

Behind the collapse of Ukraine's "Orange Revolution"

Niall Green
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Ukraine's March 25 parliamentary elections and the subsequent back-room deals between the main political actors have exposed the fraudulent nature of the so-called "Orange Revolution" of November and December 2004.

The Our Ukraine party of President Viktor Yushchenko, proclaimed the "hero" of the Orange Revolution by the Western media, suffered an electoral debacle, ending in third place with 15 percent of the vote. The man whom Yushchenko displaced and the target of the supposed revolution, Victor Yanukovich, a protégé of retiring President Leonid Kuchma, easily won a plurality of votes, gaining some 30 percent.

This humiliating result came only 15 months after Yushchenko assumed power, ushering in a period of economic decline, political crisis and intrigue, replete with allegations of government corruption and Yushchenko's firing last September of his former Orange Revolution ally, then prime minister, Yulia Tymoshenko.

Tymoshenko finished in second place in last month's elections, with 22 percent of the vote.

Since the election, Yushchenko has held separate coalition talks with Tymoshenko and Yanukovich. The president may try to reunite with his former ally, whose Bloc Yulia Tymoshenko garnered almost all its electoral support in the Ukrainian-speaking west and centre of the country.

Tymoshenko has called for a coalition government of her party, Yushchenko's and the small Socialist party, which participated in the Orange movement and won 6 percent in the March 25 vote. She has also demanded that she be named prime minister and her party be given one of the internal security ministries.

Since his defeat in the third round of the 2004 presidential election, Yanukovich has made efforts to rehabilitate his image in the eyes of the Western powers, first and foremost the US, which financed and largely organised the pro-market and pro-American Orange movement and selected Yushchenko, formerly a Kuchma loyalist and for a time his prime minister, to serve as the leader of the "democratic" forces.

In his parliamentary election campaign, Yanukovich, considered by Washington to be unacceptably close to Moscow, made use of the tactics that helped the Orange Revolution triumph, including the employment of American consultants. Yanukovich has said that a government headed by his Party of the Regions would support ties with the European Union, while mending Ukraine's relationship with Russia.

Popular support for the Party of the Regions is based largely in the Russian-speaking industrial southeast of Ukraine, where many are hostile to the anti-Russian chauvinism and "free market" economic policies of the Orange politicians. Yanukovich also wants more powers devolved to the regions, and to the oligarchs who control them.

Yanukovich has profited from the economic crisis caused by falling prices for the country's industrial products, compounded by rising energy costs and fuel shortages.

The president's office quoted Yushchenko as saying that the post-election bargaining would help "solve all the issues that divide Ukraine."

This has been interpreted as an olive branch held out to Yanukovich's party.

"We will calmly wait through the first round, when an Orange coalition between three political forces will be signed," said Taras Chornovil, a Party of the Regions spokesperson. "And when one of the parties—I believe it will be the Socialists—withdraws...we will enter the normal negotiating process."

As a result of constitutional changes enacted since 2004, the Ukrainian parliament has substantial new powers to name and dismiss the prime minister and much of the cabinet, with no presidential veto. Thus, whoever becomes prime minister will largely overshadow President Yushchenko on domestic policy questions.

Another crucial benefit of membership in parliament is immunity from criminal prosecution—a distinct threat for most of Ukraine's business-political elite, including those associated with the Orange Revolution.

The ultimate composition of the ruling coalition is of great importance to Ukraine's oligarchs, who, like their counterparts across the former Soviet Union, conduct their affairs in the manner of Mafioso and consider the official levers of governmental power little more than mechanisms for self-enrichment and settling old scores.

The two largest factions in parliament represent two regionally distinct oligarchic groups. The Bloc Yulia Tymoshenko represents, in the first place, the interests of its founder and her husband, who are among the richest people in the country.

Tymoshenko has gathered around her other business interests that orient towards the US and the European Union (EU) and resent the dominance of the industrial oligarchs in the east of the country, who are closely tied to Russian big business. Though herself originally from the southeastern city of Dnipropetrovsk, Tymoshenko has positioned herself as the leader of the most anti-Russian forces from the west of Ukraine.

