

**Oligarchs and Separatist Trajectories: A Comparison of  
Secessionist Rebellions During 2014 Crisis in Eastern Ukraine**

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*To my mom, wishing you were here*

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## **Abstract**

This study seeks to explain the local variation in the timing of the separatist rebellion across forty-seven municipalities that comprise three regions of East Ukraine: Donetsk, Kharkiv, and Luhansk. More specifically, the objective is to explain why some municipalities experienced a separatist takeover in the first few weeks of the crisis, while others did so much later, or not at all. The study builds on and contributes to the research on workplace mobilization theories and engages in an in-depth analysis of crucial domestic factors, chiefly, of powerful regional economic players, commonly known as the *oligarchs*, on the local separatist rebellions. Given that the oligarchs are known to be notoriously influential forces in the socio-political landscape in Ukraine – as well as in most post-Soviet states – the study seeks to empirically estimate their influence by collecting local-level enterprise-ownership data, which, in turn, reveals the number of people employed by these actors in a particular area. With people being a crucial component and a key driving force behind mass protests, the study theorizes that the oligarchs were able to use their control over local populations to not only sometimes initiate mobilization, but to also guide and shape its outcome. Moreover, the study demonstrates that the local economic composition of the regions is a key determining factor in guiding the political preferences of the oligarchs and often determines the extent of their "political flexibility," meaning their willingness to accept new political establishments as opposed to relying on lucrative connections in the corridors of power. To that end, the thesis also supplements the quantitative component with case studies across the three regions to better illustrate the tools and various strategies that the oligarchs used to shape the outcome of separatist rebellion, thus providing evidence in support of my argument through a combination of original data and drawing on extensive empirical research from both primary and secondary sources.

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# Chapter 1: Introduction

Throughout March and April 2014, several east Ukrainian regions saw their administrative buildings, city halls, and police stations stormed. Waving Russian flags and denouncing the post-Euromaidan<sup>1</sup> government in Kyiv as a nationalist junta, the protestors demanded a referendum on regional independence. In most municipalities the police generally remained passive, and the sub-national political elite, such as mayors, in many cases even served as mobilisers of the initial wave of these protests.

On 11th May 2014, unofficial separatist referenda were held in the eastern regions of Donetsk and Luhansk, and the rebels proclaimed the establishment of the Peoples' Republics of Donetsk (DPR) and Luhansk (LPR). This action had the potential to spread to other regions. However, despite pro-referendum mobilization and the storming of government buildings across eastern Ukraine, the rebellion's success was largely confined to Donetsk and Luhansk - collectively known as Donbas. The fact that the rebellion failed in the neighboring Kharkiv *oblast* (region) is especially puzzling. Protest momentum had been strong in Kharkiv, and the region shared similarities with Donetsk and Luhansk in terms of shared history, demographic composition, and proximity to Russia.

This dissertation seeks to explain this puzzle. In particular, it sets out to explain the variation in the *timing of the separatist rebellion* across forty-seven municipalities that comprise the three regions: Donetsk, Kharkiv, and Luhansk. It seeks to explain why some municipalities experienced a separatist takeover in the first few weeks of the crisis, while others did so much later, or not at all. Therefore, the research question that will be answered is: why did the timing of the separatist

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<sup>1</sup> In the wake of the Euromaidan revolution, which resulted in the toppling of president at the time, Viktor Yanukovich, the new interim government was composed of several controversial figures, some of whom were perceived by the as overly nationalistic by the Ukrainian public in the East and the South of the country.

rebellion vary across similar regions and the municipalities within them? In other words, why did separatist mobilization materialize into a separatist take-over in some municipalities within the first few weeks of the crisis, and much later, or not at all in others?

The main explanation proposed is set against the background of the specific conditions of the post-Soviet political economy. Specifically, the explanation addresses the importance of a group of powerful economic actors, commonly referred to as the *oligarchs*, who, as a result of the collapse of the Soviet system, managed to 'capture' large chunks of the regional economy and as a result were able to exert control not only over local political elites, but also over their populations, using a monopoly over local employment as a crucial element for mobilization.

Euromaidan protests in Kyiv in late November 2013 gave rise to anti-Kyiv demonstrations across eastern Ukraine. Separatist protestors attempted to seize government buildings in numerous towns and cities. This occurred during a power vacuum caused by the removal from office of Ukrainian President Viktor Yanukovich. The vacuum was partly filled by powerful regional players who controlled local economies, the so-called oligarchs, who sought to shape the trajectory of outcomes in their respective milieus. A product of large economies of scale, very large enterprises, and little legal security, the oligarchs had become a major phenomenon and crucial actors in post-communist societies, and especially in Ukraine. Their influence over politics and their role in society was notorious. Lack of clear demarcation between business and politics resulted in large business groups wielding a great degree of influence over the country's legislators with the end goal being personal enrichment rather than the pursuit of official policy goals for the broader public good.

In all post-Soviet societies - albeit to varying degrees - dense networks of such actors collude with one another to bring the state under their sphere of influence for mutual profit. Ukraine is no exception to this. Indeed, as will be demonstrated in the course of this dissertation, attempts to construct effective democratic and market reforms in the post-Communist environment have tended to come up short. Time and again, entrenched networks of a select few have found ways to design,

bend, evade, or otherwise manipulate the rules to serve their own ends and prevent revolutions from having the sought-after revolutionary outcomes.

However, despite the great deal of attention that this particular group of elites receives in the media, they remain relatively understudied. Indeed, when it comes to understanding the development of separatism and why Donetsk and Luhansk succumbed to the separatist takeover, their role has generally been less explored in the literature compared to other variables. While the role of public opinion, and other domestic and external factors is certainly not to be discounted when it comes to rebellions and regime trajectories, the flip side is that big money nonetheless plays an enormous political role in many countries (La Porta, Lopez-De-Silanes and Shleifer 1999, Faccio 2006, Gilens and Page 2014), particularly post-Soviet developing democracies (Johnston 2014, Winters, Oligarchy 2011, Aslund 2005, Pleines 2016, Zudin 2000). And, although some important research does take into account the role of the domestic conditions of the regions in driving protests, much of the literature such as (Y. Zhukov 2016, Kudelia 2014, Giuliano 2015) it still often overlooks the role of the oligarchs in the protest events and how their influence varied across different regions.

As a result of this gap in the literature, the central question of the conflict remains largely unanswered. This dissertation, therefore, aims to explore in greater detail why some municipalities experienced the separatist rebellion earlier than others in Donetsk and Luhansk, while none of the other eastern regions succumbed to this phenomenon? Previous research on the topic has not addressed this very important point despite the fact that regions such as Kharkiv had a relatively strong pro-Russian sentiment and made numerous attempts to capture local organs of power. As the evidence in this dissertation will demonstrate, considering other variables, the preferences of local economic elites may have determinative explanatory value. The reactions of the oligarchs to separatist activity varied greatly throughout eastern Ukraine, which as this research argues either enabled or disallowed separatist takeovers. Consequently, the preferences of powerful economic

individuals may be more useful in explaining the successes and failures of separatists than mass popular attitudes.

Oligarchs have been influential players in the post-Soviet context since their emergence in the wake of the Soviet Union's breakdown. They gained substantial profits from the disastrous neoliberal "shock therapy" reforms during the 1990s and acquired vast assets in the energy sector, manufacturing, banking, telecommunications, transport, as well as food and beverages production (Hellman 1998, Aslund 2005, Treisman 2016). All of this provided them with a central role in the economy of their respective countries. Most scholars, however, also tend to agree that they could not have reached such successes without their formal and informal political connections (Zudin 2000, Frye 2002, Frye 2003). The involvement of oligarchs in politics, the concentration of wealth in the hands of the few, corruption, patronage, and clientelism are all serious political problems in the post-Soviet context (Markus and Charnysh 2017, Goldman 2004, Åslund 2015, Stefes 2007, Shlapentokh 2013).

Measuring the actual influence of these big business groups is no small task, however. Mostly, this can be attributed to the lack of reliable data (Hillman, Keim and Douglas 2004). Yet, there is no doubt that economic elites through their political connections, and ownership over a wide variety of enterprises that impact the livelihoods of populations are likely to be crucial in shaping workers' behavior, and in turn steering the course of political outcomes. This claim is further supported by prior research that discusses how a wide variety of firms are involved in political activities, in industries as varied as oil and gas, information technology, and pharmaceuticals. These firms have been influencing governments through campaign contributions, direct lobbying, government membership on company boards, political action committees (PACS) and at times even bribery (Yoffie and Bergenstein 1985, Spiller 1990, Austen-Smith and Wright 1996). Sector specific business interests, particularly in the case of Russia, have also been demonstrated to have an effect on legislative behavior (Chaisty 2013, Szakonyi 2020). The predatory ways in which big firms in

Ukraine and Russia behave, such as squeezing out or swallowing up small-scale private players to further advance their monopolies has also been highlighted in the literature (Markus 2015). An admission of their influence on politics comes from some of the oligarchs themselves. An illustrative quote, for example, comes from a prominent Russian billionaire Mikhail Khodorkovsky, who sought to protect his economic empire after Putin came to power, stating that;

“It makes me weep when Boris Berezovsky talks about this group of people having 100 percent political influence [...] If we had just 10 per cent of the political influence that Berezovsky claims, we would never have allowed the government to impose the unbearable tax burden on business that it has” (Hollingsworth and Lansley 2009, 220).

Enduring ties between big business and political elites since the early days of Ukraine’s independence, as well as deeply rooted interests of a handful of economic elites, have therefore led some scholars to refer to Ukraine’s political system as “oligarchic democracy” (Matuszak 2012), “oligarchic society” (Acemoglu 2008, Shlapentokh and Woods 2007), “clan capitalism” (Kosals 2006), “network capitalism” (Boisot and Child 1996, Oleinik 2004), and “patronal politics” (Hale 2014).

Thus, there are indications in prior research that oligarchs’ influence extends beyond politicians and touches the lives of the local populations. Less research, however, exists on the influence that these groups have over the citizens of these countries. They can, for example, use their vast resources to mobilize locals, stir up rebellions, and as a result destabilize governments. One way that they are able to do this is by channeling money to opposition groups. One oligarch has even openly discussed his role in, and taken the credit for helping the Orange Revolution in 2004-5 to succeed. By substantially underwriting the Revolution and funding activist groups in Ukraine, Boris

Berezovsky, a Russian billionaire and a well-known anti-Putin activist, in his November 2004 speech to the Oxford University Russian Society openly claimed that he had spent some \$25 million in former Soviet States, all aimed at weakening the power of Russia (Hollingsworth and Lansley 2009). Other scholars also point out that despite the fact that during the Orange Revolution many people joined out of their own volition, the role of private capital in achieving this momentum and the success of the outcome cannot be underestimated (Radnitz 2010).

Funding is, however, only one way in which oligarchs can afford to mobilize the population either for or against the regime. Tracing how much business groups contribute to and to whom is virtually impossible. Nor is every citizen likely to be “bought”. Instead, this study proposes that a more accurate way to estimate the oligarchs’ mobilization potential is to examine their control over local employment in the large-scale enterprises that they came to own in the aftermath of the Soviet collapse. The notorious role of a few large business groups in Ukraine, their close ties to particular political parties, and their monopoly over specific sectors of the economy, provide plenty of ground to suspect that they may have played a significant role in mobilizing and shaping the trajectories of the separatist rebellions in order to protect their economic empires. This dissertation, therefore, focuses on the understudied influence of big business on the likelihood and the timing of rebellion in times of political crisis, particularly in post-Soviet contexts. As has briefly been introduced so far and as will be elaborated more in the remainder of this dissertation, particularly in the case of post-Soviet political economies, the collapse of the Soviet Union gave rise to a specific class of elites whose interests diverged from those of the rest of society (Radnitz 2010). As such, moments of political change became an important part of their existence, leading these individuals to become active players in either propping up the regime or speeding up its downfall through means such as financing of political campaigns and mobilization of citizens. To that end, the specific case that will be explored in this dissertation is the separatist rebellion that occurred in the aftermath of a mass protest known as Euromaidan. The result of the mass protest was the removal of then President, Viktor Yanukovich

in mid-February 2014. This generated a power vacuum and opened a window of opportunity for elites with a stake in the conflict either to accept the incoming regime and preserve stability, or to act in opposition and rebel. Moments of sudden change generate uncertainty for those whose interests might be threatened by a challenge to status-quo, which automatically gives these groups a motive to go into opposition. To pose a credible threat, however, motive alone is not enough. These groups must also have the means to act.

In a rebellion, the most important of these means is arguably human power. Demonstrations must have participants, and in some cases these participants need to be mobilized and organized. The economic elites in post-Soviet states are in a particularly favorable position to establish dense networks of mobilization and bend individuals to their will. The most susceptible group to their influence, as this dissertation will go on to demonstrate, are the workers that they employ. Oftentimes, being the only, or one of the few major employers in towns where they operate, local populations are directly and indirectly influenced by the interests of the oligarchs. This particular interest group has, therefore, two powerful tools at their disposal when it comes to challenging the state. The first is their economic power, which grants these individuals a relative degree of independence in relation to the center as it gives them the ability to challenge more easily the existing framework and push government to modify it (Tian, Hafsi and Wei 2009, Feeny 1988). And the second way that these groups can make an impact, as this dissertation proposes, is through their direct influence over pockets of local employment. Thus, the most appropriate proxy for estimating the proportion of the population over which they have control is the total number of individuals they employ. As such, this research builds on the works of Frye, Reuter and Szakonyi (2014), and Mares and Zhu (2015) to suggest that variation in the outcome and the timing of the rebellion can largely be explained by the economic interests of large-scale private business groups upon whom workers

in the municipalities depend.<sup>2</sup> Two crucial factors are at play. The first has to do with *economic and employment monopoly*. Specifically, the findings of Mares and Zhu (2015) highlight that municipalities with high economic concentration also have low costs of repression to the employers. The results make sense if one grants that in “one company towns” with little or no alternative source of employment, employees are more vulnerable to their employers and are, therefore, more likely to succumb to the demands of their employers.<sup>3</sup> Frye, Reuter and Szakoni’s (2014) findings demonstrate a similar effect in Russia. Focusing specifically on the 2011 parliamentary elections in Russia, the scholars also found the workplace to be a key arena for mobilization. Thus, building on these works, the impact of economic elites on the separatist rebellion is examined through the prism of their control over the local employees within the three regions.

The second dimension to the *local employment concentration* is sectoral. Separating business groups and their interests according to the economic sector that they occupy allows for a more nuanced analysis of the conflict. The underlying logic behind separating oligarchs into groups based on economic sectors is that sectors benefitted differently under the Yanukovich regime. In other words, just as it would be a mistake to conclude that business interests in the West are a cohesive interest group, it would be an error to assume that economic elites, as the functional equivalent of capital in Ukraine, formed a single lobby. As will be explained in greater detail in this dissertation, not all economic groups benefitted equally under Yanukovich, and not all had the same ties to him. Heavy industry such as mining, and metallurgy were the most vulnerable in the aftermath of Yanukovich’s removal, and economic players such as Rinat Akhmetov had most to lose. Thus, the direction of preferences of economic elites and their support either for the former or the incoming regime, is argued here to best be estimated by the sector of the economy that they occupy. Simply

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<sup>2</sup> This might be due to the fact that some workers do not have any other skills that would make their finding employment elsewhere feasible. They might also live in a town that is dominated by a single owner, which would prohibit them from seeking employment in the same sector but under a different ownership, making them more vulnerable.

<sup>3</sup> The mechanism through which these actors exert influence and shape collective behavior ranges from local political machines mobilizing state employees to owners of factories and other production centers sending their employees to the streets. See for example for a specific discussion on Ukraine (D’Anieri 2005, 238).

put, economic sectors help to determine the direction of elite preferences, that is, whether they are likely to accept the incoming regime or rebel against it; whereas, ownership over local employment determines their ability to act on their preferences. Ownership and monopoly over a specific economic sector also serves as a powerful way to overcome collective action problems (Olson,1965). Thus, ultimately the study suggests that what matters most in explaining variations in sub-regional timing and the outcome of separatist rebellion are the relationships that different economic contexts foster: the more concentrated (by sector and single employer) the municipal economy is in heavy industry, the higher the likelihood of a separatist rebellion earlier on. The main explanatory variable, therefore, is defined here as sectoral concentration of local employment by an oligarch.

Before diving deeper into the inquiry of this dissertation, it is first important to set the stage and briefly define what is meant by key terms such as “oligarch”; to understand how the process of privatization in the mid-1990s and early 2000s gave rise to these regional economic groups with well-defined sectoral interests, and how these individuals were able to “capture the state” (Hellman, Jones and Kaufmann 2000). Next, the discussion will address the significance of the ‘trigger’ of the rebellion, the Euromaidan, which resulted in the removal of then President Yanukovych, and disproportionately affected the political and economic interests of his biggest financial supporters. As will be demonstrated in the course of the discussion, critical to some economic groups’ continued economic stability and security is their ability to influence and remain in favor with the executive. Lastly, the chapter will briefly discuss the methodology and how it approaches the research question posed in this work.

## 1.1. Defining the Oligarchs

In Russia and Ukraine, in particular, the term “oligarch” is used almost daily. In everyday speech, most people use this word to describe ultra-rich individuals that are close to incumbent politicians, are assumed to be corrupt, and hoard immense amounts of wealth in their Western offshore bank

accounts. In the relatively small amount of literature that does exist on this group, oligarchs are understood to be businessmen that emerged around 1994, are “the wealthiest elite members” of society (Markus and Charnysh 2017, Markus 2017), and “use their wealth to exert political influence” (Pleines 2016, Puglisi 2003). The precise figure for how much financial capital one must possess in order to be classified as an oligarch is non-existent in the current research, though some have set the minimum requirement at 200 million United States Dollars (USD) (Pleines 2016). One of the difficulties with ascribing an exact figure into a definition of an oligarch is that their financial information is notoriously and deliberately opaque. Most of the attempts at uncovering and estimating their wealth should be taken with a grain of salt, as the true value is likely to be much higher than what is reported. Very few oligarchs, if any, are open about the status of their financial wealth, and most generally contest the estimates that are published by sources such as *Forbes*. A somewhat comical event that demonstrates the difficulty of estimating the precise wealth of oligarchs comes from a statement by an oligarch himself. An outlier among his colleagues on the same list, most of whom protested that the publication of “Golden Hundred” by *Forbes* greatly overestimated their wealth, Boris Berezovsky took offense that he was not placed higher up on the list, complaining that “In the middle of 1995 *Forbes* estimated my wealth at \$3 billion, that means that I’ve spent \$2.5 billion or their current estimates are incorrect” (Hollingsworth and Lansley 2009, 273). Thus, estimates provided by even some of the most legitimate and reputable sources, are best an indication rather than a precise reflection of reality. Furthermore, the wealth of these individuals may vary from year to year, making it even more difficult to keep track of who classifies as an oligarch and who does not.

Instead of wealth being the primary trait of an oligarch, the label stems from the origin of their wealth. This group is different from other successful business people not only because they are wealthier – though by how much is not established - but also because the origin of their wealth came as a result of change from communism to semi-capitalism. The privatization process that took place during this transition period allowed a small group to use their political connections to gain control

over private assets and establish monopolies in specific sectors.<sup>4</sup> Heavy industries especially offer great opportunities for rent, which is another common feature generally associated with oligarchs, and in the case of Ukraine the most powerful economic groups are mainly preoccupied with mining and metallurgy industries, which they have monopolized (Kroll and Goldman 2005).<sup>5</sup> Oligarch-owned companies are also characterized by the fact that they are usually also managed directly by them, which allows these groups to concentrate the ownership in their hands (or their family) instead of dealing with minority shareholders. As Williamson (1975) explains, these groups prefer vertical integration, that is corporate hierarchies to markets. Outsiders generally have little or no chance to compete or get a share of the market in regions where oligarch groups have established themselves, and thus, generally, most companies in a given sector have only one majority share-holder.

