

Maidan over: The balance of power in Ukraine - Oligarchs and the competition between Russia and the west

“We have no interest either in supporting this national ruling class or choosing which great power offers it a more ‘progressive’ transnational alliance”

Tuesday 9 September 2014, by [BOJCUN Marko](#) (Date first published: 1 September 2014).

While Ukraine’s oligarchic elite aspires to become a ruling class in its own right, it is also the object of an ongoing competition between Russia and the west to draw it into their respective transnational capitalist classes, writes Marko Bojcun.

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As the Soviet Union collapsed in 1991, Ukraine’s communist leaders and their loyal opposition both held out the same rosy prospect to the Ukrainian people - that on becoming independent they had the best chance of all the peoples of the Soviet Union ‘to return to the west’. In other words, they would quickly be integrated into western-led institutions and the global market and recover the economic prosperity they had enjoyed before the Soviet collapse.

After all, Ukraine held a quarter of the Soviet Union’s productive capacity, including some of its most advanced industrial sectors: aeronautical, aerospace, ship building, armaments and heavy engineering. It had extensive and rich farmland. Its scientists ran some 170 advanced research institutes. And its people were as well educated as any in Europe.

There was a broad social consensus for independence. Moreover, the move away from the old system at the end of 1991 was peaceful, unlike the Caucasus and Yugoslavia. And Ukraine lay right alongside central European states that were already slated for inclusion into the western capitalist core.

However, the national economy was severely disrupted by the breakup of the common trading area of the Soviet Union and eastern Europe. The new state proved unable to regulate its national market, to provide a stable, convertible currency, to control its borders, or to implement an economic recovery programme.

By 1997 Ukraine’s GDP, measured in constant domestic prices, had fallen by two thirds. The high-technology sectors suffered the biggest contractions. Primary and semi-processed goods - grain, fossil fuels, chemicals and steel - enjoyed strong international demand in the 1990s and figured

prominently in Ukraine's exports. They survived better because they could find new markets to replace the collapsing demand at home and in the neighbouring post-Soviet region. Arms also found a ready market, particularly in Africa. But other high-tech sectors found it difficult to break into global markets.

The political and economic system we know today as oligarchic capitalism was born at this time, during the simultaneous construction of a new nation state and an economy based on private ownership. This process brought together the state official and the private entrepreneur to take full advantage of the privatisation of state property, which made up the overwhelming bulk of the national economy. Privatisation was both 'spontaneous' and 'legal': the outright theft of moveable, strippable, exportable stores of wealth and the state-organised, public privatisations of immovable utilities and enterprises.

The new state helped create a brand new class of capitalist oligarchs, who in turn fashioned the state's institutions to serve their interests permanently. This new class was and remains very small in number. It is tightly organised into half a dozen vertically integrated corporations working in mining, processing, manufacturing, banking and media. It has taken control of more than three quarters of the markets, finance capital and industrial plant of the private sector. It is linked to both Russian and western capitalists through chains of finance, production and distribution.

The ordinary citizens, who were promised an equal share in the national economy from privatisation - in other words an equal material opportunity to participate in the development of a new market economy - were bitterly disappointed by the outcome. They got practically nothing, while the insider state officials in league with the private traders got their big break.

The injustice, inequality and corruption generated by this historic transfer of public wealth to a few private hands are the most important underlying motives for the mass protests we saw erupt periodically over the past decade, and in the popular movements of the Maidan (Independence Square in Kyiv) that overthrew Viktor Yanukovich in 2013-14.

Post-Maidan - a nation divided

The hope that the oligarchic system in Ukraine would be undermined by the rise of the popular Euromaidan protests quickly proved illusory when the interim government in Kyiv appointed oligarchs as governors to secure control over Donetsk and Dnipropetrovsk oblasts (provinces). It tried also to bring Rinat Akhmetov, the richest oligarch of them all, over to its side, but Akhmetov hedged his bets. Then Petro Poroshenko won the presidency on 25 May.

The oligarchs were shaken, but their rule was not broken. Rather, their domain was split into two parts: on the one hand the interim Kyiv government, which represented their continued hold over the central Ukrainian state; and on the other hand the fugitive Viktor Yanukovich and Party of Regions clan that retreated to the Donbas to regroup and prepare their comeback.

The separatist movement was initiated by leading members of the Party of Regions when it became clear in February that their power in Kyiv was broken. These leaders then revived their party's own Russian nationalist wing in a desperate bid to avoid total defeat. After his election to the presidency in 2010 Yanukovich had silenced the nationalist wing by co-opting its members into the party's patronage and power sharing networks in government. But upon his ejection from Kyiv, Russian nationalist sentiment was needed to spur a whole set of initiatives - People's Fronts, anti-Maidan rallies and local militias - that would mount a fight back.