She is a representative of an ambitious and unprincipled layer that prospered under Stalinist rule. Tymoshenko experienced a significant rise in wealth and power in the last days of the Soviet Union, founding a successful video rental chain in 1989. But it was after the full imposition of capitalist restorationist policies that she made a meteoric rise, directing several energy companies and acquiring a significant fortune between 1990 and 1998.

In the course of the fire-sale privatisation of state assets in Ukraine, which mirrored that in Russia in terms of corruption, Tymoshenko's husband became one of the wealthiest oligarchs by exporting metals. From 1995 to 1997, Tymoshenko was the president of United Energy Systems of Ukraine, a privately owned company that became the main importer of Russian natural gas in 1996. During that time she acquired the nickname "gas princess" and was accused of stealing and selling on the international market enormous quantities of Russian gas piped through Ukraine.

One of her main business allies during the 1990s was Pavel Lazarenko. A crony of then-president Kuchma, Lazarenko was made prime minister

in 1998 and Tymoshenko was appointed the chairperson of the parliamentary Budget Committee.

Lazarenko was dismissed for exhibiting ambitions to succeed Kuchma to the presidency. Charged with money laundering and the murders of two political opponents, he fled Ukraine in 1999 and was subsequently arrested and imprisoned by US authorities on money-laundering charges.

From 1999 to 2001, Tymoshenko was the deputy prime minister with responsibility for the energy sector in the government of Lazarenko's successor, Yushchenko. This former ally of Kuchma subsequently shifted his allegiance to Washington and began denouncing his one-time benefactor as a corrupt autocrat.

Yushchenko had been the head of the post-independence central bank. A supporter of "free market" economic reforms, he was chosen by Kuchma, in part, as a sop to America and the European powers, who demanded that Ukraine's economy be fully privatised and opened up to exploitation by the West. Without close ties to the oligarchs, Yushchenko was seen by Kuchma as a loyal prime minister who could help mediate between the warring interests at the top of Ukrainian society.

His deputy, Tymoshenko, was reportedly chosen for the energy portfolio because of her intimate knowledge of machinations in the oil and gas sector, which were to be brought under control so as to attract inward investment by the Western powers.

Kuchma fired Yushchenko and Tymoshenko in January 2001, after pressure from the eastern oligarchs forced a halt to further "free market" reforms. Tymoshenko was then arrested on charges of forging customs documents and smuggling Russian natural gas in the 1990s, but was cleared several weeks later.

Out of government, she ingratiated herself into the campaign against President Kuchma for his alleged role in the murder of the journalist Georgi Gongadze—an issue that had not troubled Tymoshenko during her period in office.

Tymoshenko's rivals for power are the eastern Ukrainian oligarchs who have backed Yanukovich and his Party of the Regions and see the capitalist market reforms demanded by Washington and the European Union as a threat to their entrenched interests.

Yanukovich began his career as a transport executive in the Soviet coal mining industry in eastern Ukraine. In the 1990s, less than a year after entering the local administration, he became governor of the Donetsk region, home to more than 3 million people and the economic powerhouse of Ukraine.

The figurehead of Donetsk's political and business groups, he is regarded as a virtual family retainer of the Kuchma clan. He served the ex-president as prime minister from 2001 to 2004 and is a close associate of Kuchma's son-in-law, Viktor Pinchuk, and his business partner, Rinat Akhmetov.

In June 2004, Yanukovich awarded the Akhmetov-Pinchuk partnership the right to buy the massive state-owned steel concern Kryvorizhstal for US\$800 million. Known to be a fraction of its market value—US Steel had offered US\$1.5 billion for it—the move was widely condemned in Ukraine as an example of the rampant corruption of the oligarchs, and by the Western powers for whom such nepotistic deals represented a barrier to their exploitation of the Ukrainian economy.

Once the Orange Revolution had brought to power the pro-Western Yushchenko regime, Kryvorizhstal was nationalised and run by directors linked to the Privat Bank, an institution believed to be closely associated to then-Prime Minister Tymoshenko. Kryvorizhstal was re-privatised in October 2005, realising a price of US\$4.81 billion from the Anglo-Indian giant, Mittal Steel.