Ultimately, this outcome was made possible by the Soviet collapse and played out differently in different parts of Europe. For example, while “nearly all large industrial enterprises closed down in Central Europe, in Russia and Ukraine, the large oil and metallurgical industry is booming as never, thanks to able local entrepreneurs, who have naturally got immensely rich” (Aslund 2005). Thus, one of the main differences between an oligarch and a modern-day billionaire or a multi-millionaire in the West is the origin of their wealth. Individuals like Mark Zuckerberg (*Facebook*), Joe Gebbia, Brian Chesky, Nathan Blecharczyk (*AirBnB*), or Elon Musk (*Tesla*), whose net-worth is comparable to or exceeds that of some of the oligarchs in post-Soviet states, is that the source of their wealth is an invention, an original idea that started off as a start-up with a high chance of failure, and succeeded through merit. This sets entrepreneurs apart from oligarchs. The former are individuals that achieved early success by building productive and efficient companies. They either paid a fair price for privatized firms or started companies from scratch capable of out-competing other firms by providing the best products at the lowest price. On the contrary, the source of the wealth for the post-

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<sup>4</sup> In general, the wealthiest oligarchs came from oil, gas, metallurgy, and mining industries.

<sup>5</sup> According to Forbes (2005), six of the biggest Ukrainian oligarchic groups concentrate on coal and steel. System Capital Management, Interpipe, Privat Group, Industrial Union of Donbass, Zaporozhstal, and Zavod imeni Ilicha in Mariopol.

soviet oligarchs was not ingenuity or production and innovation in a competitive marketplace, but rather looting of the state enterprises, and exploitation of political connections in order to acquire and maintain their wealth. Without political protection, many of these oligarchs would have found themselves marginalized in favor of those better able to survive under competitive market conditions. The fact that some of these individuals now possess productive companies that create real economic value, does not erase the fact that due to the origins of their wealth, many of them continue to rely - to varying degrees - on their political connections to ensure continuation of their economic interests. The formative period in the early-capitalist setting and the degree to which economic actors relied on capital coercion and political connections to acquire their early success, therefore, is an important element that separates the oligarchs from wealthy businessmen in established market economies.

Despite their closeness to politics, oligarchs are distinct from political elites as they do not tend to assume public office themselves – although some have had brief stints in politics. Instead, and predominantly they closely interact with politicians, particularly the President - whom they likely helped to elect in the first place - and “establish with them [politicians] a continued relation through which to pursue their own narrow interests” (Puglisi 2003, 101). Thus, despite not generally being politicians themselves, these large business elites either heavily influence or directly control the executive. Essentially, in many instances in Ukraine, they have “captured the state” (Hellman 1998), and are the true puppet masters behind the scenes pulling the strings and calling the shots. Protection of their business interests is at the core of their activity and indirect involvement at the national political scene is merely a means to this end. Ultimately, oligarchs were partly a result of the initially slow reform process after the collapse of the Soviet Union, which allowed them to extract diverse forms of rent by exploiting high inflation rates, multiple exchange rates, direct and indirect subsidies, tax exemptions, selective trade barriers, widespread licensing, export and import quotas and restricted and non-transparent privatization processes (Gelb, Hillman and Ursprung 1996). All of this

led to large disparities in the distribution of wealth and income, unequal access to business activity for the majority, and widespread poverty making it clear who the truly rich are. The interests of losers or voters played little role in this process of reform, which instead became dominated by the “intermediate winners” (Hellman 1998).

Thus, the feature that distinguishes oligarchs from merely successful businessmen is the origin of their wealth and their reliance on political connections to maintain it. Though there will almost always be a noticeable gap between merely a successful businessman and an oligarch, the same is sometimes the case between oligarchs themselves. Necessarily some sectors of the economy are bound to produce wealthier individuals than others.<sup>6</sup> As such, the dissertation considers an oligarch to be an individual of considerable wealth, acquired through opaque privatization practices and personal connections to key decision makers. This not only distinguishes oligarchs from other businessmen in society, but also enables them to influence politics (Guriev and Rachinsky 2005) and challenge the central state (Gundacker and Fidrmuc 2017). To that end, an under-reformed political system that allows for corruption to exist often benefits these economic elites. Most importantly, through opaque practices, oligarchs became monopolists in their respective regions by capturing key sectors of the economy, thus giving them the power to shape political developments (Verlanov 2020). As such, oligarchs inevitably exert not only economic power, but also carry political weight as a result, which is one of the reasons that this group carries a rather negative connotation in the post-Soviet space (Gundacker and Fidrmuc 2017).

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<sup>6</sup> Because of the outlined difficulties with using wealth as a proxy for their influence and mobilization potential, the dissertation instead uses proportion of local employment controlled by an oligarch as a way to estimate their potential influence on the timing of the rebellion. Control over local employment is a particularly useful measure in relation to the current research question as the most crucial component of any protest or rebellion are the people. If or when their economic interest come under threat, as happens in times of political unrest and revolutions, the regional economic elites are, therefore, reasonably well positioned to make credible threats, such as a push for secession, as a strategic move to preserve their advantage in the existing state order or to increase their autonomy within it by bargaining with the center. Particularly in federal states, regional protests that pose a credible threat of secession, put pressure on the central government for resource allocation.

Subsequently, political connections to local and national political networks are crucial in not only maintaining their economic interests, but in also advancing them, which has historically led these groups to finance campaigns and sponsor particular political parties and candidates, ultimately aiming to place them in positions of national power to allow for further expansion and protection. Indeed, as mentioned earlier, not all of the oligarchs will have the same net worth and their financial empires will also inevitably vary based on the type of economic sector they occupy. For example, in the case of Ukraine, those occupying the energy sector along with coal mining and metallurgy became notoriously wealthier financially, compared to those occupying other sectors of the economy such as agriculture and food. As such, whilst the oligarchs explored in this dissertation may have varying levels of economic influence, money is only just one specific feature shared by these actors, and as demonstrated throughout this dissertation, particularly in Chapter 3, these actors' control over national deputies, local politicians, and populations via their dominance of the local economy, are all common and distinct features of oligarchs.

In other words, whilst oligarchs in Kharkiv are technically less wealthy financially than those in the Donbas, they have monopolized their respective industries, and sponsored various political parties at different points in time to advance their interests as will be discussed in more detail in Chapters 3 and 6 of this dissertation. It is also important to note, that even those oligarchs that technically are on the lower end of the financial ladder, may in reality be a lot wealthier given the crucial practice of ownership obfuscation that this group in particular is known for. As explained and emphasized throughout this study, through complex schemes of offshore companies and ownership structures, these actors manage to hide vast amounts of money and are therefore highly likely to possess capital that has been untraced by the legal and supervisory structures. Ultimately, as discussed, however, regardless of the actual estimated net worth between these individuals, one of the main uniting variables between them is that these private groups ultimately are able to establish

control over public institutions on the local, regional and sometimes even the national level in order to serve their economic self-interest.

Having defined what constitutes an oligarch, how this term is used in the dissertation, and how this group differs from mere political elites and simply wealthy businessmen it is now important to give a brief account of how some business groups came to be connected to specific politicians and how they acquired their initial wealth.

## 1.2. Privatization and the Rise of Oligarchs

Transition economies spanning from Latin America to Eastern Europe and Asia have generally been very active in the privatization process, which was specifically chosen to facilitate their shift to a market economy. Privatization programs, despite their ability to generate much needed immediate revenue for the state, have at the same time created a peculiar problem in Ukraine. They gave rise to and allowed for the consolidation of powerful regional lobbies that would later have the ability to challenge the Ukrainian state. Monopoly over regional and local economies, and people employed in them, makes these business groups important actors and challengers to the central government, as they have the means to oppose and bargain with the center. Despite this potentially problematic side of privatization, most research to date has generally highlighted only the benefits, such as improvement of firm performance and increase in revenue (Chong and López de Silanes 2005) as well as the basis for contestation (Way 2016). But as is evident across some post-Soviet countries, privatization also has the potential to generate the erosion of state power via the rise of powerful regional or otherwise concentrated groups (Radnitz 2010). These challenges have been described in the case of Russia (McFaul 1995), but comparatively less attention has been spent in examining this phenomenon in Ukraine.

Three years after regaining its independence in 1991, Ukraine slowly began the process of macroeconomic stabilization and structural reforms, which included a strategy of gradual privatization, especially of the country's large industrial assets. This policy was meant to save Ukraine's economy, which in the aftermath of the Soviet collapse was left in shambles with hyperinflation of 10,155% in 1993. Essentially, privatization was supposed to transfer inefficient state-owned enterprises to private owners and generate quick revenue for the state coffers. From its inception in the early 1990s, however, the process was off to a slow start. Official privatization laws were established by 1992, but even by mid-1995, "less than 200 medium and large enterprises had completed mass privatisation program, out of 8000 enterprises targeted for privatization in 1995" (Snelbecker 1995). Privatization of most industrial enterprises that were concentrated in east Ukraine was especially slow, though when the process did pick up, the program design turned out to be very advantageous to insiders acquiring shares in their companies (Frydman, Rapaczynski and Earle 1993) and establishing sectoral monopoly. In other words, instead of privatization giving rise to a post-communist middle class and encouraging democratic development, the practice instead empowered a small number of individuals, who eventually became strong enough to challenge the state and who often supported specific political developments in order to protect and advance their interests.

The speeding up of the initially slow privatization process in Ukraine occurred under the election in 1994 of Leonid Kuchma, who served for two terms and was the second president of post-Soviet Ukraine. During this time period, the government specifically targeted the country's largest industrial assets, and was conducted under conditions that favored a handful of former insiders or politically connected elites. Thus, this wave of privatization helped to solidify the establishment of the oligarchic system, and Kuchma acquired the reputation of being the founding father of the

oligarchic system in Ukraine (Kuzio 2005).<sup>7</sup> One way in which the executive was able to manipulate the auctions was through influence over the State Property Fund, the body responsible for implementing regulations for the privatization auctions. The State Property Fund also had veto rights in the Tender Commission, which determined the winning bids.<sup>8</sup> The latter also had the authority to exercise its veto right in the bidding process and close the sales contract with the winning bidder. Bids were organized by a special commission, which included “representatives of the State Property Fund, the Securities Commission, the responsible ministerial branch and other organs of the executive and, ‘if necessary’, representatives of the enterprise to be privatized and the municipality in question” (Pleines 2008).<sup>9</sup>

The early privatization process planted a seed of mutual dependence between the business elites and politics. Members of the state apparatus derived benefits from the financial support provided by the economic elites, and in return they offered protection over their business interests, and turned a blind eye at the widespread violations of the law in the process of privatization and doing business. This dynamic naturally initiated a vicious and self-reinforcing cycle whereby, due to the access to the president, some business groups were able to exercise a great deal of influence over the privatization auctions, (Kusznir and Heiko 2006, 40). Economic groups close to the President, therefore, benefited from the status-quo, which largely rested on their preferred candidate remaining

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<sup>7</sup> Those who were close to the system under the USSR and had initial capital were able to purchase industrial plants at low prices as part of privatization promoted by the regime. Thus, the first business ‘clans’ were characterized by the *region* where they are based, and the *economic sector* in which they operated. The seed was, thus, planted for the continued acquisition of wealth by the select few. The government at the time specifically engaged in practices such as selling of the stakes in some of the country’s biggest industrial enterprises to “strategic investors who could be expected to boost the privatized enterprises’ competitiveness” (Kusznir and Heiko 2006), this practice further reinforced the path dependency of monopoly by a handful of actors. Furthermore, as became known only later on, many of these privatization auctions have been manipulated in favor of those investors, who were close to the executive.

<sup>8</sup> Decree issued by the State Property Fund „Stosovno prodazu akcij vidkrytych akcionerlych tovaristv’, 5 October 2000, No. 10-31-12341

<sup>9</sup> The bidders were given concrete guidelines concerning the business plan and proceeded by submitting proof of the fulfilment of the terms of sale and offer. The commission then announced the winner to the bidder, who, upon fulfilment of all the conditions, offered the highest sum. As a result, the process, led to further acquisition of the initial capital and the formation of well-defined economic interests that a small group close to the President would later fight fiercely to protect.

in power to ensure the stability and protection of their economic interests. In the case of Kuchma, those that gained under his reign, simply had to make sure that he was re-elected for the second term in order to “prevent a new president from turning the old insider networks over to the public prosecutor’s office on (utterly justified) corruption charges” (Kusznir and Heiko 2006, 41). In the end, Kuchma did secure his second term as President, and the insider parties close to him achieved a parliamentary majority for the first time at the beginning of 2000. This allowed them to further influence privatization laws, and the regulation (or lack thereof) of the privatization auctions which were thus pushed through parliament by the insider groups.

### 1.2.1. Emergence of Regional Oligarchs

During Kuchma’s presidency regional oligarchs based on industry distributed disproportionately across the country, were established. The two main regions with these powerful individuals to emerge were Dnipropetrovsk and Donetsk. The Dnipropetrovsk economic elites were most influential during Kuchma’s time as President mainly because this was his home region and he, therefore, naturally favored business elites there. At the end of Kuchma’s presidency, however, it was the turn for the Donetsk elites to become the most influential players on the scene as they pushed forward their preferred candidate as Kuchma’s successor, Viktor Yanukovych. Yanukovych had been rising through the ranks under Kuchma and became Prime Minister between April 2003 and July 2004. His commitment to representing his own interests as well as those of his key business allies from Donetsk, most notably, Rinat Akhmetov were evident from the start. The business base of the Donetsk economic elite was rooted in heavy industry, most notably mining and metallurgy. As Prime Minister, Yanukovych, together with his political ally, Mykhailo Chechetov, then director of the State Property Fund, oversaw ten large privatization auctions generating the revenue of USD \$1.6 billion. The successful bidders turned out to be mainly those close to Yanukovych and concentrated in the

Donbas. In particular, Akhmetov's System Capital Management (SCM) won four auctions, including one in conjunction with Interpipe, owned by then president Kuchma's son-in-law, Viktor Pinchuk. The economic power of these groups expanded greatly. System Capital Management, in particular raked in immense profits, and currently constitutes Ukraine's largest corporation with an estimated sum of \$22 billion in assets in 2010. Thus, with the help of Yanukovych, Akhmetov gained the position of the most important oligarch in the country, with majority of the sources of his wealth concentrated in the east. In turn, Yanukovych and his Party of Regions, became the main political representatives of this regional group and would remain so until Yanukovych's ousting in mid-February 2014.

The continued accumulation of wealth and resources by the regions, meant that the oligarchs were becoming more powerful in relation to the central government, which remained relatively weak. However, despite their ability to challenge the central government, they were still, to an extent, bound to the center for the fear of the regime engaging in asset stripping and persecution – a story that is known all too well to the oligarchs in Russia after Putin came to power. Weak property rights and the ability of the state to target economic elites, thus made their relationship with the state a double-edged sword, and offered an enlightening glimpse into why it is important for the elites to have in power an executive whom they could control, and why they would be likely to go to great lengths to ensure his or her continuation in power. On the other hand, groups in the regions and economic sectors that were not previously endowed with many resources from the past system were expected to support the destruction of the old economic institutions and regimes that favored them in order to make room for policies and opportunities that created the basis of a new economic order.<sup>10</sup> In relation to the present case in this dissertation, this battle of regional economic groups is clear. Dnipropetrovsk based oligarch, Ihor Kolomoisky, did not win a single large privatization auction under Yanukovych and Chechtov, despite having made several bids. In the aftermath of the

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<sup>10</sup> See V. I. Lenin, *State and Revolution* (New York: International Publishers, 1932).

Euromaidan, the oligarch took one of the leading roles in ensuring that the separatist rebellion in support of Yanukovich failed. By engaging in blunt actions, such as offering a USD 10,000 reward for every separatist captured in Dnipropetrovsk, he demonstrated his loyalty to the new regime in Kyiv. His lack of economic success under the Yanukovich administration also led him to offer a devastating testimony at the privatization hearing committee in 2015 during which he admitted to the corrupt privatization deals that allowed the Donetsk elites to hoard immense amount of wealth (Grytsenko, Zhuk and Sukhov 2016).

Given that the Euromaidan resulted in the ousting of Yanukovich, which is identified here as a main trigger that led to the separatist rebellion in question, and the shuffling and reshuffling of economic elite power, it is to this event that the discussion now turns. The following sub-section will, to offer a brief overview of the events that precipitated the separatist rebellion and pushed certain economic groups to mobilize against the incoming regime. The ousting of Yanukovich is identified as the critical starting point of the first stage of the crisis and is most clearly defined by a political power vacuum which allowed business groups to act and shape the trajectory of the separatist rebellion. It is, therefore, the starting point of investigation in this dissertation. Thus, to better understand the rebellion in question, and highlight the importance of mid-February as a chosen starting point of the conflict period, the following sub-section offers a brief account of the Euromaidan.

### 1.3. The Euromaidan and the Ouster of Yanukovich

Following his election in 2010, Yanukovich quickly began to consolidate power at home and defend the status quo. At the same time, the President also sent ambivalent messages to both Russia and the European Union regarding which direction Ukraine would take, and at no point during his presidency was this ambiguity clearer than on 21<sup>st</sup> November, 2013. On this date, Ukraine was due to sign the EU Association agreement, which would have brought it closer to the European market. Instead, at

the last minute, the preparations to sign the Association Agreement were indefinitely suspended, which signaled Yanukovich's pivoting towards the Russian-led Customs Union. The decision to forego the signing of the Agreement immediately resulted in the first wave of protest on the Maidan Nezaleznosti (Independence Square) in the nation's capital, Kyiv. The protest came to be known as the *Euromaidan*. The protest drew most of its participants from Western and Central Ukraine, areas that historically have stronger nationalistic roots, antipathy towards their Eastern neighbors, and generally a longer history of mobilization. What started off as a peaceful demonstration quickly descended into violence after the regime's special police forces, *Berkut*, attacked the protestors on the night of 30<sup>th</sup> November in an attempt to break up the demonstration. The subsequent protest events were punctuated by violent clashes between the security forces and the protestors. The most brutal episode of protest violence occurred in February when unidentified snipers shot at the crowd with rubber as well as live ammunition, killing over one hundred people. The protest lasted until 23<sup>rd</sup> February 2014, when then President Viktor Yanukovich fled Kyiv.

The violence on the Square, however, was portrayed and interpreted differently in the south-eastern parts of Ukraine. For example, while in the center-west, the violence was demonized and strictly labeled as an act of repression and government brutality, in the south-east it was generally portrayed and interpreted as the government's attempt to instill order among a radicalized public, which the media regularly accused of far-right extremism. Due to a lengthy and complicated history with Ukrainian nationalism, the sentiment and reactions to the government's response differed depending where in the country citizens resided. In general, the south-east was much more sympathetic towards Yanukovich, as this part of the country was his stronghold, whereas the center-west came out fiercely against him. As one might expect, the pro-Euromaidan movement in the south-east of the country never reached the same magnitude as in the center-west. Instead, these regions saw a rise in counter protests known as anti-Euromaidan. As will be described in greater detail in the methodology section, a close account of the development of the events at these protests was kept for

each municipality within the three regions using local newspapers available online. A clear trend that emerged within the first few weeks of Yanukovich's departure was an escalation in rhetoric and protest demands from merely anti-Euromaidan and pro-Yanukovich matters to matters concerning the territorial structure of Ukraine and threats of a secessionist referendum.