Their declared common aim was to protect the region's Russian speakers from Ukrainian 'fascists and Banderites' allegedly coming from Kyiv to ethnically cleanse them. But their real aim was to prevent the spread of the Maidan movement into the east where the oligarchs' property and power were concentrated. The dying Yanukovych fragment of the oligarchic regime clung to this separatist platform in the east and started to rock it so as to upend the Kyiv government.

Everyday life in those parts of Ukraine not at war does not leave an impression that a fascist junta is in power. There is a vibrant free press. Five thousand people marched in Kyiv on May Day, without intimidation or incident. The presidential elections on 25 May were on the whole free and fair. The left holds meetings, publishes, stands for political office in local council elections. Trade unions fight for their members. The situation is of course different in the Donetsk and Luhansk 'people's republics' where people's rights, press freedom and democratically elected local governments have all been restricted by these republics themselves.

Legacy of Stalinism

The undeniable presence of nationalism and, to a much lesser extent, fascism in the Maidan movement is a legacy of Ukraine's history. First, the national oppression of the Ukrainian people was not fully resolved in the 20th century. Stalinism itself left a legacy of Great Russian chauvinism and Russification, which many Ukrainians still identify with Communism. This legacy was compounded after 1991 when the Communist Party became the willing accomplice of the oligarchic regime.

The almost complete discrediting of socialist and communist ideas led people to seek an explanation and a programme of demands for their oppression under this present regime in Ukrainian nationalism, the only other liberation ideology left lying around from the 20th century. And it was the extreme right version of nationalism, built on the model of Italian fascism, that today's Svoboda, Tryzub and White Hammer ideologues have inherited from their political ancestors of the 1920s and 1930s. For them the main enemy lies in Russia, in another race as they see it, while they are under an 'internal occupation' by the enemy's Ukrainian client regime.

Yet the influence of nationalist and fascist politics on the Maidan should not be exaggerated. The Right Sector, made up of five far-right and fascist groups, shared the functional role of patrolling the Maidan and defending its assemblies against the riot police with the Svoboda party. They also played a political police role in forcing left-wing groups off the Maidan whenever they encountered any of them as a group. From the platform Svoboda speakers were instrumental in popularising nationalist slogans in the assemblies, which became part of the political lexicon (and lost some of their originally intended meaning in the process).

But most important, the nationalists succeeded in persuading many people that their predicament is solely the result of a national oppression imposed by an external power, which is for them the main enemy. Thus they inoculated these people against the realisation that the main enemy is at home.

However, as graphic as the nationalists' influence appeared to be, the Maidan assemblies approved a limited number of political demands that can hardly be called reactionary: the resignation of Yanukovych and new presidential elections; repeal of the 16 January laws that suppressed democratic rights; release of all imprisoned protesters; investigation and punishment of those who beat, kidnapped and shot demonstrators; and the signing of an association agreement with the EU. The real problem with the Maidan's demands was that they did not address social and economic oppression, they did not go far enough in confronting all the tentacles of the oligarchic system.

By contrast the separatist militias - initially made up of local pro-Russian nationalists, gang

members and unemployed youth - were reinforced by Russian nationalists, fascists and seasoned mercenaries from across the Russian border. Russian nationals took over the leadership of the Donetsk People's Republic (Aleksandr Borodai) and its Slovyansk military headquarters (Igor Girkin-Streltsov), sidelining their initial local leaders. As the Kyiv government stepped up its military campaign against these militias and their declared republics, Russia increased both the calibre and supply of weaponry to them.

Russian interest in Ukraine

Russia's recovery since 2000 under Putin's leadership has rekindled its ambition to become a great power again. Russia could not and still cannot hope to compete with the US militarily and economically on a global level. However, it has advantages over the US in its own region, which allowed it to start to reclaim a sphere of influence in the surrounding post-Soviet states. Ukraine was its primary focus under Putin, who promoted the expansion of Russian capital into Ukraine, offered Ukraine an alternative to the EU, and resisted the US's ambitions to draw it into NATO.

Yanukovych's overthrow threatened Russia's interests in Ukraine in three ways. First, it sent a signal to the entire post-Soviet region that an authoritarian regime could be overthrown. Second, it deprived Russia of its key ally and guarantor of its considerable economic interests in Ukraine. And third, it threatened to bring NATO and the EU into the largest country on Russia's western border.

Russia's key aim is to secure for Donetsk and Luhansk a degree of recognised autonomy from the Ukrainian state that would allow them to veto Ukrainian foreign policy. This, in turn, would give Russia the leverage to prise the Ukrainian state out of its pro-western orientation and return it to Russia's sphere of influence.