The Orange Revolution was organised and financed by Washington and, to a lesser extent, by the European powers in order to facilitate just this type of restructuring of the Ukrainian economy at the behest of the transnational corporations. Yushchenko was chosen and supported by the

US after he had won their admiration for implementing limited pro-market reforms as Kuchma's prime minister from 1999 to 2001.

During this time, he showed his true "democratic" credentials, co-signing a public statement by Kuchma describing those protesting against the suspected state murder of journalist Georgiy Gongadze as "fascists." Not a few of these "fascist" opponents of Kuchma would later become supporters of the Orange Revolution and Yushchenko.

After losing out in the power struggle with the industrial oligarchs in 2001, Yushchenko, out of high office for the first time since Ukraine's independence, suddenly discovered his opposition to Kuchma and the corruption of Ukrainian politics.

Forming an opposition bloc in 2002 called Our Ukraine, he allied himself to the US and adopted policies in favour of NATO and EU membership and the weakening of relations with Russia. Yushchenko is married to Kateryna Yushchenko-Chumachenko, a Ukrainian-American former special advisor to the US State Department's assistant secretary of state for human rights and humanitarian affairs.

Capitalising on widespread hostility to Kuchma and playing to Ukrainian nationalism, he won the largest number of seats in the 2002 parliamentary election. Backed by Washington, he formed an alliance with his former deputy Tymoshenko, other oligarchs and politicians who had fallen foul of Kuchma, and sections of Ukrainian business in the west of the country that had more to gain from a closer alliance with Europe than from the country's pro-Russian orientation.

This amalgam of pro-imperialist opportunism, big business interests and national chauvinism formed the core of the Orange Revolution, so-named after the fashion begun in Georgia in 2003 when Eduard Shevardnadze's rule was ended by the US-orchestrated "Rose Revolution."

Never a genuine mass movement and lacking any democratic principles, the Yushchenko-Tymoshenko alliance was a highly unstable coalition of rival interests whose only commonalities were their expulsion from power by the Kuchma regime and their willingness to become pawns in Washington's power struggle with Moscow.

Their Orange movement was organised, funded and staffed by the US through such entities as the National Democratic Institute, the International Republican Institute and the US State Department.

Those workers and young people who were genuinely disgusted by the criminal Kuchma regime and who rallied under the Orange banner were used as camouflage for what amounted to the seizure of power from one clique of oligarchs allied with Russia by another clique of oligarchs allied with the US.

Since becoming president, Yushchenko has lost virtually all credibility with the populace as a result of his "free market" economic policies. In the face of falling prices for Ukraine's industrial products and rising energy costs, the living standards of many Ukrainians have deteriorated. Corruption, which Yushchenko insisted he would stamp out, remains endemic. His son, Andre, has made a fortune from the sale of official Orange Revolution merchandise, for which he has appropriated sole marketing rights.

Always a marriage of convenience, the Yushchenko-Tymoshenko tandem quickly unravelled when the Tymoshenko faction of the Orange coup began to aggressively push for the prosecution of their rivals among the eastern oligarchs, seizing their assets for resale. Tymoshenko demanded the re-privatisation of these formerly state-owned enterprises, which promised to be an enormous boon for the pro-Orange elite, who could buy up shares and entire companies on favourable terms or act as the well-paid local agents for foreign-based transnationals. Additionally, the threat of seizing assets could be used to strong-arm rivals—including those within the Orange faction.

As Ukraine's chief financial bureaucrat throughout the 1990s, Yushchenko knew that a rash of anti-corruption prosecutions would not only expose the criminal methods by which the eastern oligarchs amassed

their fortunes, but could also cast light on the nefarious activities of many of the backers of the Orange coup.

Not only Ukraine's gangster elite, but major western European and American companies and financial institutions were involved in the smash-and-grab economics of the 1990s privatisations. Seeking to improve their foothold in the Ukrainian economy today, these corporations would not welcome any exposure of their dealings, both past and present.