Public attitude towards the territorial structure, and preferences regarding closer integration with the European market and Russian Customs Union was captured in April 2014 in the midst of the crisis period by Kyiv International Institute of Sociology. The results of the survey are presented in Table 1 and Figure 1 below (Kiev International Institute of Sociology 2014). Though the survey presents a regional level overview, instead of the municipal level analysis with which this study is concerned, the information is still vital as it serves as an indicator of the general public preferences and gives an idea of the support that the rebellion has across the three regions.

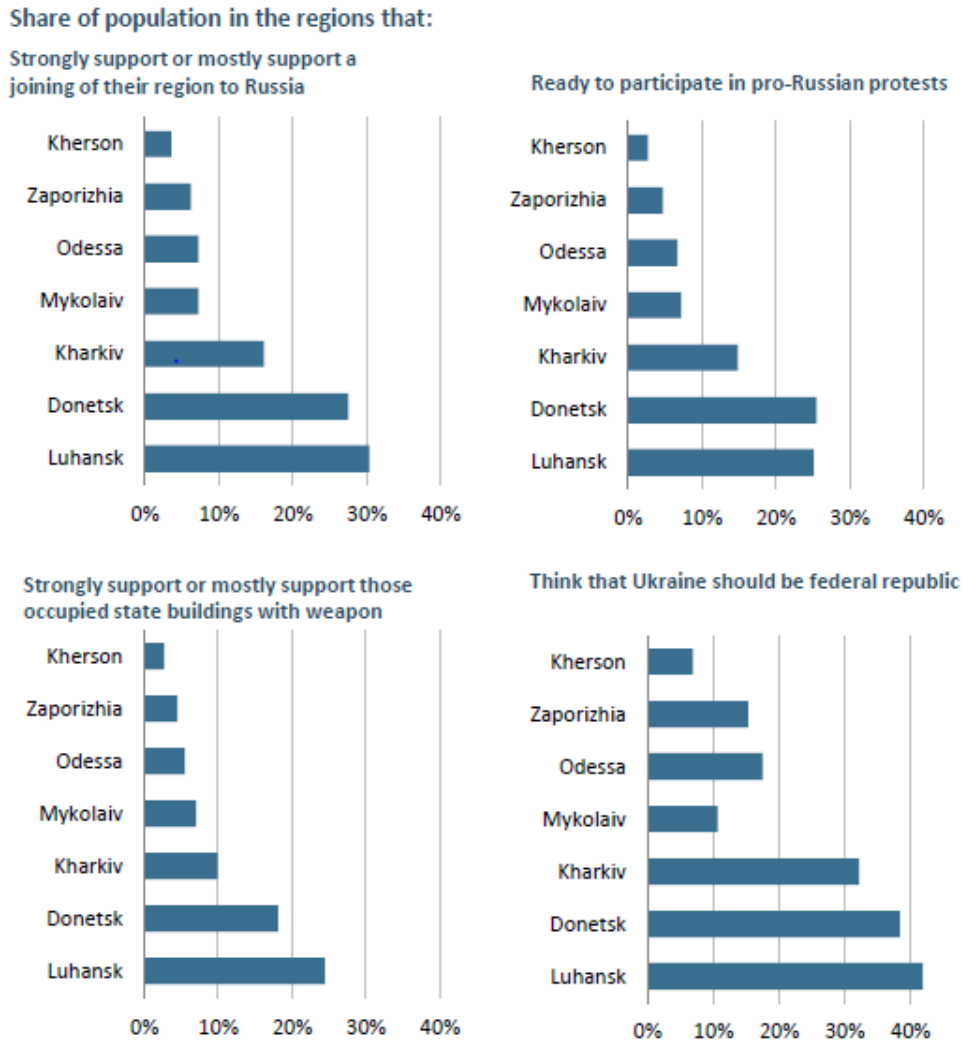
**Table 1:**

*"Please, imagine, that there was a referendum on whether Ukraine should join the European Union or the Customs Union with Russia, Belarus and Kazakhstan. You can vote for entry into the EU or into the Customs Union. What would be your choice in this case?"*

	South-East as a whole	Donetsk	Luhansk	Kharkiv
I would vote for entry into the European Union	24,7	9,4	11,2	26,5
I would vote for entry into the Customs Union with Russia, Belarus and Kazakhstan	46,8	72,5	64,3	46,5
I wouldn't participate in the referendum	14,8	8,4	10,4	16,8
Difficult to say	12,3	8,9	11,4	9,4
Refuse to answer	1,4	0,7	2,7	0,7

**Source:** Kyiv International Institute of Sociology

**Figure 1**



**Source:** Kyiv International Institute of Sociology survey April 8 – 16, 2014

The above descriptive statistics demonstrate that more of the population across Donetsk, Kharkiv, and Luhansk were in favor of closer economic relationship with Russia-led Customs Union than the European Union. The poll also reveals that more than 30 percent of the population across the three regions were not in favor of the current unitary territorial structure. This demonstrates that the potential for the rebellion to unfold in the same way in Kharkiv as it ultimately did in Donetsk and Luhansk was there given the roughly similar public mood across the three regions. The outcome, however, varied not only between the three regions, but also within them. The situation, therefore, begs the question of what factors might explain the variation in the timing of the separatist rebellion. In other words, why were some municipalities the first to fall to separatism, whereas others did so later or not at all. An understanding of this phenomenon will also help in understanding the ultimate variation in outcomes between the three regions more broadly and why Kharkiv as a whole pivoted towards the new regime in Kyiv when most of the indicators were pointing in the direction that it would likely follow the same path as Donetsk and Luhansk. As this dissertation suggests, an overlooked explanation in relation to this conflict were the preferences of the economic elites for whom a pro-Europe government was not an obvious choice.

#### **1.4. Case Selection**

To examine the effect of economic groups on the timing of the rebellion, the study looks beyond the region and instead zooms in on forty-seven municipalities nested within them. Focusing on municipalities as a unit of analysis is deemed most appropriate because this is the level on which the variation in the timing of the rebellion exists, thus allowing for a more detailed analysis. Municipalities are usually made up of 50,000 or more citizens. They are important areas to examine when it comes to mobilization, as events of this nature are more likely to occur and have an impact in areas with more population rather than in very small villages. Lastly, diving deeper into each

region also increases the number of observations, which allows for the use of statistical methods to be deployed in conjunction with qualitative analysis.

Ultimately, the three regions within which the municipalities exist were selected using Mills most similar case design. They are similar on broad level issues such as geographic location (most notably a shared border with Russia), percentage of ethnic Russians, and Russian speakers; they are religiously Orthodox as opposed to Catholic; politically pro Yanukovych and the Party of Regions, and they are also similar in terms of population size. Furthermore, the three regions have a high level of industrialization relative to other parts of Ukraine. Lastly, all three regions and the municipalities within them – to varying degrees - experienced separatist protests, but in the end not all of them translated into a successful separatist rebellion. As such, these cases provide a great opportunity to explore the previously understudied effect of the main explanatory variable of interest: the interests of the concentrated economic elites.

**Map 1:** Map of Ukraine’s Regions – Dominance of Russian and Ukrainian languages by region



Source: (Said 2014)

Of the three regions, Kharkiv is perhaps the most surprising case because on the macro-level this region shared many similarities with Donetsk and Luhansk. The separatist movement had both the support of the local politicians such as the mayor of Kharkiv city, the governor of the oblast, who was appointed by Yanukovych, and the support of a significant number of the local population. When the first signs of separatism appeared across the east and the south in the early spring of 2014, few expected Kharkiv to remain a part of Ukraine. This pessimism was completely justified as throughout the preceding months of mass protests in Kyiv, the city had acted as one of the leaders of the anti-Euromaidan movement. It had provided many of the notorious “titushki” thugs who served as street muscle for the regime (Radio Free Europe 2016). When President Yanukovych’s inner circle finally deserted him in late February 2014, he also fled Kyiv for Kharkiv before finally escaping to Russia. At the time, the route of his retreat seemed entirely logical. Kharkiv was a city closely associated with pro-Russian sentiment and one of Yanukovych’s political strongholds. March and the first half of April 2014 were particularly turbulent for Kharkiv as the demonstrations were following a similar path to that of Donetsk and Luhansk. With the Russian border just a few dozen miles away, there was no reason for the “Russia factor” not to have the same level of impact as it allegedly did from the beginning in both Donetsk and Luhansk. Furthermore, as previously seen in the descriptive statistics, the sentiment of the crowd was also mixed, with thousands gathering to protest against the events in Kyiv. On several occasions attempts had been made to take hold of the regional administrative building and other organs of power in Kharkiv city. The rebels even once managed to break in and attempted to declare a Kharkiv People’s Republic, before being forced out within a few hours. But, despite the movement having gained the support of some of the local and regional politicians (all of whom were Party of Regions members), and some of the public, it ultimately failed to gain the support of the local economic elites.<sup>11</sup>

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<sup>11</sup> One example is the behavior of the “Metalist” football club fans, a club which a well-known Kharkiv multi-millionaire, Oleksandr Yaroslavsky owned. In late April, when municipalities around Kharkiv were experiencing waves of separatist unrest, in Kharkiv city, fans of Metalist Kharkiv gathered to protest against separatism and any integration with Russia.

Meanwhile, unlike in Kharkiv, the crisis in Donetsk and Luhansk did not take a political U-turn and instead further descended into chaos. Parts of Donetsk, for example, were especially notable for being among the first to succumb to the separatist rebellion. Donetsk city, for example, experienced occupation of the Regional State Administration in the first week of March. By the first week of April, between one and two thousand protestors gathered to demonstrate in favor of a regional referendum on independence. Similar unfolding of events occurred in Slovyansk, where local organs of power were captured by early April. Yet other areas such as Kostiantynivka were less active in the initial stages of the rebellion and only experienced the capture of the regional administrative building by the first week of May. The capture of organs of power across Luhansk also succeeded earlier in some parts of the region than in others. For example, by the first week of April the Security Service of Ukraine (SBU) local headquarters in Luhansk city was taken by the protestors. As a result of this capture, the rebels managed to gain access to weapons and some 300 machine guns. On the contrary, Lysychansk, did not experience seizures of the organs of power until a few weeks after the establishment of the Luhansk People's Republic, a time period that is beyond the framework of this study. Thus, the baseline conditions for separatism were present and similar across the three regions, but a crucial difference that had the pivotal effect and allowed the general discontent to transform into instances of separatist rebellion in some areas and not others is argued here to have been the difference in the economic preferences of oligarchs across the three regions.

The other component of the case selection entails a temporal dimension. The time-frame with which this study is concerned is the first stage of the conflict, the formative crisis period. Specifically, the starting point of the crisis is deemed to be the moment when Yanukovich formally lost power and left Kyiv in mid-February until the moment of the referendum in Donetsk and Luhansk on May 11<sup>th</sup>, 2014. The end point signifies a formal consolidation of power by the rebels and a point at which the conflict entered a new stage. The selected time-frame, therefore, specifically focuses on the critical moment of the power-vacuum, which gave the oligarchs an unobstructed window of

opportunity to act either for or against the incoming regime, and thus to shape the trajectory of the rebellion in the localities where they had mobilization potential via their control over employment. The selected time-frame is also important as it eliminates the conflict dynamics that eventually occur during every battle and get more complex with each new phase that the conflict enters (e.g. the physical presence of foreign and domestic troops, and/or other forms of aid that are difficult to trace and control for). More importantly, as the research question is concerned with the origins of the rebellion, targeting the formative crisis period, therefore, allows for greatest isolation of the effect of the domestic variables.

#### 1.4.1. Operationalization of the Dependent Variable

It is now important to provide an operationalization of the dependent variable, *separatist rebellion*, in order to distinguish between the universe of “successful” and “unsuccessful” cases. The study considers a separatist rebellion to be “successful” in instances where rebels or their chosen representatives assume control over local power structures.<sup>12</sup> On the other hand, unsuccessful cases are those where the existing order of power remains unchanged, meaning that the local administration remains intact and the rebels do not assume *de facto* positions of power. Thus, the focus is on whether the rebels are able to achieve power takeover and consolidate control over the organs of power<sup>13</sup>, rather than on the specific strategies that they use in order to do so. The main protagonists in these rebellions are largely citizens within the autonomous political systems (as opposed to military forces, for example).

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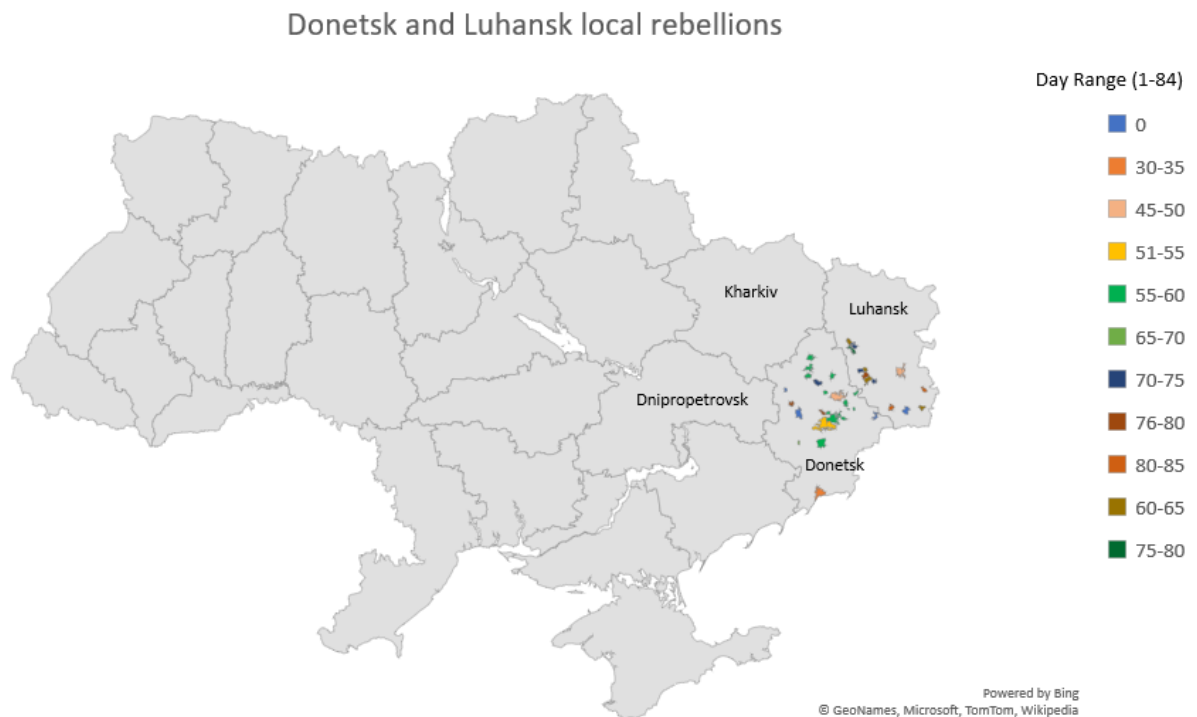
<sup>12</sup> In the capital of the region a power structure would be the Regional Administrative Building, other organs of local power are the City Hall, and or the local branch of the Security Services.

<sup>13</sup> For the purposes of this research, the duration of time that the rebels have to control a government building in order for the rebellion to be considered “successful” is at least twenty-four hours.

The variable is, therefore, binary in nature and coded as 1 (separatist rebellion) and 0 (no separatist rebellion). The reality, of course, is complex and not all of the cases always fit neatly into this dichotomous framework. Thus, for the sake of academic rigor, the present study sets specific criteria that help in placing areas that were on the verge of rebel take-over into an appropriate category. For example, the city of Kharkiv experienced not only mass protests in support of the regional referendum, but also a brief break-in into the regional administrative building, and the mayor's office. In this time period, the self-proclaimed rebels announced the establishment of the Kharkiv People's Republic and attempted to fly the flag above the building. This break-in, however, only lasted for few hours before the rebels were thrown out by the counter protestors, and ultimately failed at consolidating their hold over the administrative unit. Furthermore, the mayor of the city, despite his well-known divided loyalties and questionable allegiances, nevertheless remained present in the city and served as the figure of authority even during the period of crisis. As a result, the city of Kharkiv was coded as a case of no separatist rebellion because the rebels failed to consolidate control over the organs of power for even the absolute bare minimum of one full day. To give a completely opposite example, where a case was unmistakably a case of a separatist rebellion was Slovyansk, a municipality within Donetsk. In this well-documented case, former mayor, Nelya Shtepa, not only physically abandoned the city, but also verbally supported the cause of the rebels, essentially handing the operations of the city to their chosen mayor, Vyacheslav Ponomarev.

The below map provides a visual representation of municipalities in both Donetsk and Luhansk with a relevant color representing a day between 14<sup>th</sup> February and 11<sup>th</sup> May (the aforementioned time frame of interest) of when each respective municipality came under separatist control.

**Map 2:** Donetsk and Luhansk local rebellions



Source: Own data gathering

### 1.4.2. Explanatory Variables and Data Sources

This study will examine the variation in the timing of the rebellion according to the economic power of the oligarchs at the local level. To capture their power, the main explanatory variable is operationalized as the share of local employment owned by the oligarchs. Only a handful of Ukrainian oligarchs control a substantial share of the local economy in each region, which makes them likely agents of political influence. Control over parts of the local economy and employment makes these

actors the only other feasible counterweight to the central government as they represent a unique constituency, such as their workers in the regions, with both the motive and the means to protect the oligarchs' interests.<sup>14</sup>

Information on local employment concentration is obtained from the Orbis database, which is managed by the Bureau van Dijk company. The database is currently the most comprehensive company database available, with data on approximately 44 million companies globally. It includes records for 1,376 private and public firms across Donetsk, Luhansk, and Kharkiv, with – among many other things – the names, addresses, industry type, operating revenue, and employment and ownership information.<sup>15</sup> The database sources relevant company information from over 40 different information providers using a multitude of sources, typically national and/or local public institutions or other public databases, such as the listed companies' database or various corporate registries.<sup>16</sup>

It was especially important to verify information regarding ownership of Ukrainian companies. The database provides data for the “Global Ultimate Owner” (GUO) of companies. This is determined by share ownership: 50.01% of a company. The ultimate owner is also responsible for the appointment of board members and top managers, monitoring the company’s financial performance, and setting targets. Given the multi-layered and non-transparent ownership structure of Ukrainian companies, compiling a list of the companies owned by oligarchs was time-consuming. On quite a few occasions this information was either missing, or a holding company was listed as the GUO, or the structure was extremely tangled and impossible to follow, thus leaving the actual name of the individual behind the company unknown.

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<sup>14</sup> On other studies that use measures other than wealth as an estimate for oligarchs’ influence during a crisis period see (Winters, 2013).

<sup>15</sup> Firms are classified in a particular sector according to the Statistical Classification of Economic Activities in the European Community, (NACE) codes and descriptions.

<sup>16</sup> National private databases are used when administrative databases at the national level are not available.