The Russian state is not interested in conquering Ukraine and imposing direct rule. It has actively supported the revanche of the old regime in order to restore a permanent guarantor of its own interests within the existing state. These interests are both geo-strategic and economic. The naval base in Sevastopol on the Crimean coast is the home of Russia's Black Sea fleet. It was also, until Russia's annexation of Crimea in March, the main base of the Ukrainian navy. The Black Sea is Russia's and Ukraine's outlet in the Mediterranean, through the Bosphorus.

Russian investments in Ukraine are now concentrated in its banks, minerals and chemicals processing, energy distribution and arms production. The Donbas, however, is both an asset and a liability for whoever controls it. Russia's own oligarchs have big investments there, as well as their main competitors, in the steel, chemical and petroleum industries.

But this industrial region is fast becoming a rustbelt, the majority of its 120-odd coal mines now dependent on annual subsidies to stay competitive. A small number of profitable mines and steel plants have long since been privatised. Their profits are almost entirely taken offshore by the Ukrainian and Russian oligarchs who own them, rather than reinvested in the region's development.

The Russian state under Putin's leadership wants Ukraine to be returned fully to its own sphere of influence, to be integrated into its economic, cultural and security space rather than that of the EU and NATO. Ukraine is Russia's window onto Europe, the downstream path of Russian capital investments. A friendly or, if necessary, compliant Ukraine is vital to Russia's security. Without Ukraine, Russia cannot aspire even to regional hegemony, let alone great power status.

Western interest in Ukraine

The US has been in conflict with Russia primarily over Ukraine's military-security orientation since the Soviet collapse. Both countries (and Britain) signed the Budapest Declaration in 1994 that guaranteed Ukraine's territorial integrity after it relinquished nuclear weapons (the only country to have done so). But that did not stop them from competing against one other with all possible instruments - economic, diplomatic, intelligence - to draw Ukraine into their respective military security alliance.

The US has been held back in this regard by its own allies, as well as the opposition of a majority of Ukrainian citizens. Since 2008, Germany, France and Spain, the most powerful European members of NATO, have opposed Washington's plan to offer NATO membership to Ukraine. The Georgia-Russian war gave all of them pause to consider whether they would send troops against Russia to defend a NATO member on its border.

Naturally, this split within NATO has made its central and east European members rather nervous. Poland and the Baltic states share the US position of strengthening Ukraine's relationship with NATO, even giving it membership, because they believe it will enhance their own security against Russia.

The present conflict in Ukraine has emboldened Washington to renew pressure on its NATO allies in Europe to increase defence spending and to militarily reinforce the eastern front line NATO members. Washington's support to Ukraine, however, has been rather modest: food supplies, intelligence, no doubt, and little else. This may well be the result of tension in the NATO alliance having been increased by the Ukraine crisis and domestic American constraints on any new foreign initiatives by Washington.

Disagreements among the Euro-Atlantic states also reflect their different economic interests in Russia and Ukraine. German capitalists are the biggest investors and traders in Russia. France has big defence contracts with Russia. Much of western and central Europe relies on Russian gas exports, half of which are still transited through Ukraine. Their governments and energy distribution companies are investing in the new South Stream gas pipeline from Russia that skirts Ukraine altogether.

While the US values Ukraine primarily for its geo-strategic utility as a foil against Russia, this value is not tied to any comparable economic interest. American capitalists have considerably less invested in Ukraine or Russia than the Europeans. Rather it is the German, Austrian, British, French, Italian and Dutch capitalists who have invested in and trade with eastern Europe. They, and not the Americans, are in competition with Russian capitalists for control of Ukraine's banking system, its pipelines, its land and its export industries.

Thus Russia has more at stake in the geo-strategic competition over Ukraine than the US; indeed more than any single western state. Ukraine is next door to it, facing onto six European states that belong to NATO. It is a prime site for Russian downstream investment, a pathway to transnational status for Russia's corporations. On the other hand, the Euro-Atlantic states have quite variable interests in Ukraine and are they are divided among themselves over how to respond to the present conflict between Ukraine and Russia.

Ukraine is no stranger to great power competition for its wealth and territorial position in the region. Just look at the past century, over the course of which half its population died of unnatural causes and more than half of its built environment was levelled, twice. Since independence, what has changed? The Ukrainian people became a subject of international relations, not just an object.

Their oligarchic elite aspires to become a ruling class in its own right while it is also the object of an ongoing competition between Russia and the west, to draw it into their respective transnational capitalist classes.

We have no interest either in supporting this national ruling class or choosing which great power offers it a more 'progressive' transnational alliance. The Maidan has reawakened in the Ukrainian masses the desire to shape their own destiny free from domestic and foreign ruling classes. They are the ones we need to understand and who deserve our support.

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P.S.

* "Maidan over: The balance of power in Ukraine". September 2014. Red Pepper.:
<http://www.redpepper.org.uk/maidan-over-the-balance-of-power-in-ukraine/>

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