Throughout the period under study, oligarchs created informal networks with political elites, held formal political positions (mainly in parliament), and owned major mass media. Also throughout the period under study they were able to exert considerable (though on their own not decisive) political influence. The only change might be that in reaction to strong public opposition since 2014, the oligarchs are now keeping a lower public profile by retreating from

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<sup>62</sup> In this count those oligarchs who did not lose their status because of failure, but turned into politicians have not been included.

formal politics. While the current Ukrainian leadership speaks of “de-oligarchization,” what is visible so far seems to be more an informalization of the political role of oligarchs.

Accordingly, the changes in the political regime have so far had only a limited impact on the composition of oligarchs, their business fortunes, and their political strategies. So far there are also no signs of increased interest in the rule of law among the oligarchs.

The enduring role of the oligarchs in Ukrainian politics lends support to the state capture concept. Although most of the oligarchs did not participate in law making personally, they used their control over larger groups of parliamentary deputies to block reform attempts and relied on their informal networks for the creation of extensive rent seeking opportunities.<sup>63</sup>

With their informal influence over a significant share of parliamentary deputies and with their control of important mass media, oligarchs have also clearly contributed to the creation of the uneven playing field, putting the political opposition at a pronounced disadvantage as described in the concept of competitive authoritarianism.<sup>64</sup>

At the same time, the oligarchs are not the major power brokers in Ukrainian politics. They have never initiated or substantially promoted a change in government. Instead they have always been trying to seek accommodation with those having or gaining political power. As the events in 2004 and 2014 have clearly shown, they adopt a wait-and-see attitude when political incumbents are challenged. Once they feel that the tide is turning, they gradually switch political camps (while still hedging their bets). The best indicator of that is the oligarchs’ change in party faction membership in the national parliament after 2004, after 2010 and in 2014. Accordingly, the oligarchs do not determine who gains political power, but they more likely act as catalysts for an ongoing change by giving additional support to the supposedly winning side.

This picture is in line with Hale’s concept of regime dynamics in patronal politics.<sup>65</sup> Accordingly, the major change over time concerning the political role of oligarchs is not related to genuine democratization, but just to the balance of power between oligarchs and political elites. While all oligarchs supported the manipulations of the Kuchma regime and thus contributed to the creation of a single pyramid of power, during the Yushchenko presidency oligarchs belonged to competing political camps. The higher degree of political rivalry gave political parties, parliamentary deputies and mass media more freedom. After Yanukovich had been elected president, oligarchs again supported the creation of a single power center with control over political actors and the media. With the end of the

<sup>63</sup> Hellman, Jones, Kaufmann. 2000.

<sup>64</sup> Levitsky and Way. 2010.

<sup>65</sup> See Hale. 2015. chapter 11.1 for a concise summary.

Yanukovich presidency, a system of pluralism by default emerged anew.

In the democracy rankings quoted in the first part of this analysis, such pluralism by default is reflected in better marks. Accordingly, it can be argued that the major impact of political regime dynamics on oligarchs has been in the degree of political rivalry. This degree of political rivalry among oligarchs has in turn impacted regime quality. However, as the oligarchs' informal manipulations continue largely unchanged, this development does not indicate a genuine commitment to democratic standards. Instead, in Hale's terminology, Ukraine remains firmly within patronal politics. Ukrainian politics – and the country's oligarchs with it – is just fluctuating between single and multiple power pyramids.