Other cases that made establishing the ownership difficult are when the real owner of the company is a different person than the one specified in the register as the formal shareholder. In particular, these instances concern ‘the family’, i.e. the group linked directly to President Yanukovich and also to his son, Oleksandr Yanukovich, and their close friend and businessman associate Yuriy Ivanyushchenko. Both in Ukraine and Russia registering companies under the names of close relatives or spouses is a common practice as oligarchs are under constant threat of expropriation of their assets by the regime. This threat leads them to avoid registering properties in their own name. Russians oligarchs, for example “often use intermediaries such as banks, employ company names or relatives, or buy through companies registered overseas to disguise the real buyer” (Hollingsworth and Lansley 2009, 136). Thus, in cases where a spouse or another family member of an oligarch is registered as the owner, or a majority shareholder, the dissertation classifies the company as owned by the specific oligarch to whom the person formally registered as an owner is linked to. To verify the existing ownership information and fill in as much of the missing data as possible, further databases were consulted such as Factiva, Spark, Market Intelligence Research, and Capital IQ in order to untangle the corporate structure, and verify and establish any subsidiaries. In instances where no additional information was available, online research was conducted. Furthermore, in order to verify whether the entity was connected to a specific economic elite in the region, I also conducted a manual search of open sources, with particular emphasis on sources known for their investigate journalism such as *Nashi Groshi* (Our Money), *Economichna Pravda* (Economic Truth), as well information listed on the Anti-corruption Centre, which includes names, company details, and maps out various network groups of politically exposed persons. Additionally, a search through electronic archives of regional and local online newspapers (where available) served as an additional point of verification. The strategy also proved effective because local media are sometimes more likely to mention specific local enterprises within their region given that these are more relevant and

have more importance within the local context, and would sometimes not be picked up or widely reported on by the national news coverage.

The obvious pitfall with this approach is that it is based on commonly available materials (mainly on the Internet), which despite the author's best efforts and critical approach, in many cases still made it difficult to verify the credibility of the information regarding ownership. Therefore, in particularly difficult cases when it was impossible to trace ownership structure, the study assumed that the owner was not a regional oligarch. However, in most instances there was little controversy, with multiple sources usually in agreement and reporting a consistent set of facts. Being able to confirm the identity of the owners of the vast majority of firms on the Orbis list through other credible reporting sources helped to establish with a greater degree of confidence the number of a particular enterprise's workers and their ultimate employer.<sup>17</sup> As such, through Orbis and the aforementioned sources, the dissertation was essentially able to establish which enterprises were owned or controlled through various tenders or long-term leases by oligarchs that ultimately allowed these specific individuals to assume control and drive their strategic interest by utilizing the local enterprises as mobilizing vehicles of collective action.<sup>18</sup> Through this process of ownership tracing, the study was able to gather specific employment data to test the underlying employment mobilization theory discussed in this dissertation.<sup>19</sup> Understanding who the key economic players in the regions were and their motivations allows for a more refined examination of potential

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<sup>17</sup> Additionally, the two sources explicitly mentioned also document any changes to the list of influential oligarchs and any modifications to the ownership of various enterprises from year to year, or as and when they occur, which implies that the investigative reporters do engage in due diligence processes and that the relevant ownership data for various companies has undergone prior scrutiny.

<sup>18</sup> Essentially, by shining more light on the economic structure on the local level, the research generated a more refined understanding of the oligarch ownership within municipalities of the three regions and allowed for a more in-depth understanding of the number of employees that they had direct influence over through means of direct employment.

<sup>19</sup> In other words, influence over the local population was a particularly useful tool as it put in perspective just how powerful and influential the regional economic elites were within their respective regions. Thus, by using their influence over the local populations, the regions' oligarchs were essentially able to exert pressure on the central government through controlled outbursts of public dissatisfaction, with the ultimate aim of retaining their areas of influence and primary sources of income after the regime change.

relationships between oligarch-controlled employment in particular municipalities and instances of an early separatist rebellion, or lack thereof.

Not all of the cases, however, were so difficult. There are also those where the ownership structure was either relatively transparent, or, fairly easily tracked down and verified. Prominent examples of this are some of the companies linked to System Capital Management (SCM) and Metinvest, in which Rinat Akhmetov's assets are concentrated. The sheer size of these companies and their virtual monopoly over the coal and the steel markets, made uncovering the mines and enterprises they possess a more straightforward process due to the availability of information online. Thus, identification of the main controlling owners of each firm and the portion of the firm they owned also allowed for an examination of any subsidiaries owned by the firms, thus generating a new set of enterprises to be investigated. A chain would stop once the "ultimate owner" was identified, and the data were checked with additional databases and publicly accessible information.

Once the ownership was established and verified it was then possible to engage further with the Orbis database to see how many individuals were employed by a given company and also in which economic sector. The total number of employees in each economic sector represented by a specific economic group was then divided by the total size of the population in the municipality to obtain a proportion of the population under the influence of a specific business group via employment in their enterprises. In instances where more than one oligarch owned a portion of a given economic sector their employees were added together in order to represent a group. The underlying assumption is that collectively oligarchs in the same region that occupy the same sector would act in unison to represent their sectoral interests. Most notably this was the case with Viktor Yanukovych and Rinat Akhmetov, both men owned several mining enterprises – though Akhmetov owned substantially more - and were closely connected to each other. Assuming that the political and economic preferences of Yanukovych and Akhmetov were similar theoretically justifies combining the individuals they employed into one category of *oligarch employed workers* in a given sector. This

approach allows for a link to be established between sector-specific oligarch groups and the effect that this ownership had on the timing of the separatist rebellion in question.

Lastly, as the next chapter will explain, there are other variables deemed important in the literature on political mobilization and secessionist rebellion that this study will control for. To account for the effect of ethnic composition, language, and average monthly salaries, municipal-level data was obtained from the main Department of Statistics in Kharkiv, Donetsk, and Luhansk. On the specific point of data sources, such as with regards to the data used on the proportion of ethnic Russians and Ukrainians, the dissertation also acknowledges some natural limitations, such as how recent the sources from which they are drawn are. More specifically, population and language data are based on the official 2001 Ukrainian Census data. Although, ideally, a more recent survey would be consulted, the referenced source is currently the latest available census, and nevertheless remains the most reliable and official source which provides this information on the municipal level, with which this dissertation is concerned. As such, despite the fact that in an ideal scenario, more recent data would be referenced, the dissertation nevertheless takes the official census data as being the most reliable and most commonly used source for the information in question. Additionally, with regards to bilingualism, whilst it is true that a significant proportion of Ukrainians speak both languages, or a mixture of the two, this is not something that is captured in the census data, or other available and reliable sources that would provide such information on the local level. Therefore, the assumption is the individual responding to the census survey would have stated the language which they operate in on a daily basis and therefore identify with the most, even if they are bilingual.

The measure of electoral support for Yanukovich's Party of Regions was operationalized as a percentage of the Party of Region votes in 2010 local elections, which were obtained electronically through the Central Election Commission in Ukraine. Information regarding distance from Russia was gathered from the Global Administrative Areas database and Google Maps. Additionally, the study controls for the operating revenue for all of the companies in the lead up to the conflict, which

was obtained from the Orbis database. Operating revenue is used as a proxy for the financial power of companies; for example, one ought to expect that rebellion might be more likely to occur in places where oligarch companies had the most monetary resources, and lowest in places with fewer financially powerful corporations.

Having defined and explained the main variables, the following sub-section describes the statistical model that will be deployed in order to test the link between the timing of separatism and the interests of oligarchs.

### 1.4.3. Methodology

To answer the proposed question in this dissertation, and empirically examine the link between the economic interests of oligarchs and the timing of the separatist rebellion, the dissertation engages with both quantitative and qualitative research methods. The first half of the dissertation, and the empirical results which will be revealed in Chapter 4, rely on the use of a statistical method to test the general theory and the effect of the chief explanatory variable. Since the main goal of the inquiry is to understand the probability and the timing of the occurrence of a separatist rebellion, the study uses the Cox event history model. The model is frequently used in research to describe, explain or predict the occurrence of events. One of the key purposes of the Cox event history technique is to explain the causes behind the differences or similarities between the events encountered by the subjects.

This model is especially appropriate for the inquiry at hand as it focuses on the hazard function, which produces the probability of an event occurring randomly at random times or at a specific period or instance in time. In the given case, the goal is to estimate the probability of a municipality being captured by separatists on any given day, which makes this model the most appropriate choice. Furthermore, the Cox proportional hazards model is the most flexible continuous-time model and, therefore, most frequently used in the discipline. The flexibility of this

model stems from the fact that the baseline hazard function is left unspecified. An important assumption of the proportional hazards model, however, is that the effects of the covariates are the same for all values of  $t$ . In other words, the model assumes that the effect of any given explanatory variable is the same on any day in the time-span of the analysis. Therefore, to ensure that the effect does not vary over time, this study tests for the proportional hazard assumption in all the models presented in Chapter 4.

As such, as discussed throughout this dissertation, the study is interested in the occurrence and also the timing of the separatist rebellion. To that end, it will be demonstrated in the following chapters that areas within a particular region with a greater concentration of oligarch-owned employment in heavy industry, were also among the earliest to experience a separatist rebellion. In other words, when thinking about the timing of protests there are various prisms through which one can explore this question. One approach is through the theory of diffusion, but as will be highlighted below in more detail, the approach undertaken in this dissertation is better suited for explaining the timing of rebellion and the pattern of separatist mobilization. In other words, concentration of resources, and more specifically of human power, that oligarchs had at their disposal, particularly in the extractive and heavy industry dominated by them, shortened the duration of time until pro-separatist forces seized a municipality. In contrast, the impact of those in the agriculture-food industry is demonstrated to have had the opposite effect. This is also demonstrated in Chapter 4, sections 4.2 and 4.3, which show effects of employment in mining and agriculture-food, respectively, on the likelihood of separatism.

To that end, in theoretical terms, this study works alongside with and adds to some of the dominant approaches in the literature that also consider the timing of protest emergence, such as della Porta (1995), comparing levels of and the timing of political violence in Italy and Germany, as well as McAdam, McCarthy and Zald (1988), who examine the variation of protest activity across geography and time. Additionally, examination of the timing of the protest is also explored by

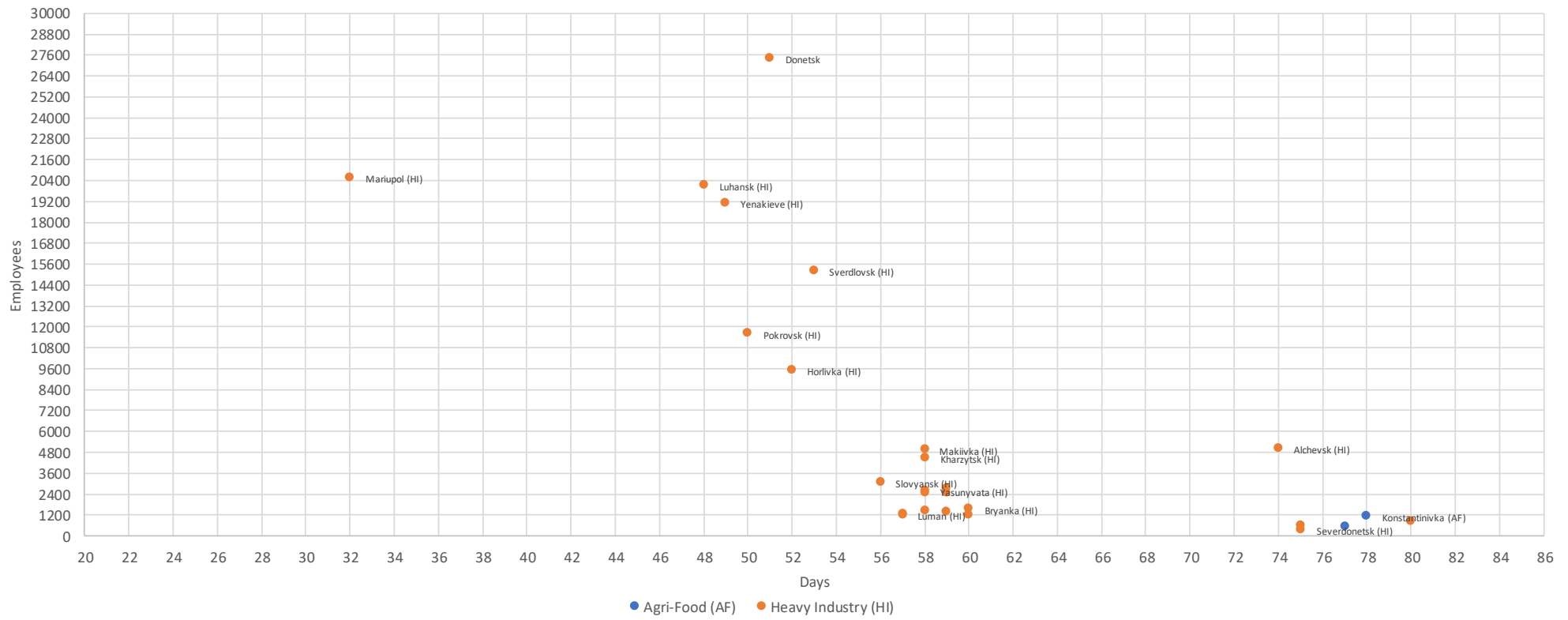
(Simmons 2019) and (Massoud, Doces and Magee 2019) in relation to the Arab Spring, with the latter set of authors attributing the spread of the protests to the diffusion effect, meaning that protests in one country inspired the same events in neighboring countries. However, whilst it is possible that protests could occur earlier in places in close proximity to one another, the approach overlooks cities where separatists ultimately failed to establish control. It also fails to separate geographic difference from other crucial differences such as local economic structure variance. As such, this dissertation takes a more nuanced local approach which examines variation in protests within not just one country but also a particular region, highlighting the role of key local actors. Additionally, other scholarly work on protest timing such as by Hutter (2013) examines the development and the timing of protests sponsored by political parties and argues that the timing of protests is impacted by political parties sponsoring protest events due to incentives provided by their participation in elections (Hutter 2013). In other words, Hutter's study systematically examined the involvement of the main actors of electoral politics in the development and timing of protest mobilization. This is similar and in line with the inquiry in this study which is also interested in the role of understudied key regional elites i.e., the oligarchs in acting as key mobilizers and accelerators of separatist protest events.

Likewise, additional existing literature on the timing of protests also argues that politically uncertain times, such as elections, provide opportunities and threats that then subsequently provoke protest mobilization due to the fact that during this particular time there is especially a lot at stake for certain key groups. This, then, subsequently leads these actors to engage in proactive mobilization in the lead up to the event to advance their interests (Andrews 1997, McAdam and Tarrow 2010). Finally, in a relatively rare example, Vadlamannati (2008) also systematically demonstrates that scheduled elections are associated with an increase in riots in the Indian states, with the theoretical underpinning being that an incumbent government and opposition parties exercise control over their agents to instigate communal violence and riots during the election years (K. Vadlamannati 2009). In

other words, the author finds that as incumbent government nears the elections, riots and intensity of riots keeps increasing, while the opposite is the case during the early years of incumbent government in office. Despite the study being in relation to a vastly different geographical area, the underlying theoretical premise concerning the effect of specific key actors on the timing of and shape of protests is the same.

As highlighted throughout, this study marks only a beginning, not an end, to critical scholarly discussions and protest analysis, particularly those in the post-Soviet space. To that end, as highlighted in the final chapter, the findings in this study could be developed further both theoretically and empirically in future research, with a specific focus on the relationship between a concentration of powerful business elites and their influence over protest dynamics. An attempt at demonstrating this relationship in this study is presented in greater detail in the case studies in the second half of this dissertation. Additionally, the graph below (Graph 1) also visually demonstrates the relationship between oligarch concentration and the timing of rebellions that resulted in separatists gaining control. Broadly speaking, as can be seen, rebellion is first to occur in municipalities where there is a high concentration of labor in particular heavy industry sector.

Graph 1: Employment concentration and timing of rebellion



A more detailed discussion of notable cases that had a high concentration of oligarchs in the heavy industry such as Donetsk city, Pokrovsk, and Mariupol is highlighted in case studies in chapter 5. Additionally, compared to Donetsk, with an exception of Luhansk city, which had a substantial concentration of oligarchs in heavy industry, other municipalities such as Severdonetsk, near which the town of Svatove is located, were among the last to fall to separatism, with Svatove managing to fight off the separatist threat in large part due to the proactive activity of local oligarchs based in the agriculture-food sector as discussed in chapter 6, section 6.3.

Additionally, in terms of other municipalities, Slovyansk is another place where heavy industry predominantly dominated the structure of local employment. Although this municipality fell to separatism slightly earlier than other places such as Makiivka and Kharzysk., both of which had moderately greater number of oligarch-controlled workers in this sector, as discussed in chapter 5 section 5.4.3, in Slovyansk local political elites were vocally supportive of separatism and also actively engaged in pro-Yanukovych mobilization. As also described in that section, one of these political elites, was a former top manager of oligarch Rinat Akhmetov's companies, thus suggesting that the latter could have leveraged his influence over the local political forces, impacting the course of events and speeding up the timing of separatism. Additionally, in both Pokrovsk and Luhansk, pro-Yanukovych elites vocally supported anti-Kyiv mobilization, including directors of heavy industry enterprises where large numbers of workers were concentrated. Ultimately, this is argued to have led to these municipalities to fall to separatism six and ten days earlier, respectively, than Slovyansk, and be amongst the first to do so in general as discussed in chapter 5.

On the other end of the spectrum, there is the case of Konstantinivka, which had a greater presence of light industry and agriculture-food related activity, as well as being an important site of glass industry. The area is not known for its mining activity or heavy industry, and a handful of metal enterprises located in the area have historically been state-owned and not known to have been

connected to private interest groups. These conditions are argued to have been important in the fact that Konstantinivka was subsequently amongst the last municipalities in Donetsk to fall under separatist control in the last week of the observed crisis period. However, whilst the city did nevertheless eventually come under the control of separatists, available local media accounts of events note that local administrative buildings were captured by individuals from Slavyansk, thus suggesting that forces from a different municipality contributed to the final outcome. Nevertheless, the case still broadly fits the overall argument that places with less oligarch-controlled heavy industry were less likely to come under separatist control earlier on in the crisis period. An in-depth discussion and case studies of each of the municipalities is beyond the scope of this study and could be an area to be examined in future research, though other notable cases such as Iziium in Kharkiv, is described in chapter 6, section 6.2. Despite this city being located only 30 miles from Slovyansk and being a brief site of attempted separatist mobilization and attacks, this did not ultimately translate into separatist capture of the city due to decisive and clear actions of key local economic elites.

Ultimately, it is also one of the contributions of this study to add to the earlier mentioned body of literature on protest dynamics and to explore the particular impact of oligarchs on protests, including on the timing of separatist mobilization during critical times, such as unexpected regime change, particularly in the post-Soviet space. To that end, the goal of and suggestions made in this study are not to furnish a whole new theory, but, more modestly, to add to and build on the work of previous scholars that consider workforce mobilization and the influence of key elites on the timing and the shape of protests during uncertain times such as revolutions. As well as to more systematically and empirically demonstrate that business elites tied to a particular economic sector have an impact on the occurrence of protests. As such, the findings in this study are merely a beginning of an exploration of a more complex picture.

Lastly, the second part of the dissertation, Chapters 5 and 6 will then engage with qualitative analysis to supplement the statistical findings with case studies. The study will use process tracing to better understand the causal chain of events and to examine more closely the cases at hand. A variety of sources and databases are consulted to obtain the most credible information. The primary news database employed in this work is Dow Jones Factiva, a global news database of nearly 33,000 premium sources, including licensed publications, influential websites, blogs, images and videos. This source was instrumental in uncovering missing pieces of information that are otherwise unavailable on the free web. While Factiva provided a rich amount of primary and secondary information, the focus generally tended to offer a global point of view, thus requiring a closer inquiry into the regional and local sources of coverage to either verify or further uncover additional pieces of local level information that is often missed by the large media outlets. To that end, the study surveyed three regional newspapers available online for information on forty-seven municipalities within the conflict period, starting from 14<sup>th</sup> February until 11<sup>th</sup> May, 2014.<sup>20</sup> The selected newspapers offered an online archive of the daily news for each of the municipalities of interest. These sources were searched for the specific mention of the municipalities in question in order to establish the precise day on which the rebels succeeded in capturing a local organ of power. Other sources of information used to supplement the narrative were direct quotes from the business elites found through publicly available sources, and reports published directly by the companies that they own.

