

“Business-State Relations in Russia and Ukraine”

On November 30th, the Centre for European, Russian and Eurasian Studies (CERES) at University of Toronto hosted a workshop on relations between business and the state in Russia and Ukraine. The workshop opened with presentations by three participants: Dr. Oleh Havrylyshyn (CERES Visiting Scholar), Dr. Rosaria Puglisi (Office of the EU Special Representative for Moldova) and Prof. Lucan Way (University of Toronto). Prof. Marta Dyczok (University of Western Ontario) chaired the event.

The presentations together provided a complete overview of the origins of oligarchs in the two countries, the current situation in the relations between the oligarchs and the state, the potential future development of this relationship and its implications for economic and political reforms in Russia and Ukraine.

In his presentation, Dr. Havrylyshyn explained why and how capitalism for the few freezes transition and impedes capitalism for all. Drawing upon the experience of political and economic reforms in the post-communist region, Dr. Havrylyshyn argued that slow movement in conducting reforms led to the “state capture” in the region, when the so-called “oligarchs” have been able to change the overall development of the state to their own advantage. Dr. Havrylyshyn also outlined the major similarities between Russian and Ukrainian oligarchs, who are “insiders” and have come from the old *nomenklatura* in both cases. They have accumulated wealth through rents extraction. The wealth of the oligarchs has been made through transfer of old assets and absent or minimal creation of new value. Dr. Havrylyshyn also emphasized the major difference in the current status of oligarchs in Russia and Ukraine. In Russia, he concluded, it is a cohabitation of a predatory state and cooperative oligarchs while in Ukraine it is a state capture by the oligarchs who control the direction of state policies. The state capture results in delayed economic reforms, weak rule of law, and weak support of the elites for European Union membership.

Dr. Puglisi focused on the current image of the Ukrainian oligarchs in the eyes of the domestic and international public. The Ukrainian oligarchs, who are still widely perceived as thieves by the population, have been attempting to “gentrify” themselves through charity work and public campaigns to gain the image of legitimate businessmen and “politically neutral capitalists.” At the same time, as Dr. Puglisi pointed out, the oligarchs have become even more influential in government circles and have consolidated their power over political institutions. Dr. Puglisi argued that “golden opportunities” have been lost immediately after the Orange revolution to change the nature of relations between the state and the big business in Ukraine and suggested the necessity of further political reforms, such as constitutional reduction of presidential powers.

Professor Way offered the two possible conceptualizations of an oligarch: the “warm fuzzy” view of oligarch as proto-bourgeoisie on the one hand and an anti-democratic force on the other. Professor Way described the position of the oligarchs towards reforms as based on what he calls “rapacious individualism,” a formulation of politics on non-ideological basis and competition for power and rents. By arguing that oligarchs in their essence are opportunists and always attempt to join the winning side and analyzing the

nature of Leonid Kuchma's Ukraine, Prof. Way explained how and why some of the Ukrainian oligarchs ended up demolishing the previous regime.

The presentations provided an excellent introduction into the broader discussion with the active participation of the public that followed. The event was sponsored by the Petro Jacyk program for the Study of Ukraine and CERES.

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