Another concern about the re-privatisation frenzy advocated by Tymoshenko—at one point she suggested that 3,000 enterprises sold off cheaply under Kuchma be renationalised and then resold—was that it would cause economic instability by disrupting the web of business relations with Russia, where much of Ukraine's exports go.

It was in response to such investor concerns that Yushchenko sacked Tymoshenko as prime minister in September 2005.

Following her dismissal, Tymoshenko sought a rapprochement with Russian President Vladimir Putin, whose government was concerned that Yushchenko's turn to the eastern Ukraine oligarchs would reduce Moscow's influence over Ukrainian industry. As a gesture of support, longstanding criminal charges in Russia against Tymoshenko were dropped, despite the fact that her alleged accomplices had been imprisoned.

When Russia hiked the cost of natural gas to the Ukraine in January this year, it served not only to destabilise Yushchenko, but to pressure Tymoshenko's opponents in the east not to form too close an alliance with the Ukrainian president.

The split between Yushchenko and Tymoshenko expressed the reality of the Orange "revolutionaries" as a faction of the Ukrainian elite that had offered itself for hire to Washington and international big business in order to win power and greater wealth for themselves.

Tymoshenko, the self-styled "Orange princess," feels emboldened by her wealth and renewed power to embark on reckless policies that threaten to destabilise the entire region. She has vowed if made prime minister to cancel the compromise gas deal Ukraine recently signed with Russia that temporarily secured the supply of Russian gas in exchange for an increase in the price paid by Kiev. Such a move would likely bring about further energy instability across Eurasia.

She has also promised to initiate an anti-corruption campaign involving lifting immunity from prosecution for parliamentarians—a move intended to allow her to settle old scores with her more pro-Russian business and political rivals.

It is a measure of the desperation of US imperialism to advance its geopolitical conflict with Russia that many in Washington consider such an unstable character in so volatile a region to be a useful ally. The *Washington Post* reported an unnamed State Department official as saying the United States favoured Tymoshenko and Yushchenko forming a government friendly to the West and prepared to work for more market reforms.

However, some in Washington recognise that Yushchenko is already a busted flush and that Tymoshenko is too erratic to be relied on to carry through "free market" reforms. The *Washington Post* editorialised that a new alliance with Yanukovich—only recently decried by the newspaper as the representative of a brutal Ukrainian autocracy—may be necessary:

"Some in the Bush administration are quietly encouraging the Orange Revolution parties to set aside their differences and form a new coalition so as to prevent the pro-Moscow candidate, Viktor Yanukovich, from becoming prime minister. But a few experts outside the government argue that Mr. Yanukovich's party, backed by some of Ukraine's biggest private businessmen, is ready to embrace western capitalism and that a coalition between it and Mr. Yushchenko's party could heal Ukraine's lingering divisions."

This was echoed in the *Wall Street Journal* on March 28. Despite editorialising that the Orange Revolution overthrew a corrupt "ancien

regime" in 2004, and that Yanukovich had a "possible role in electoral fraud," the *Journal* was keen to stress that it was amenable to the prospect of a rapprochement: "Mr. Yanukovich is wooing [the] Our Ukraine party and other centrists by tempering his past Russophile utterances. Significantly, he supports Ukrainian membership in the European Union."

Another *Journal* article expressed growing concern amongst international investors over Tymoshenko's return to government and her "populist slogans":

"Such concerns have prompted many in Mr. Yushchenko's party to call for an alliance with Mr. Yanukovich instead, as the lesser of two evils. 'Businessmen will do everything to make sure Tymoshenko doesn't return to government,' said Katya Malofeyeva, an analyst at Renaissance Capital bank in Kiev."

Never having any principled differences with Kuchma, Yanukovich or the eastern oligarchs, the Orange elite could well form an alliance with its previous enemies. A Yushchenko-Yanukovich or even a Tymoshenko-Yanukovich "grand coalition" cannot be ruled out as a result of either the current negotiations or future ones.

Whatever the make-up of the government in Kiev, the Ukrainian working class can expect nothing from the parasitic, corrupt and extremely wealthy elite—and their backers in Washington, Europe and Moscow—but further economic uncertainty and hardship and the growing spectre of military conflict in the region.



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