## 1.5. Summary of main arguments

The decay of the Soviet political and economic system, based on paternalism, rent seeking and non-transparency, resulted in grave misallocation of resources, and perversion of economic incentives.

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<sup>20</sup> For Kharkiv, the news on municipalities was collected from a newspaper available online, *Vercherniy Kharkov* (Kharkiv Evening). The information is printed in a bi-lingual format, Russian and Ukrainian. Municipal level information on Donetsk and Luhansk was obtained from Donbass.ua, an online version of the regional newspaper *Donbass*. The third online source was КОММЕНТАРИИ.УА (comments.ua), an online source with a focus on the eastern regions.

Thus, out of the ashes of the Soviet system arose a small group of powerful economic actors, the oligarchs, with whom this dissertation is concerned. Concentrated primarily in the regions, the oligarch groups are also often described as “clans” (Oosterbaan 1997), and consist of those who either were born in a particular city or region, or who distinguished themselves in their career in a certain city or region. The east and the southeast of the country are especially known in the literature for the strength of these regional groups, in particular those of Donetsk and Dnipropetrovsk (Shulha 2008, Oosterbaan 1997). Thus, as crucial players with a significant degree of influence in their regions, these actors have the capacity to act on changes in opportunity structures and shape the trajectory of conflict by mobilizing those whom they employ.

This dissertation seeks to explore the connection between the timing of the separatist rebellion and concentration of local employment in a specific economic sector, under the control of specific oligarchic interests. The behavior of these actors is argued here to be determined by how they perceive political change in relation to their economic interests, with the latter shaped by the sector of the economy that they occupy. Given that certain sectoral groups benefitted more under Yanukovich’s regime, I expect them to prefer the status-quo. Moments of political instability, however, necessarily upset this dynamic and give these elites a window of opportunity to act. In the case under investigation, the Euromaidan, which resulted in the removal of then President Yanukovich, seriously threatened the established interests of groups concentrated in the heavy industry sector. To signal their disapproval of regime change and demonstrate their bargaining power, economic elites are expected to make credible threats such as a threat to secede. A proxy used in this study to capture the extent of the oligarchs’ influence and impact of secession is the proportion of local employment that they control; the idea being that by controlling a segment of the population via employment, workers will be more likely to express the preferences of their employer for the fear of losing their jobs.

As will be elaborated in the subsequent chapters of this dissertation, the response to the separatist development from the economic elites across the three regions differed significantly, which leads me to expect that they channeled their resources towards different outcomes. Thus, the defining factor for the outcome were the actions of the local actors as opposed to the predetermined nature of the conflict, which was not inevitable. Either encouraging or not actively opposing the protestors from taking to the streets, unstable situations allow an opportunity for these unofficial leaders to claim more power from the center. Thus, it is not to say that some oligarchs in east Ukraine genuinely preferred separatism, or believed in its cause – indeed, some likely regret the outcome in hindsight – but, rather used it as a very effective and credible threat in bargaining with the central government. In effect they exchanged stability for the delegation of power and the protection of their assets. Thus, using economic sectors that they control (which indicates the direction of elite preferences) and monopoly over local employment (which indicates the amount of human power available to push in the direction of their interests) as the primary driving factors behind their decisions, this research will aim to explain the outcome and the timing of the separatist rebellion.

The variation that exists in east Ukraine provides an ideal case to explore the previously understudied theoretical avenues of the Ukrainian experience with separatist mobilization and examine the oligarchs' role in it. As such, the study contributes to the political economy literature on post-communist regions, and to the relatively recent studies on the effect of the oligarchs on regional political dynamics and separatism. On a broader level, in highlighting the importance of actors and organizations, this study broadly engages with the branch of literature that also emphasizes the importance of financial, human, informational, social, and other resources in protests generally (Andrews, 2001; McAdam, McCarthy, & Zald, 2002) and Ukraine in particular (Wilson 2016).

Channeling of such resources and mobilization is argued here to be captured best by workplace mobilization theory (Frye 2002, Mares and Zhu 2015). This theory and the sectoral interests of economically powerful oligarchs is used as the main prism through which this study

seeks to explain the variation in the timing of the separatist rebellion given that their direct access to concentrated pockets of population i.e., workers, allowed them to deploy particular mobilization strategies at a particular time. Self-interest of oligarchs is assumed and treated as a key factor in explaining their political preferences during moments of political upheaval. As such, this dissertation closely explores and analyses developments in eastern Ukraine during the separatist crisis of 2013-2014, striving to further scholarly understanding of the role of important regional actors at a specific moment in time in order to better understand the complexities surrounding the unfolding of separatist mobilization within the three regions of interest. Additionally, given that the economic self-interest of oligarchs is crucial to understanding local political developments and is argued to be the primary driver of their behavior, the dissertation therefore argues that these individuals largely operated autonomously. To that end, this study adds to other recent literature on the matter and asserts that the oligarchs were not extensions of Russia's influence. In other words, whilst the dissertation addresses and acknowledges the role of Russia in the conflict, it aims to explain the crucial early stages of the separatist rebellion predominantly through domestic forces, structures, and actors (Kulick 2019, Buckholz 2019, Nitsova 2021). Additionally, numerous examples exist throughout Ukraine's recent history, including in the aftermath of the Euromaidan, which clearly demonstrate that oligarchs behave opportunistically and engage in ideological flip flopping whenever it suits their needs not because these actors necessarily face pressure from external forces, but rather because they seek to protect their economic interests. As such, this study suggests that the 2013-2014 crisis should be understood beyond the simple geopolitical tensions and pressures from the West on the one hand and Russia on the other, and instead a closer examination of Ukraine's top regional economic elites, who have their own agendas, is needed.

As will be described in greater detail in the subsequent chapters, Ukraine is home to a small group of powerful financial elites, who have established tight control over the country's economy and politics; with the vast majority of the country's heavy industry located in the eastern part of Ukraine

and controlled by a small number of actors. These individuals have been absolutely crucial in ensuring that Viktor Yanukovich was elected as president, not because he was pro-Russian, but because he represented this particular sectoral group's economic interests. Moreover, as already alluded to and as will be discussed in greater detail, regardless of the economic sector that they occupied, in general, oligarchs have reasons to be skeptical about Ukraine's full integration into the EU, given that it requires crucial anti-corruption, judicial and energy reforms to take place. As such, throughout Ukraine's independent history, and especially during the times of revolutions, oligarchs have used their resources to push for specific political developments that would benefit their sectoral interests whilst avoiding fully committing to transparency reforms. Attempts to undermine the reform agenda and lobbying for more powers to be devolved to the regions is traditionally a particularly notable feature of the oligarchs in Donetsk and Luhansk, which would allow them to consolidate greater control over their regions.

As such, it is a relatively common knowledge in Ukraine, as well as in reputable media and academic sources (Kulick 2019) that oligarchs are inherently opportunistic, as opposed to extensions of external factors such as Russia and operate within the complex systems within which they exist. For example, some sources have aptly described Akhmetov's behavior as "treading between the pro-western and pro-Russian camps, never committing himself to either one" (Aris 2021). Meanwhile, although Kolomoisky was an integral part of fighting separatism in Dnipropetrovsk and other eastern regions during the crucial inception period of the crisis, since 2016 he has advocated for more pro-Russian policies and condemned Kyiv's cooperation with western organizations such as the International Monetary Fund (IMF) (Kulick 2019) after his fallout with Petro Poroshenko, who served as president between 2014 - 2019.

The remainder of this dissertation is structured as follows: Chapter 2 will provide an overview of the literature, elaborate on the theory, state the hypothesis to be tested, and discuss alternative explanations. Chapter 3 will present the empirical results and the effects of the oligarchs'

interests on the timing of the secessionist rebellion. Specifically, the chapter will explore the effects of the concentration of employment in two major economic sectors that are expected to produce a difference in the outcomes, agriculture and food and mining. Meanwhile, Chapter 4 will present descriptive statistics and the main models, testing the statistical significance of the independent variables. Chapters 5 and 6 will engage with a case-study qualitative analysis and select specific municipalities that varied on the outcome of the rebellion, and qualitatively explore their economic structure, as well as the role of economic elites in these localities.

## Chapter 2: Literature Review and Theory

Having defined and described the dependent variable, introduced the chief explanatory variable, and established what is meant by an oligarch, the goal of this chapter is to elaborate on the theoretical framework, and examine previous scholarship on the connection between post-Soviet political-economy and rebellion. This chapter begins with a more detailed description of the theoretical framework and the main explanatory variable in this dissertation: oligarch-owned employment. Next, the chapter considers other factors that have been found to have an effect on political organization and separatist rebellion in Ukraine. These include ethnic and linguistic composition, history and culture, external actors, and regional wealth. The dissertation recognizes, however, that although such factors may provide important background conditions and a favorable climate for conflict, they ultimately fail to adequately explain the timing of the separatist rebellion. Instead, the study turns to the relation between central political elites and sectoral concentration of the regional oligarchs' economic interests to explain how these vested interests impacted the development of separatist timing and trajectories.

### 2.1 Theoretical Framework: Interests of the Oligarchs

There is a modest but growing body of literature on oligarchs' prominence in developing democracies with regard to the social, economic, and political spheres of society, especially in post-Soviet Russia and Ukraine. Surprisingly, however, the effect of these actors on mobilization and the ways in which they can shape trajectories of rebellions remains relatively underexplored. To this end, this study focuses on the role of the economic elites by combining power resource theory (Korpi 2006), which argues that large differences in power resources affect what various actors in a society can or can threaten to do, and workplace mobilization theory, which focuses on economic coercion of workers

by economic elites (Frye, Reuter and Szakonyi 2014). The latter is deemed to be a particularly useful framework for examining how the vast economic power of oligarchs translates into influence over local populations. In other words, the study proposes to examine the effect of the oligarchs through the resources of power that they control, such as their ownership over a proportion of local employment for example. The approach broadly builds on the crucial work of Frye, Reuter and Szakoyi (2014), and Mares and Zhu (2015) as it relates to worker mobilization via economic coercion, especially when employers have a virtual monopoly over the market in a given town.<sup>21</sup> The dissertation builds on the assumption that the main source of the oligarchs' influence is their concentration of ownership over certain economic sectors, and the dependency that this creates for the work force<sup>22</sup>. The study suggests that examining the influence of local economic elites is important in explaining the timing of the separatist rebellion and why it differed between the municipalities in eastern Ukraine.

Employers are particularly well positioned to mobilize individuals, especially in environments where opportunities for alternative employment are scarce. Historical examples of economic coercion are plentiful. In cases such as Chile, for example, Baland and Robinson (2008) highlight how Chilean landlords mobilized peasants to vote for conservative parties. Mares and Zhu (2015) build upon and reanalyze Ziblatt's (2008) data in order to explain the causes of electoral fraud in Imperial Germany, concluding that fraud was most likely to occur in areas with slack labor markets where employers could exploit their workers' lack of exit options, coercing them to vote for the employer's preferred parties (Mares and Zhu 2015). Two crucial factors are at play across these arguments. The first can be broadly called *economic concentration*, or *economic monopoly*. For instance, those municipalities with high economic concentration are found to also have low costs of

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<sup>21</sup> The work of Mares and Zhu especially address mobilization of voters to vote for specific candidates, leading to what the authors term, "electoral subversion."

<sup>22</sup> This might be due to the fact that some workers do not have any other skills that would make their finding employment elsewhere feasible. They might also live in a town that is dominated by a single owner, which would prohibit them from seeking employment in the same sector but under a different ownership, making them more vulnerable.

repression to the employers (Mares and Zhu 2015). The findings make sense if one grants that in “one company towns” with little or no alternative source of employment, employees are more vulnerable to their employers and are, therefore, more likely to succumb to their demands.<sup>23</sup> Frye, Reuter and Szakonyi’s (2014) findings also demonstrate a similar effect. Focusing specifically on the 2011 parliamentary elections in Russia, they find that the workplace is a key arena of voter mobilization. Owners that are dependent on or susceptible to pressure from autocrats, as well as employees that are dependent on their employers, are likely to be mobilized and engage in electoral subversion (Frye, Reuter and Szakonyi 2014). Studying unions in Russia, Robertson similarly argues that these entities are often dependent upon employers or the regional government (Robertson 2007). In this way, local employment monopoly by a single actor or a small group of connected actors increases the dependence of workers on the interests of the economic elites.

Private ownership is generally seen as beneficial for the development and health of democracy (Goldsmith 1995), but scholars rarely highlight its potential pitfalls, such as the establishment of regional monopolies by a small group who capture large slices of the economy. Moreover, the real danger lies in the fact that with their newly acquired wealth, these groups are able to grow powerful in relation to the central government and pose a credible threat. As described in an earlier section on the privatization process in Ukraine, a handful of regional elites became incredibly wealthy, and major local employers. Some groups especially benefitted from the protection that the executive offered, which made it all the more crucial for these groups to ensure that they should remain in power and continue to protect their business interests. These interests often clash with those of the average citizen (Winters 2011, Winters 2013, Pleines 2009, Singh 2000), and play an important role in political outcomes (Chaisty 2006). A similar logic is also put forward by Acemoglu

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<sup>23</sup> The mechanism through which these actors exert influence and shape collective behavior ranges from local political machines mobilizing state employees to owners of factories and other production centers sending their employees to the streets. Indeed, one of the major means of influencing elections – and other acts of political behavior – is patronage, more specifically, control over government jobs. See for example for a specific discussion on Ukraine (D’Anieri 2005, 238).

and Robinson (2006) who argue that oligarch groups are interested in helping their political allies to stay in power due to their fear of wealth redistribution. At the heart of this fear is the assumption that the incoming political elites, especially those that pledge to pursue further democratization would most likely entail expropriation or redistribution of their vast wealth (Boix 2003). This major concern of possible redistribution of wealth or asset stripping generates political conformism among vested oligarchs. They seek to enable the ruling leadership to stay in power and resist democratization (Winters 2011). This claim finds support in studies of politics in Latin American (Albertus and Gay 2017) and Southeast Asian countries (Winters 2013). To isolate the effect of these actors on the timing of the separatist rebellion, this study, therefore, makes a distinction between enterprises that are owned by the state and other small-scale private owners, and those owned by the oligarchs with sufficient resources available to challenge the center. In consequence, the ownership structure of the local economy is considered key in terms of the occurrence of political phenomena such as mobilization, or separatist rebellion.

### 2.1.1 Ownership

Scholarship on the political effects of ownership is relatively modest but is transferable across geographies and industries. For example, some systematically test the effect of ownership of oil companies on economic growth in sub-Saharan Africa from 1997 to 2014 (Wegenast, Khanna and Schneider 2018). Meanwhile, Callaghan and Langneau-Ymonet (2012) examine ownership changes in global stock exchanges and different political implications. Václav Štětka examines and compares different forms of media ownership currently present across Central Europe, particularly with respect to domestic oligarchs and foreign investors, and discusses the impact these ownership models have on journalistic autonomy and quality of democracy in general (Stetka 2012). This dissertation will seek add to this literature and explain the variation in the timing and the outcome

of rebellion through a prism of economic interests of powerful regional players whose businesses were deeply entrenched in the municipalities of interest. Indicators, such as the proportion of local employment controlled by an oligarch are used as proxies to estimate the strength of this group within the regions relative to the center. Control over employment is the primary indicator of mobilizational and organizational potential, which the oligarchs can use should their interests become threatened. Economic development, especially industrial wealth, offers bargaining power to elites seeking to change or protect their political circumstances in relation to the center as these actors are less dependent on the central governments (Treisman 1997). They can, therefore, serve as major protagonists in mobilizing the crowd and making separatist demands as a way to increase their own power (Brass 1991, Roeder 1994, Treisman 1996). Indeed, a threat to secede may be used strategically by elites who might not actually seek outright independence, but rather use it to preserve their advantage in the existing state order or increase their autonomy within it.

### 2.1.2 Sectoral Concentration

Having explained the basics of how ownership over local employment is connected to the potential for a separatist rebellion, the discussion now addresses the role of concentration in specific economic sectors. As mentioned previously, one of the distinct features of the oligarchs in Russia and Ukraine is their entrenched monopoly over specific sectors of the economy. Separating groups according to an economic sector that they occupy, therefore, allows for a more detailed examination of these regional actors' interests. Doing so is important because not all financial groups have the same interests, since they occupy different sectors of the economy, some of which are more competitive than others and benefit differently from different political allegiances and international ties. In other words, just as it would be a mistake to conclude that all capitalist or business interests in the West are a cohesive interest group, it would be an error to assume that the oligarchs, as the functional

equivalent of capital in post-communist Ukraine, formed a single lobby. Moreover, similarly to Russia, economic sectors in Ukraine generally represent large monopolistic establishments that arose in the aftermath of the Soviet collapse (Gehlbach 2008, Huskey 1996) and allowed large factory directors to credibly threaten mobilization of workers for protest (Shleifer and Treisman 2001). It also meant that the political influence of certain industries – in Russia’s case oil and gas - were inevitable (Shleifer and Treisman 2001, 183-84). Regional economic elites had an incentive to seek alliance with the regime in order to ensure favorable legislation and continued protection of their business interests. Often this meant that specific economic groups “sponsored” certain political candidates (Willerton 1992).

Pushing their preferred candidates into positions of power protects – at least until the next election – the interests of these groups, who then continue to help the regime to maintain their hold on power by supporting it through the entire electoral cycle. Two crucial factors in this respect are their financial assets and their control of a portion of the population. In places such as Russia and Ukraine, oligarchs have been engaged in the control and trade of lucrative goods, commodities, and services. In fact, the oligarchs have been prominent producers and merchants in these (Guriev & Rachinsky, 2005; Åslund, 2015) and several other post-Soviet states (Stefes, 2008; Radnitz, 2012; Junisbai, 2012). These activities generate huge wealth, and this is parlayed into substantial political power (Barnes, 2003). Furthermore, many oligarchs are integral parts of influential patronage networks that the ruling regime employs throughout the entire electoral cycle to secure a convincing victory in the elections. Such evidence has been observed in many post-Soviet states where pro-regime oligarchs’ financial resources have been funneled into vote-buying and other forms of expensive vote manipulation that are crucial for regime maintenance (Puglisi, 2003; Kuzio, 2005b; Stefes, 2006; Way, 2012; Radnitz, 2012).

As will be discussed in greater detail in Chapters 4 and 5, this is precisely why the presidency of Yanukovich was especially important to some large financial groups that were concentrated

almost exclusively in the mining sector. The sector itself was also almost entirely monopolized by Ukraine's richest businessman, Rinat Akhmetov, who was one of Yanukovich's major financial sponsors. In contrast, elites in Kharkiv were primarily tied to the agriculture-food supply chain, with notable elites such as Vsevolod Kozhemyako, benefitting differently from the political situation than those whose fortunes were concentrated in the heavy industry and the extractive sector. As such, the study argues that this led these particular regional actors to take different approaches to the separatist crisis from the onset. In other words, given that political winds often change, sometimes unpredictably, means that the business elites must constantly adapt to the changing political environment. This adaptability and flexibility, however, is argued to have been a more dominant feature among the Kharkiv business elites due to the economic sector that they occupied, as the discussion will highlighting in much greater detail in Chapter 6.

Overall, sectoral monopolies – regardless of the sector – aid in overcoming a crucial issue with elite collective action discussed in the theories of Mancur Olson (1965). In instances where there was more than one oligarch involved in the same industry, the collective action problems were easier to overcome due to internal homogeneity of group interests in the same sector. The argument, in some respects, parallels the example of Jeffrey Frieden in placing emphasis on the structure of the economy and the resulting organization of economic interests in explaining particular political outcomes (Frieden 1992). Like Olson, Frieden seeks to explain the links between economic interests, political behavior, and political outcomes. He argues that the patterns of socioeconomic interest group cohesion and conflict determine both economic policy as well as shifts to democracy or authoritarianism. He posits that the groups that had the most influence over government action were those that were highly organized. The author identifies *asset specificity* and *concentration* as two key factors in explaining the abilities of economic groups to organize and exert pressure on government. The policy stakes for an economic group were higher if the group's assets were specific for one particular use, making members of the group lobby harder for particular outcomes that are favorable

to the preservation of the value of their assets. Further, as in Ukraine's regions, Frieden notes that sectoral concentration, because fewer economic agents are involved, makes political mobilization easier and therefore more likely (Frieden 1992, Rogowski 1989). The focus on the reaction between coalitions of economic interest and state decision making, in some important ways, echoes the argument here concerning the effect of sector specific economic concentration by oligarchs on the likelihood of an emergence of a local separatist rebellion. In the case of Ukraine, one of the crucial assets and sectors that presents a major player in the political outcomes is the mining industry. Prior research on the issue found that patrons are especially likely "to command the support of workers in the most bloated sectors of the economy", despite the fact that these sectors "are the least efficient and the most in need of government subsidies" which leads to a disproportionate representation of interests in the parliament of the owners of those industries that are least economically viable, and most in need of government protection (Birch 1997, 56 ).

It is, therefore, beneficial for the regional economic elites to have a government in place that is sympathetic to their interests, even if these interests do not align with the broader interests of the overall state. As such, political transitions are likely to be closely connected to the oligarchic economic interests and separatist development. Referring to separatist developments in general, some literature finds that on the macro level the extent and intensity of political change may matter a great deal for potential separatists because political transitions often make states vulnerable and can create climates that foster separatist movements (Laitin 2001). Saideman (1998) notes, for example, that periods of democratization and economic transition lead to intensified ethnic identities and security dilemmas which ultimately "drive" secessionism. In the post-Soviet region, Gail Lapidus (1998:11) also suggests that glasnost and democratization under Gorbachev "brought issues of identity to the forefront" in the Soviet Union. In contemporary Ukraine, the political regime and more importantly the regime of *single party dominance*, in which a specific political party is unchallenged (Sutter 2006), is also deemed to matter with regards to links to separatism. More nuanced definitions

of party dominance include criteria such as threshold for dominance (for example, the number of seats in parliament), features of the opposition (for example, many small parties or highly divided opposition), the presence or absence of divided governments in presidential systems and the length of time the party has been in power (Bogaards 2004). In the post-Soviet space single political party dominance is usually characterized by the presence of a *political machine*, which are “one-party systems in formally democratic states... Non-ideological in nature, machines serve as an alternative distributional network to the market, dispensing material benefits to the party’s supporters” (Erie 1993, 719). A party could thus maintain dominance for a long time using “a mixture of patronage, favoritism, and intimidation” despite the existence of democratic institutions (D’Anieri 2005, 232). The term “machine” is especially appropriate in the former Soviet Union, as political elites are often void of ideology as displayed by their inconsistency and their oscillation between parties, for example. Instead, they behave opportunistically and are primarily driven by “career security, [and] the desire to maintain or advance their positions” (Hale 2005, 137, Scott 1969).

The political machine that operated across the municipalities of interest was the Party of Regions headed by Viktor Yanukovich. Economic elites primarily in the heavy industry sector such as mining were especially tied to it. This is most clearly demonstrated by publicly available testimony of American political consultant, Paul Manafort, who was hired by Rinat Akhmetov, a coal and steel tycoon from Donetsk, in 2010 to ensure the presidential victory of Viktor Yanukovich. Political machines are known to be highly effective in their political mobilization capacities (Scott 1969) with an established framework to reward supporters and punish defectors (Stokes 2005, D’Anieri 2005, Matsuzato 2001). The Donetsk “machine” in particular was “one of the most effective vote-gathering forces, and the Donetsk economic group was one of the most powerful economic group.” (D’Anieri 2005, 240). This group was therefore well positioned to tap into the existing mobilization networks and deploy police forces, all of which had an impact on the likelihood of a protest activity occurring (Robertson 2007), as well as its timing. In the given case, the financiers and supporters of the

dominant party were heavily regionally concentrated which likely strengthened their ability to push for their interests. Given that the heavy industry groups that benefitted most from Yanukovych's presidency were by far the biggest losers in the aftermath of his removal gave them a strong reason to go into opposition to ensure the survival of the former regime (Balcells 2011).

## 2.2 Chief Explanatory Variable: Local Employment Concentration by the Oligarchs

The main explanatory variable involves the relationship between business elites and local labor, and explains how the former can exploit this relationship to shape the trajectory of early stages of conflict. Employment of a proportion of the local population is thus used as a proxy for the strength of the oligarchs in relation to the center. It is difficult to identify organized labor as a distinct social force given the traditional dependence of the Soviet worker on the state and enterprise management. Since the late 1980s, and especially since 1990-91, Ukraine has, of course, undergone massive economic and political change. This has precipitated remarkable societal, economic, and political dislocation. Remnants of the old economic order persisted, however, while new political institutions were still relatively weak. The importance of the workplace to the average Soviet citizen, and the fact that the already massive influence of enterprise directors over regional economies often increased, suggests that there was already a power hierarchy established between laborers and enterprise owners. Furthermore, classic works on industrial administration in the Soviet Union describe the relationship between worker and director as one of dependence (Berliner 1957, Puffer and Braithwaite 2016). Dependency arose as a result of the institutional arrangements through which many social services were traditionally provided through enterprises. This often included housing, healthcare, childcare, and, for particularly large enterprises, stores and enterprise farms. Thus, a worker's entire life often revolved around the factory. Not surprisingly, the enterprise director had a broad responsibility as

paternalistic provider. Of particular relevance to the argument put forward in this study, this dependency, was often even more acute in areas that came to resemble company towns constructed before and after World War II. Perestroika only deepened the dependency of worker on manager (McFaul 1995). And when the privatization drive occurred during the 1990s, workers were rarely in a position to challenge directors' continued control of enterprises, nor were they were inclined to do so anyway. The limited number and variety of economic actors encouraged the formation of economic interest groups that collectively pursued the same course of action. The dynamic is not unlike that of a "company town." In a company town, in the West or East, the primary employer is a dominant company or corporation. Most people living in the area are, therefore, either directly or indirectly employed by this entity, and the fate of the town is inextricably linked to the company's success or failure.

The approach inevitably takes away from the romanticized view that the public and their revolutionary spirit are the true driving forces behind many political outcomes, or indeed behind why some rebellions succeed or fail. Instead, the proposed approach suggests that the public, while a crucial component, in certain cases, may simply be an extension of a more powerful set of actors such as business elites, who remain the real driving force in these economically 'captured' regions (Howard 2002, McFaul 2002). Robertson elaborates on this point well in his theory of elite conflict and its interaction with top-down unions, arguing that strike patterns depend on how the distribution of resources is conducted "[...] when regional elites are relatively unified, strike patterns will depend on the political and economic resources of the region. Regions that have poor political relations with the center, and few other bargaining resources, will seek to mobilize workers to pressure the center for transfers" (Robertson 2007, 783). Thus, in terms of bottom-up drivers of change, the oligarchs are argued to be the most powerful, with their ability to 'capture' the state authorities, shape trajectory of the enforcement and implementation of institutional reforms, as well as cause the gridlock in institutional convergence with the EU during the early stages of transition

(Hellman 1998, Zimmer 2006, Pleines 2005). Moments that weaken the state and disrupt the status quo such as revolutions and sudden regime changes are particularly important as in their attempt to protect their interests, gain greater political recognition, and obtain favorable economic and political circumstances these elites are able to spur separatist strategies (Gurr 1993, Glenny 1996, Stoner-Weiss 1997, Treisman 2001). The oligarchs are therefore inclined to take a political stance and use their resources to either oppose or support the new regime depending on whether the change in the ruling elite will endanger their wealth (Matuszak 2012, Shlapentokh 2004, Zudin 2000, Radnitz 2012).

A case in point of this dynamic is the Orange Revolution in Ukraine that led to the departure of President Leonid Kuchma from office in 2005. Thousands of small entrepreneurs and several significant oligarchs backed his opponent Viktor Yushchenko although the three most powerful oligarchic groups provided major backing to Kuchma (McFaul 2006, 168). An additional example from this context is the toppling of Askar Akayev in Kyrgyzstan in 2005 by popular protests supported by influential regional oligarchs who succeeded in their objective by appealing to the sympathies of the masses (Radnitz 2006b).

The main hypothesis to be tested, therefore, addresses the employment concentration by regional elites to determine whether economic groups in different economic sectors had an effect on the timing of the rebellion. Specifically, based on the discussion so far, we should expect to see that municipalities where employment was concentrated in industries which were most protected by Yanukovych and were most threatened by the incoming regime, to have been the among the first to experience instances of a separatist rebellion. In contrast, we should expect those areas where local economic elites were less dependent on Yanukovych personally, to have had less incentive to mobilize and to either have no instances of separatist rebellion, or be last to experience any such cases. In particular, the two industries that will be examined are mining and agriculture-food. As will be demonstrated later in the chapter, there is a substantial difference between the political

orientation of the oligarchs in these two sectors. As such, we arrive at the following as our first hypothesis:

*H1: Municipalities that were most likely to experience a separatist takeover earlier on in the conflict were characterized by a higher concentration of employment by local businessmen in heavy industries such as mining, as opposed to municipalities where local economic elites' influence was concentrated more in the agriculture and food sector.*

The discussion now moves to an introduction of alternative explanations, which will also be considered in the thesis, as well as other theories that have been rejected at the outset due to their lack of explanatory power over the outcome of interest.

### 2.3 Alternative hypotheses: Ethnic and Cultural Determinants of Separatism

Violent conflicts related to ethnicity, religion, and culture have become among the most prevalent and intractable forms of war in the modern day (Fearon and Laitin, *Ethnicity, Insurgency, and Civil War* 2003), leading some scholars to predict that the demise of the states will be most frequently caused by the wars that are subnational in nature (Kaplan 1994). Cultural heterogeneity, whether ethnic, linguistic, or religious, led numerous scholars to assert that cultural pluralism increases the likelihood of secessionist claims and heightens the propensity towards conflict. Though there are variations of the cultural heterogeneity argument, an underlying assumption is that it is impossible to have a unified community due to increased fractionalization and alternative allegiances of community members. The argument relies on notions of social heterogeneity and polarization (Horowitz 1985, Collier and Hoeffler 2002, Sambanis 2000). The literature has yet to establish a consistent connection between the two, and the evidence to date has proven to be quite variable,

even contrarian. For example, while Hale (2000) and Sorens (2005) find positive relationships between ethnic/linguistic distinctiveness and separatist propensity, and others find the existence of ethnic elites serves as a catalyst for conflict (Tilly 2003, Lake and Rothchild 1996, Brown 2001), Treisman (1997), Laitin (2001) and Saideman and Ayres (2000) found no evidence that ethnic identity is an important determinant of separatism. In fact, contrary to the previously mentioned scholars that found positive relationship between cultural heterogeneity and secessionist rebellion, Fearon and Laitin (1999), Collier (2001), and Collier and Hoeffler (2002) found that social fractionalization actually reduced the likelihood of identity wars and rebellions—as it makes it less likely for a specific group to have a distinct and sufficiently large regional base.

Territorial concentration of minority groups, on the other hand, could have the potential to influence ethnic groups' desire for separatism. A minority group dispersed across a country, for example, provides a weak foundation for separatist activism “as ethnic heterogeneity increases, the probability of a partition decreases significantly, suggesting that it may be difficult to coordinate and win in a secessionist war in extremely diverse societies” (Sambanis 2000, 457), whereas a group concentrated in a specific area are better positioned to organize and develop a separatist propensity (Collier and Hoeffler 2002). The authors also note that the size of the ethnic group may matter for separatism, which is consistent with Gorenburg (2001). Empirical findings regarding the size of ethnic minority groups also vary. While Fearon and Laitin (1999) note a positive significant effect of relative group size for separatist desire and rebellious activity, Saideman and Ayres (2000) and Sorens (2005)<sup>24</sup> find no significant effect either way for a group or region's relative size.

As we have seen, both the comparative and Ukraine specific literature offer a variety of competing hypothesis regarding the effect of ethnicity on political outcomes. However, given that Ukraine is home to approximately 17 percent of ethnic Russians concentrated in the east, along with

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<sup>24</sup> Sorens (2005) finds that the absolute size of a group relates positively to separatism.

recent studies that find ethnicity to matter in relation to separatism on the regional level (Chaisty and Whitefield 2017), the dissertation will test for its effect. If ethnicity had an effect on the timing of the separatist rebellion then we would expect municipalities with a higher percentage of ethnic Russians to be the earliest to fall to separatism in the crucial months between the removal of Yanukovych and the referendum. Therefore, we arrive at our second hypothesis:

*H2: Areas that were the first to fall to separatism in the crucial months before the establishment of DPR and LPR were those with higher percentage of ethnic Russian population.*

The second component linked to the ethnicity argument is language,<sup>25</sup> which has been claimed in the literature to have an effect on citizens' political attitudes and preferences concerning the territorial structure (Y. Zhukov 2016, Wolczuk 2006, Chaisty and Whitefield 2017). Given the divisive role of language in Ukraine and previous scholarship that has found its effect to be significant, the study will test for its effect on the timing of a separatist rebellion on the municipal as opposed to regional level. If language did have an effect, then we would expect to find those municipalities where there are more Russian speakers to be among the first to experience instances of a separatist rebellion. Therefore, we will examine the following hypothesis:

*H3. Areas that were the first to fall to separatism in the crucial months before the establishment of DPR and LPR were those with a higher percentage of Russian speakers.*

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<sup>25</sup> The issue concerns the matter of raising Russian language to the status of an official second language alongside Ukrainian. The matter generated a lot of controversy and been used as a polarizing tool by politicians from each side of the country.

## 2.4 Alternative hypothesis: Economics of Secession: Economic interests of the public

Economics is an intrinsic part of the recent literature on civil conflicts and many theories of separatism. Specifically, separatist regions are usually said to differ from the rest in terms of wealth, physical or human power, or natural resource endowment, and discriminatory economic policies from the central state vis-à-vis its regions have the potential to affect the costs and benefits of allegiance or exit. The study now considers some of the explanations grounded in the economics of secession.

One of the most well-known sections of literature in the economic camp is the regional *income and wealth inequalities* argument. Some authors in this field argue that poorer regions are more likely to break up (Hechter 1992:275). This in part may be due to a greater sense of grievance and blame of the state for their failure to develop, or their fear of potential competition with their neighbors (Horowitz 1981, 1985). Poorer minorities may therefore find rebel activity relatively attractive (Fearon and Laitin 1999:30). At the same time, however, poorer regions may also be more easily appeased by economic policy (Bookman 1992:44). On the other side of the spectrum, however, are those that take an entirely opposite approach and find that secessionist sentiments develop in the wealthier regions (Hale 2000:33). This might be due to the fact that richer regions may be more confident about their ability to exist as independent countries, or are more aware of their group identity (Collier and Hoeffler 2002: 2). In the context of the former Soviet Union, the central state relies on the industries and resources of the wealthy regions for much needed economic growth (Hale 2000, Stoner-Weiss 1997, Treisman 1997).

Regardless of the direction of the inequality, however, separatist rebellions are often believed to arise from a “perception of economic injustice,” which leads a region to reassess the “relative cost or benefits of belonging to a national union” (Bookman 1992:39). Available quantitative evidence on

all these claims has been mixed. In the context of the regions of the former Soviet Union, Hale (2000) demonstrates that it was the richest regions (as measured by retail commodity turnover) which were the most likely to secede. Richer regions (as measured by income) of Western democracies have also been found to be more prone to developing separatist activism according to Sorens (2005) as they pay more taxes. Yet, Saideman and Ayres (2000) could find no robust effect of economic differentials or discrimination on separatism, using world-wide Minorities-at-Risk data. Fearon and Laitin (1999), for their part, found that minorities in rich regions were *less* likely to fight for separatism or other rebellious purpose, and that absolute deprivation mattered more than relative deprivation.

Another camp of literature under the broader economic umbrella pertains to regional availability of *natural resources*. Sub-Saharan Africa in particular has received increasing focus not only from policy makers, but also from scholars (Collier 1999) as an area where the effect of natural resources on conflict has been examined. Specifically, the presence of natural resources is linked to internal conflicts and secessionist rebellions which are “considerably more likely if the country has valuable natural resources and that proponents of these movements exaggerate the likely gains from either capturing or maintaining ownership of the resources” (World Bank, 2003, 60). Oil, in particular, along with several other “unlootable” resources, has been linked to heightening the probability of separatist conflicts (Ross 2003:11-12). More specifically, Ross (2003) argues that “unlootable” natural resources require foreign investment for which recognition as a sovereign state is needed, therefore, heightening the likelihood of separatist action. Resources that can be looted, on the other hand, may instead lead people to back a local warlord instead of engaging with outright independence (Ross 2003:12). Le Billon’s (2001) study of the role of diamonds in sustaining UNITA in Angola, for example, provides support for this contention. The author specifies that ownership over this specific resource allows for “resource rents [to] provide political leaders with a classic means of staying in power by establishing a regime organized through a system of patronage.... such regimes can divert themselves of the need for popular legitimacy by eliminating the need for broad

based taxation, ... (and) financing a repressive security apparatus” (Le Billion 2001). Fearon and Laitin (1999:29) also believe that appropriable resources facilitate violence by “raising the stakes” of rebellion but were unable to find data to test this hypothesis. Other scholars find that the presence of ‘lootable’ resources may be necessary for a conflict but assert that the story only makes the most sense when the role of coercion is considered (Herbst 2000).

On their own, the presence of natural resources does not automatically make a region more or less likely to engage in political mobilization. Instead, natural resources represent potential, and the relative power that those who might come to possess them might wield in relation to the central government. This reasoning is represented by Treisman (1997:222), who emphasizes the importance of “bargaining power” of regions. If a region is dependent on the center for its revenues, it has less bargaining power to demand autonomy. If it has its own resources, however, it is more likely to be aggressive about autonomy. Bookman (1992:46) also argues that low “trade dependency” between a region and the center improves the chances of regional viability and increases the bargaining power of the region. In terms of empirical evidence, there is no systematic evidence for the world as a whole, though Collier and Hoeffler (2002) found that civil wars were more likely to be secessionist in countries with large oil exports. Their data did not, however, identify whether the natural resources were located in the separatist regions, making their inference somewhat dubious. A combination of powerful subnational actors and their ownership over the resources in the given area may, therefore, contribute towards perpetuating conflict in order to sustain illicit economic activities. Specifically, (King 2001) discusses how aggressive symbiotic relationships and economic networks are a prelude to the post-modern peripheral state where territory within is designated and ruled by local strongmen with international ties. Though it is important to mention the camp of literature that deals with the effect of natural resources given its importance in the area on violent and separatist conflict, this study will ultimately not control for its effect. Despite its importance, the “resource curse” hypothesis is more applicable to countries in Africa and the Middle East where

access to natural resources becomes the reason for a conflict or are used to fuel a conflict, than to Ukraine. Instead, the conflict was about the economic interests of the regions, which makes “greed” vs “grievance” a more appropriate proxy to control for in this study.

A third subsection of the economics of secessionist rebellions falls is the *absolute levels of income* camp. Though secession attempts clearly take place at all levels of income, some authors argue that country-wide low per capita income and slow growth rates are major secessionist “risk factors,” for they exacerbate the grievances of various groups and reduce the opportunity costs of warfare (Collier and Hoeffler 2002:5). In their earlier work Collier and Hoeffler (1998) suggest that an inverse relationship exists between income and the costs of rebellions; meaning that the costs of beginning and sustaining a rebellion over time and space rise when income is higher because the need to join a rebel group decreases due to a lessened need for immediate income. On the other hand, when incomes are chronically below that which can support a person, the ability of a rebel group to provide income becomes attractive. The finding is also supported by Miguel *et al* (2004), and Ciccone (2011) mentions the reduced opportunity costs of rebellion and negative shocks, which could spark internal conflict and make it most probable in areas that would be harmed by joining the European market. On the contrary, Hechter (1975) suggests that modernization brings about ethnic protest and the rise of sub-nationalism, though more of the evidence seems to support the former claim (Bookman 1992:62, Collier and Hoeffler 2002, Fearon and Laitin 1999: 14). Saideman and Ayres (2000), on the other hand, found that growth did not matter and, looking at actual cases of “ethnic partition”, Sambanis (2000:458) found that economic development had a positive (albeit non-significant) relationship with partition, which he imputed to the greater prospects of economic viability of the successor state. The evidence in the context of Ukraine is mixed, with some scholarship finding the economic variable to have an impact on the political preferences of the citizens (Bloom and Shulman 2011), while other scholars do not find economic losers to be more likely to favor a non-unitary state structure (Chaisty and Whitefield 2017). To test the grievance vs

greed effect, this study uses *average monthly wages* as a proxy and will control for its effect. It could be the case that the separatist rebellion occurred earlier in municipalities where workers were earning more as their economic position was threatened by the incoming regime.

*H4: Areas that were the first to fall to separatism in the crucial months before the establishment of DPR and LPR were characterized by protestors with higher income wages.*

## 2.5 Alternative hypothesis: Bad Neighbors

Geographers have also contributed to the study of conflict. For example, in the early 1990s, O'Loughlin and Anselin (1991) argued for the need to bring back geography to the study of international relations. They modeled a state's war behavior as related to, among other things, "spatial dependence (neighboring effect)". The potentially detrimental effect of "bad" neighbors such as authoritarian states that might influence domestic affairs of the neighboring territories has also been highlighted in the literature (Starr 2013, Siverson and Starr 1991). The case of secession of Bangladesh from Pakistan in 1971, for example, demonstrates an important case of the effects of supportive neighbors on the secession of groups or regions. At first, training camps were established in India which provided sanctuary for fighters and government in exile. Eventually, the Indian army intervened on behalf of secession in December 1971 (Young 1976). Neighboring states also played a role in the secession attempts of Katanga (Rhodesian Federation) and Northern Cyprus (Turkey). In addition, Khosla (1999) finds that some form of external support for ethno-nationalist and indigenous groups was common in the 1990s.

At the same time, large-N empirical evidence regarding the neighboring states hypothesis is mixed, suggesting either no neighbor effect (Fearon and Laitin 1999) or a negative one (Sorens 2005). The effect of a neighboring state hypothesis is applicable in the present case due to border

that the regions in question share with Russia. The study recognized that while neighboring states may have an effect on the domestic affairs of the nearby states, this effect cannot be considered independently of the domestic structures and interest groups, some of which might be more receptive to foreign influence than others. Furthermore, while neighboring states may become an important factor in the conflict dynamics and a crucial component of the subsistence of the ongoing conflicts, they are not always adequate in explaining the beginning stages of internal conflicts in the neighboring states. Furthermore, measuring the involvement of foreign states in domestic affairs is a difficult task, and even more difficult on the municipal level. Therefore, a proxy that is both reliable and available on a municipal level is distance from Russia. Testing the effect of proximity to Russia will aid in addressing the set of arguments that deem the shared border to be indicative of the availability of Russian support for the rebels and their leaders. If distance from a “bad neighbor” state has an effect, then we should expect that those municipalities which were closest to the Russia to have been the first to experience a separatist rebellion.

*H5: Municipalities that were the first to experience a separatist rebellion during the conflict period were those that were closest to Russia.*

## 2.6 Rejected explanations

Although the dissertation examines and controls for the effect of some of the literature’s most prominent explanations for separatist rebellion, there are, however, other plausible alternative explanations that this study does not include among its main controls. Let us now briefly consider some of these potential alternative explanations.

## 2.6.1 Media

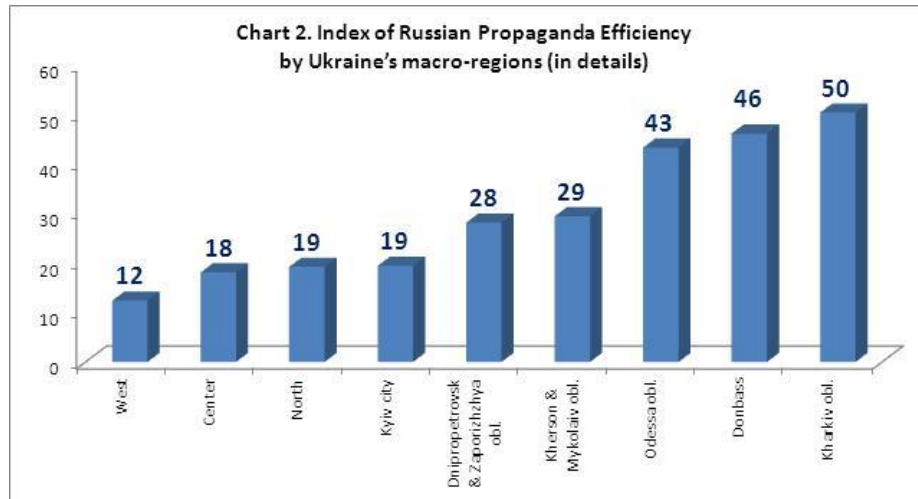
Mass media has had a revolutionary impact on mobilization and mass protests globally via its ability to inform and aid in bringing people together to the same space to undertake collective action (Shirky 2011, T. Bohdanova 2014). As a source of information, media has the potential to shape public opinion and therefore mobilization. Information warfare has especially been a hot topic in Ukraine as a primary concern has been the potentially detrimental effect of Russian propaganda on shaping public opinion, especially in the eastern and southeastern regions. The chain of logic that underpins the 'media effect' argument as it relates to the current project can be summed up as follows: Euromaidan was organized by the West and Ukrainian nationalists → as a result of Euromaidan, power was taken by nationalists, who pose a threat to Russian-speaking people → Crimea and Eastern Ukraine were in danger → Crimea managed to avoid the threat by joining Russia, but Eastern Ukrainian oblasts rebelled and demanded autonomy → nationalists who seized power started the war against their own people. The use of the Russian language and preference for Russian media, particularly in Crimea and southeastern Ukraine, would make the population more receptive to Russian discourse.

It is difficult to measure the effectiveness and the degree of foreign propaganda in a country, much less on a subnational and municipal level. This is complicated further as media, especially television which is by far the most popular source of news consumption in the country, is dominated by a few business groups (Porzgen 2016, 12). Private channels, for example, are concentrated in the hands of a few oligarchs who use them for their personal political and economic interests. With private stations dominating the television business, ownership over them can be traced to a handful of select few: Dmytro Firtash and Serhiy Lyovochkin own the TV station "Inter", Ihor Kolomoysky controls "1+1", whilst STB, ICTV, and Novy Kanal belong to Viktor Pinchuk, "Ukraina" is owned by Rinat Akhmetov, and, lastly, "Channel 5" is owned by former-president, Petro Poroshenko. Russian

influence is therefore not the only source of influence on public opinion. However, it is important to at least address the question of the potential effect of media with the information that is available. If the hypothesis that Russian media had a greater effect on shaping public opinion and, therefore, behavior in areas that experienced separatist rebellion is true, then we should expect Kharkiv and its municipalities to have had virtually no effective Russian propaganda, whereas areas within Donetsk and Luhansk to have been much more susceptible to Russian messaging.

To date, the only known estimate of the effectiveness of Russian propaganda across Ukraine's regions has been done by Kyiv International Institute of Sociology (KIIS). The survey selected statements of official Russian propaganda that more than 80 percent of Russian citizens trust, and developed a series of statements which follow the earlier-mentioned chain of logic in order to find out how receptive the public was to these messages across various regions in Ukraine. The study exists on a macro-regional level, thus municipal level data can only be inferred from it. Nevertheless, the information obtained from this survey allows one to empirically address the media effect hypothesis. The survey revealed the interesting and perhaps unexpected result that the Kharkiv region is highly susceptible to Russian messaging. More specifically, as one can see from Graph 1 below, in Donetsk and Luhansk combined Russian media messaging is estimated to be 46 percent effective, compared to Kharkiv, which is at surprising 50 percent.

Graph 1: Index of Russian Propaganda Efficiency



Source: Kyiv International Institute of Sociology

Thus, despite the fact these figures may, at best, represent only an estimate, and do not demonstrate how the regional aggregate number is spread across individual municipalities, the indicators lead us to believe that there was not a dramatic difference in the level of receptiveness of public opinion to Russian media across the eastern regions. In fact, this receptiveness appears to be slightly higher in Kharkiv where the separatist rebellion ultimately failed to materialize. A supporting survey by the same institution, in the Autumn of 2014, measured the level of trust in both Russian and Ukrainian media. The results support the pattern in the previous survey; the level of trust in Russian media was the lowest in western Ukraine at a striking 8 percent, compared to 61 percent in the east – excluding Donetsk and Luhansk (Kiev International Institute of Sociology 2014). The results from the two surveys do not give sufficient reason to believe that media had a profoundly stronger effect across one region and no effect in the municipalities that did not experience instances of separatism. Additionally, a survey by USAID U-Media project (USAID 2016) across twelve regions of Ukraine, including Kharkiv, Donetsk and Luhansk also found that the share of respondents in each region reporting that they considered that Russian TV provided objective and reliable information, was nearly identical even in 2015. According to the survey, the shares of citizens were distributed

as follows: in Kharkiv 30%, Luhansk 29% and 34% in Donetsk. This suggests a comparable level of susceptibility to potential pro-Russia messaging.

Furthermore, recent academic research on the role of other forms of the media in Ukraine, such as social media, and internet news sites, finds that whilst media serves as important disseminators of information, it is not itself mobilizing (Onuch 2015). Additionally, in the context of the current conflict, the study finds insufficient support to suggest that the oligarchs used media as an active mobilization tool. For example, as has been mentioned throughout this dissertation and as will be highlighted in more detail in Chapter 5, openly direct support for separatism is relatively rare amongst economic elites. Instead, these actors traditionally prefer to operate through other agents and more covert means, thus deflecting the main portion of the attention away from themselves given that these actors are sensitive to public and international opinion (Szostek 2014). However, indication that initial political preferences of the oligarchs varied based on how the protest events in Kyiv were portrayed on their television channels also fits with the broader argument in this study. For example, academic work also finds that the Donbas elites avoided taking an explicitly pro-Ukrainian position at the very beginning of the conflict. In contrast, oligarchs in Dnipropetrovsk such as Igor Kolomoisky used their influence over the media to announce monetary rewards for captured separatist organizers and participants (Szostek 2014).

Nevertheless, it is difficult to analyze the effect of the media because it is argued that there is not enough variation on the regional level. For example, as mentioned earlier, anti-Euromaidan, pro-Russian, and other messaging portraying developments in Kyiv as a nationalist threat were widespread in Kharkiv (Kozachenko 2017, Driscoll and Steinert-Threlkeld 2020), which, as this dissertation argues, required a counterforce such as local economic elites to deliberately work to suppress and discourage separatist mobilization. Additionally, oligarchs typically own nationwide media outlets which is broader and more general, thus making it more challenging to observe potential effects on the municipal level. Lastly, as mentioned earlier, it is also difficult to tie

preferences of oligarchs regarding controversial topics such as separatism to media outlets that they own.

Therefore, this dissertation considers oligarch ownership of the media as just one of many tools that help to set the background and construct a picture of a reality in particular regions. However, given the outlined reasons in this section, in order to explain the variation in rebellions, the study instead focuses on other variables that are argued to potentially yield more explanatory power.

## 2.6.2 History of Mobilization

Yet another potential explanation for the separatist rebellion is rooted in historical explanations of mobilization. Unfortunately, no known studies exist that trace historical patterns of mobilization on a municipal level. There have, however, been discussions on a broader macro-regional level, which can serve as an indication and likely reflect patterns of activism on the municipal level. Acts of mass mobilization in Ukraine's independent history have occurred prior to the Euromaidan. The most famous of these cases was the Orange Revolution in 2004. The history of mobilization and activism, however, has always been stronger in the west than in the eastern part of the country. Scholars of the history of Ukrainian activism claim that this is the case due to the country's "path dependence that has made civil society stronger in western Ukraine where Austro-Hungarian rule permitted the emergence of a Ukrainian national identity that was stymied in eastern Ukraine by the Tsarist empire" (Kuzio 2010, 285). Kolodii (2001) also supports these findings as she traced the historical roots of civil society and activism in Ukraine and demonstrates that on a macro level the east and the west halves of the country differ. Additionally, a survey conducted by the Kyiv International Institute of Sociology supports these academic discussions by assessing the readiness of citizens to participate in protest and political action. Just as the studies, however, the survey also does not present within

regional patterns of mobilization and as a result can only be treated as an indicator of the likelihood of mobilization activity within each region. Nevertheless, the findings of the survey demonstrate that the highest level of readiness to participate in the protest movements exists in the western part of Ukraine at 59 percent, compared to 35 percent in the east (Kiev International Institute of Sociology 2014). Despite the fact that this snapshot does not give a precise insight into the readiness of citizens to partake in protests within the regions, an important factor that can be extracted from the survey is that it demonstrates that elite mobilization is much more likely to play a role in the east as the public is less likely to partake in protest activity out of their own volition. In other words, the historical mobilization hypothesis is not an appropriate approach through which to approach the puzzle of separatist secession for at least two main reasons; first, there is little history of mobilization in the east in general, and instances of it that do exist, do not differ on the local level; second, while historical explanations provide baseline conditions for separatist tendencies, they are inadequate for explaining the timing factor of the analysis and why some areas experience separatist rebellions earlier than others. Thus, as with the effect of the media, historical explanations are too blunt to account for local level variation with which this study is concerned.

## 2.7 Summary of main arguments

This dissertation seeks to explain the variation in the outcome and the timing of separatist rebellion across forty-seven municipalities within three regions in east Ukraine. Drawing on the comparative economy literature and workplace mobilization theories, the study is interested in analyzing the influence of powerful regional economic players, commonly known as the *oligarchs*, on the outcome. Though the influence of these actors is frequently highlighted in the media, a systematic assessment of their effect on political outcomes remains understudied. To address this, the study examines the oligarchic ownership of the companies at the municipal level. This information allows us to

determine two main factors with which the study is concerned: first, what proportion of the population in each municipality is directly employed by the oligarchs – this is taken as a proxy for the available amount of human power that can be mobilized;<sup>26</sup> and, second, which economic sectors the interests of the oligarchs are vested in – this provides an indication of the direction of their preferences and the political candidates they are likely to throw their economic weight behind.

Monopoly over certain economic sectors is strongly intertwined with the Ukrainian administrative system, which was reinforced by the privatization schemes of large state enterprises following the collapse of the Soviet Union. Privatization benefitted certain regional business groups and increased their influence in politics through lucrative economic gains, most prominently in the mining and metallurgy industries. By taking hold over the vertical and horizontal chains of production in key economic sectors in these regions, powerful business groups amounted to ‘economic captors’ of a region, often positioning themselves as the only employers in these towns. As such, the local populations were bound to these large enterprises and are argued to have been susceptible to mobilization by their employers depending on the sector of the economy that they occupied and how they stood to benefit after Yanukovich’s removal.

It greatly benefits regional business groups to have political allies in the center to ensure protection over their business interests. To this end, oligarchs often fund specific political parties and candidates, allowing them a degree of influence over national level politics. In exchange for their monetary support, elected officials produce favorable state legislation and protection over their assets. The Party of Regions is one of the most famous cases of this dynamic, whereby former president Yanukovich was essentially “groomed” by the Donbas oligarchs for presidency in exchange for protection of their wealth, most notably that of Rinat Akhmetov. The benefit of having an executive that they can control helps to explain why some business groups felt they had more to lose

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<sup>26</sup> The “number of employees” only represents the individuals that are directly employed by these economic actors. In reality, however, their influence and mobilizational capacity is also likely to extend to those that are indirectly employed, such as family members that are dependent on the financial support of those providing for the family.

in the aftermath of the Euromaidan and why they would be inclined to mobilize against the incoming regime. Control over local employment, was one key way through which these economic groups could project their power and shape the trajectory of sub-national political development at the crucial stages of a political vacuum. Uncertainty, as a result of the political instability in the aftermath of Yanukovich's removal, led not only to a change in the government, but also to a beginning of the rise and fall of certain business groups. More importantly, Yanukovich's removal and the subsequent election of the rival oligarch, Petro Poroshenko, who pledged to rid Ukraine of oligarchs, an attempt known as "deoligarchisation" (Leschenko 2016), naturally gave these regionally based groups that previously benefitted from Yanukovich's incumbency a strong reason to go into opposition (Hale and Orttung 2016, 13). As such, the study argues that oligarchs whose interests were vested in industries protected by Yanukovich, such as mining, and would otherwise be threatened by a closer integration with the west and the incoming Poroshenko's presidency, are argued to have mobilized against the new government, thus leading to the separatist rebellion unfolding earlier in municipalities where the majority of their enterprises were located.

The narrative in this study not only builds on the theories of employment mobilization, but also speaks to the literature on center versus periphery relations, and what might happen when regional economic elites grow too powerful and acquire the means to shape outcomes in their regions. Thus, the study of the timing of the separatist rebellion makes several theoretical contributions. First, it emphasizes the importance of the structure of economic factors (e.g. economic sector) in determining the political mobilization behaviour of economic elites during moments of great change and political vacuum. In making this argument, the dissertation challenges those approaches to mobilization and rebellion that stress only ethnic and cultural diversity, or foreign actors as key variables. Although these factors can be, and often are important in some circumstances, the economic structure and elite interests are likely to hold more explanatory power over mobilization and subsequent political outcomes during moments of political turmoil and

change. Second, this study emphasizes that rebellion and conflict in general are likely to emerge in societies as a result of established interests of those previously benefitting from the system. The relative concentration of regional economies and asymmetries of power between political elites and regional economic tycoons, and legacies of command economy, are crucial indicators of this point. As such, this thesis seeks to contribute to the broad scholarship by providing a coherent framework for understanding the largely undisclosed role of oligarchs for rebellion trajectories within the framework of power resource and employment mobilization theory. To that end, it is important to highlight that whilst the study works with and builds on workplace mobilization, it also makes several distinct contributions such as emphasising the importance of internal/domestic actors in Ukraine as opposed to external variables such as Russia's influence. In other words, the discussion in this thesis contributes to a better understanding of the crucial role that key actors in society such as the oligarchs can play in either escalating or de-escalating socio-political tensions, and subsequently either boosting or undermining the state during existentially critical times (Nitsova 2021). As such, depending on whether or not these elites perceive regime change to be beneficial they can form "tactical alliances [...] to help unseat the ruling elite (Radnitz 2010, 127)"; alternatively, these elites can instead channel their resources into propping up the existing system. As emphasized by Radnitz (2010) this "materially motivated cohort was a critical but underrecognized actor in the mass mobilizations in Georgia, Ukraine, and Kyrgyzstan between 2003 and 2005" (Radnitz 2010, 128).

Having explained in greater detail the theoretical framework and described the dependent and independent variables in this dissertation, the discussion now turns to Chapter 3, which will examine more closely specific oligarchs in the three regions of interest and how these individuals often lobbied together for the interests of the broader economic sectors that they occupied.

## Chapter 3: The Three Regions and Their Oligarchs

Building on the discussion of the notion of "oligarchs" in the Introduction, this chapter will introduce the specific players that play a central role in the empirical analysis. Alongside brief biographies of these individuals and how they came to establish themselves in their respective regions, the chapter will also give examples that illustrate instances of cooperation between oligarchs within a specific sector. As such, it will illustrate how asset specificity and concentration are among the key drivers of the ability and willingness of economic elites to organize and lobby together for particular outcomes (Frieden 1992). Lastly, this chapter will also highlight how specific enterprises owned by certain regional oligarchs were influential in shaping the direction of events at the initial stages of the crisis by serving as places of mobilization. This description elaborates workplace mobilization theory (Frye 2002, Mares and Zhu 2015).

### 3.1.1. Regional Roots

Chapter 1 introduced the general history of the regional rise of oligarchs in Ukraine, and the factors that facilitated it. Largely, it demonstrates that unlike Russia and other post-Soviet states, oligarchs in Ukraine are strongly rooted in their regions, with most of their influence and business activity confined to this specific milieu. This is mainly due to the economic spread and composition of regions in Ukraine, particularly those in the east of the country, which are endowed with natural resources. The organization of the economy around large sectors like coal meant that by capturing a specific economic sector within a region, economic groups were able to dominate the entire chain of production with little or no outside competition. At first, the interests that succeeded in controlling enterprises were either regime insiders that had experience in the Soviet economy and had access to broad intellectual networks built during the USSR, or they were younger and more "entrepreneurial"

with the necessary political-economic connections.<sup>27</sup> In both cases, these individuals were strategically well placed to achieve economic enrichment.

As mentioned, the regional economic structure of east Ukraine, particularly of Dnipropetrovsk, Kharkiv, Donetsk, and Luhansk allowed for the emergence and establishment of the country's most powerful oligarch groups. These businessmen were predominantly concentrated in the heavy industry sector. However, whilst Donetsk and Luhansk remained heavily connected to the mining and heavy industry sectors, with some of the regions' oligarchs representative of the "red directors", the economic groups in Dnipropetrovsk and Kharkiv eventually became more economically diverse. This is one of the key reasons for the variation of preferences amongst the regions' elites, particularly in Kharkiv, compared to those in the Donbas. Nevertheless, despite the eventual divergence of certain policy preferences between these regional elite groups, they all originated in the same way and during the same time period. This meant that each one of these financial elites were not only more economically powerful in comparison to average business people in the regions, they were also more well connected politically and maintained close links with their respective parliamentary groups and factions, which in turn lobbied for their business interests and promoted their influence in parliament. This subsequently made elections a crucial event for the top business tycoons from the same region; they ensured that political candidates – also likely to be individuals from the same region – were placed into positions of power. To that end, regional economic elites have at times shown instances of collaboration in pursuit of mutual economic interests, which has created a united regional front against Kyiv.

As has also already been described in the first chapter, the initial wave of privatization was particularly important in allowing oligarchs to amass their initial economic empires. This was in large part facilitated by opaque privatization schemes, which groups with insider political connections

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<sup>27</sup> For example, Rinat Akhmetov would have been a very young man when the Soviet Union collapsed, but he was a protégé of a powerful mafia boss in the region, Akhat Bragin, eventually succeeding him following Bragin's mysterious assassination.

were particularly well positioned to exploit. During this period, elites from Donetsk were among the most successful during the first privatization wave, often acting together against competitors in other regions, such as Dnipropetrovsk. The prospect of further privatization and accumulation of lucrative enterprises remained an important consideration for the elites in the Donbas in particular in the lead up to the 2014 crisis. In contrast, whilst early connections were also important for the elites in Kharkiv in getting a head start, the source of their economic wealth, arguably, allowed them a greater degree of political flexibility later on as they did not need to rely as much on political protection or preferential treatment in order to be commercially successful. This, it is argued, eventually enabled them to be guided more by market principles than by the country's internal politics, which in turn made moments of regime change less critical to those in sectors such agriculture-food in particular. In other words, whilst undeniably crucial, elections and moments of regime change for the latter group were likely considerably less vital in Kharkiv. At the same time, an opaque and protectionist environment has been beneficial to oligarchs in all of the regions. This has diminished democratic standards and weakened regulatory environment in the country as a whole.<sup>28</sup>

The following sub-sections will describe the origins of the main business elites in Kharkiv, Donetsk, and Luhansk. Each subsection will also, in greater detail, demonstrate how some business elites in these regions are connected. Consequently, despite inevitable instances of regional inter-elite competition, I will show that at moments political change business groups pooled together their resources for a common sectoral purpose. This general dynamic was observed in Kharkiv as well as in Donetsk and Luhansk during the timeframe of interest. As will also be demonstrated, whilst the Euromaidan revolution was largely an anti-oligarch movement, which threatened to dislodge from power oligarch groups across all of the regions equally, some business groups - like those in Kharkiv

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<sup>28</sup> Furthermore, given the relatively much more publicly visible and known role of the Donetsk group – the influence of which eventually came to encompass Luhansk as well – it is likely easy to forget that the Kharkiv elites also share many similarities and reasons for initially preferring a less transparent model. The region, from the beginning, emerged as a powerful lobby and produced influential businessmen that wield a great deal of influence in their region. However, this is on less of a national political scale compared to the Donbas elites.

- were able to adapt more easily to the changing political and social realities and to distance themselves from the old regime. On the other hand, those in Donetsk and Luhansk whose fortunes were concentrated primarily in the extractive sector and metallurgical industry, demonstrated much more loyalty to Yanukovich in the early stages of the crisis. In other words, the Kharkiv elites appear to have been much less reliant on a particular political structure for continued success of their businesses despite having initially relied on political connections to get wealthy. Unlike the elites in the Donbas, the economic interests of oligarchs in Kharkiv appear to have been less threatened by a change in politics in the country. In fact, closer integration with the European Union appears to have been more preferable to this group. I argue that this largely explains why this particular group took the decisive position against separatism at the very onset of the crisis.

### 3.1.2. The Importance of Employment

As the dissertation has already shown oligarchs tend to control large chunks of their respective region's economy by owning assets such as mines, factories, plants, processing facilities, and other structures that serve as a large source of employment to the locals. Naturally some industries lend themselves more easily to serving as large employers, meaning that those in the extractive and heavy industry sectors in particular were very well positioned to gain influence over a substantial number of people, particularly in parts of the region where their enterprises were located. Indeed, the influence of specific individuals over parts of the region was particularly evident when examining various large enterprises, which often belonged to particular regional economic elites. In Donetsk, for example, the influence of Rinat Akhmetov and those close to him is particularly evident. Meanwhile, in Luhansk, evidence suggests that it was not only Akhmetov who sought to capitalize on the separatist sentiment, but also Oleksander Yefremov, who in many ways acted as a facilitator of Akhmetov's business interests at various points. Yefremov himself amassed a fortune through

corrupt schemes in the energy sector. These practices largely went unpunished by the former President Viktor Yanukovich, who was from Donetsk and was backed by Akhmetov. Meanwhile, economic conditions in Kharkiv – as will be demonstrated in the later sections – were less conducive to oligarchs establishing the same direct mobilization of their workforce, even though they could influence counter-rebellion activities through their employees in the agricultural-food sector.

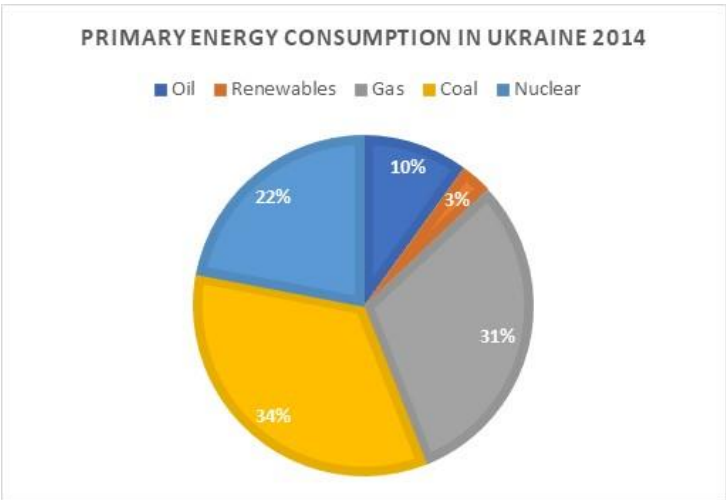
### 3.1.3. Motivations of oligarchs

As discussed throughout this dissertation so far and highlighted in the existing research, the driving motives for oligarchs are largely shaped by their economic self-interest and the quest to either protect or expand their wealth (Markus and Charnysh 2017, Winters 2011). Other scholarship also highlights that oligarchs are capable of deploying violence and force to defend their economic interests, especially during episodes of government turnover (Belokurova 2012, Frye 2004). Given the relatively weak property rights in Ukraine and history of opaque privatization deals, which ultimately gave rise to the oligarchs, one of the primary concerns of this group became the protection of their assets and protection of their economic interests. Additionally, during the 2013-2014 crisis, given that a decisive pivot to the EU would carry with it the inevitable need to reform the energy sector, some oligarchs such as those in Donetsk and Luhansk would have been disproportionately impacted in particular. To that end, the oligarchs are ultimately argued to largely judge the feasibility of political change through the lens of their economic interests (Marandici 2021, Junisbai 2012).

Indeed, as mentioned so far and as will be demonstrated throughout the remainder of this dissertation, the president and the presidential administration have become key in the rise and consolidation of the Ukrainian oligarchs (Puglisi 2003). To that end, protection of their interests and economic benefits rather than ideology are argued to largely inform the political preferences of these particular actors. As such, as highlighted in section 3.3 of this chapter and discussed throughout this dissertation more broadly, political preferences during the crucial initial stages of the crisis are

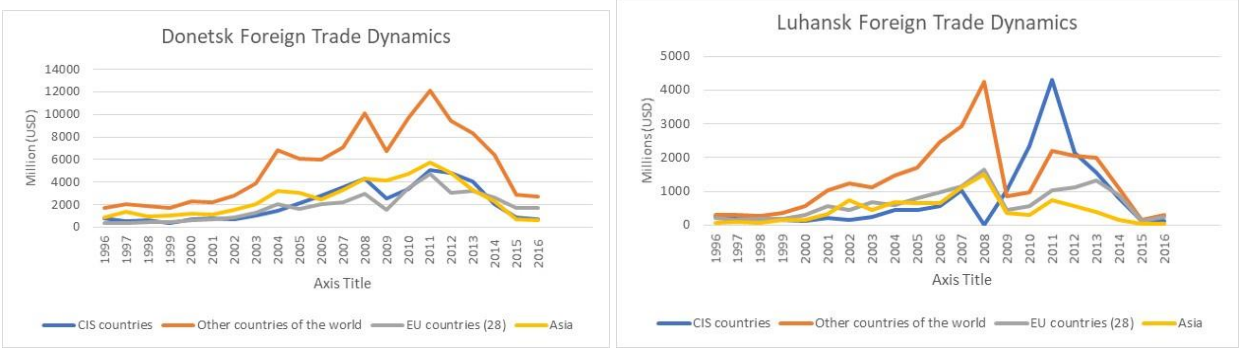
argued to have been informed by the relevant economic sectors that a particular group occupied. Importantly, it is worth once again highlighting that exports to Russia and the CIS market were extremely important for Kharkiv, just as they were for the Donbas. However, a key difference, is that in Kharkiv the nature of the local economy made the immediate benefits of a closer integration with the EU, such as removal of barriers to many agricultural products, more evident than in the Donbas and therefore arguably more appealing for the elites in this sector. This, in turn, is suggested to have been a large motivating factor for this group of actors in Kharkiv to cooperate with the new authorities in Kyiv and assist the central government in preserving control over their region.

In contrast, the immediate benefits, particularly for the elites in Donetsk were less clear; for example, production of metals and steel, which were a crucial export item for this region, was and is heavily depended on coal (Zachmann, Temel and Mettenheim 2019), the use of which was increasingly coming under threat in the EU given the bloc’s ambitious green energy reforms. In fact, the consumption of coal in general is an important issue across Ukraine historically, with the Ministry of Regional Development and Construction reporting that coal accounted for 34% of primary energy consumption and 42% of electricity generation in Ukraine in 2014.



Graph 1: Source: Ministry of Regional Development and Construction (2016)

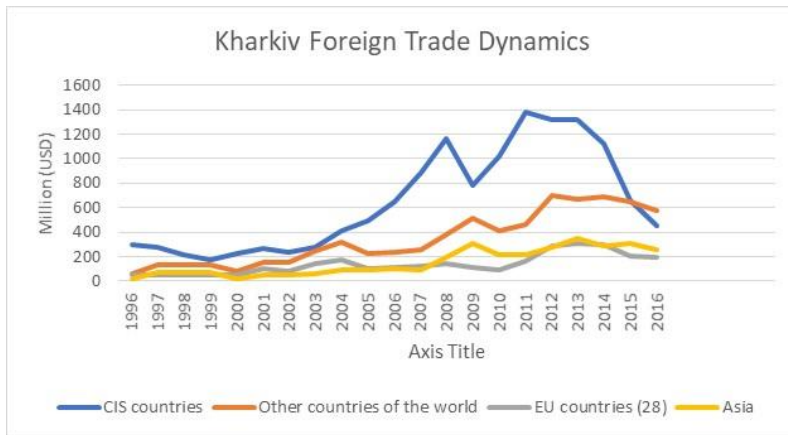
Additionally, as visually demonstrated below (Graphs 2 and 3), other markets, such as Asia, were ahead of the EU in terms of exports from Donetsk in particular, thus offering an attractive alternative to Europe considering that the market is less regulated and not subject to the same environmental and ESG considerations (Kyslytska 2018).



Graph 2 and 3: Regional Trade Dynamics (State Statistics Service of Ukraine 2021)

As such, this is argued to have made the immediate benefits of a decisive pivot towards the EU a lot less obvious to the elites in this sector, who would need to undertake extensive reforms, comply with expensive regulation, and indeed be ultimately threatened by the phasing out of coal, which was increasingly gaining traction in the West. Crucially, strong resistance to green energy reforms from oligarchs in the mining and heavy industry sector is something that continues to remain an enduring theme even under the administration of President Volodymyr Zelensky (Pirani 2020). As such, considerations tied to the painful energy reforms, the potential benefits of which would only be visible in the long term, and availability of alternative markets is argued to have made tycoons in this sector skeptical of immediately committing to this program (Kuzio 2013). Instead, this small group of actors, who benefitted under the status quo, had a strong interest in the beginning to lobby together for the preservation of their positions and had an interest in greater decentralization from Kyiv, which would have given them even more control over local policies, for example.

Meanwhile, as visually demonstrated below (Graph 4), the importance of the Russian market was high in Kharkiv. Considering this, as mentioned before, one might therefore expect that the preferences of local economic oligarchs to have influenced by Russia.



Graph 4: Regional Trade Dynamics Kharkiv (State Statistics Service of Ukraine 2021)

Nevertheless, with the exception of the large-scale loss of the CIS market (namely Russia) since 2014, Kharkiv’s exports to the EU, Asia, and the rest of the world remained relatively comparable to the year leading up to the crisis. Trade with the EU was also on the rise in the lead up to the crisis and was only set to grow further as a result of the signing of the Association Agreement, thus offering business elites in the agricultural sector greater access to new export opportunities. However, even amid the crisis and the loss of the Russian market, as described in the remainder of this chapter and in Chapter 6, business elites in this region and in the agri-food sector were also much more optimistic about their ability to reposition and reorient their business activities despite the circumstances. Additionally, the benefits of a closer integration with the EU for the agriculture-food sector have been highlighted in a study by the World Bank, which found that “in free trade agreements involving the European Union, agriculture is always given special treatment and subject to less and slower liberalization than other sectors” and that, as a result of trade liberalization, the country can expect

“an increase of production and exports of wheat, other grains, and oilseeds, but also of several processed food products” (von Cramon-Taubadel, Hess and Brummer 2010).

Lastly, this study also acknowledges that given the complex and changing dynamics of the socio-political system in which oligarchs exist, much like other actors in society, they are ultimately very likely to be guided by a combination of several interconnected motives, which fall under the broader economic interests umbrella, at various points. For example, as highlighted throughout this dissertation, oligarchs in the extractive and heavy industry were generally more supportive of Yanukovych because he represented their economic interests in multiple forms such as allowing for preferential privatization practices, protection from persecution, and continuation of preferential sectoral policies that also did not require a commitment to reforms. In addition to these potential benefits under the status quo, oligarchs in this sector were then also likely to have been less concerned about potential threats to their property and enterprises given a number of precedents of new authorities reviewing and challenging previous privatization practices, some examples of which are highlighted in the latter sections of this Chapter. Ultimately, however, during the 2013-2014 political crisis, the main question facing the country was its future directions and along with it, the need to implement certain reforms, the potential benefits of which are argued to have been more obvious in the short term to those elites outside of the heavy and extractive industry. For example, as explained earlier, despite the loss of the crucial Russian market, oligarchs in the agriculture and food sectors were less reliant on a particular political establishment to continue their business practices and entry into the European market would only increase their market reach (Kyslytska 2018). This is argued to have made their choice to cooperate with the incoming regime much simpler.

### 3.2. The Agriculture-Food Sector

As has been described so far, this dissertation argues that to explain the different trajectories and timing in protests between and within the three regions, given their broad structural similarities, it is important to examine more closely the behavior of powerful local economic elites before the arrival of external agents and the escalation of the conflict to war. In other words, it is important to focus on the pre-war period when outcomes were by no means certain (Tarrow, 2007; Shesterinina, 2014). As noted previously, there were a lot of similarities between the three regions, which in the case of Kharkiv in particular could be forgotten given that the separatist protests did not last long there and also ultimately failed to materialize. As such, in hindsight, given that the conflict had a very different outcome in Kharkiv compared to the other two neighboring oblasts, it might be easy to overlook the fact that this region's political and economic systems were also dominated by oligarchs who, just like those in Donetsk and Luhansk, represented a powerful force in society. However, as will be explored in closer detail throughout this Chapter, and in the following chapters, the varying nature of businesses owned by these elites across the three regions ultimately created important differences in shaping their political preferences and behavior during the early days of the protests.

As a way of reminder, Kharkiv is Ukraine's second-largest city and the region as a whole is home to approximately 2.7 million people. Moreover, Kharkiv's historical ties to Russia are also strong, with Kharkiv city, the region's capital, having also served as the capital of the Ukrainian Soviet Socialist Republic between 1919 and 1934. Furthermore, in terms of its economic structure and positioning, the region strategically borders Russia, which as will be described shortly, has historically served as key trade route and an important trading partner. Additionally, much like the other regions in eastern Ukraine, Kharkiv has also traditionally been known for its strong industrial base and heavy industry. Indeed, the consequences of the armed conflict and the subsequent loss of the crucial Russian market yielded a blow to the region's economy and led to a sharp drop in exports

to Russia, as demonstrated in the previous sub-section. Importantly, however, alongside a strong industrial base, the region's economic elites also occupied a more diversified economic landscape and established strong agricultural-food base, alongside a budding IT, finance, and services sectors. As such, this economic diversity and monopoly over economic sectors that could more easily repositioned to alternative markets, compared to those in the Donbas, are argued here to have been an important factor in allowing local economic elites a greater degree of political flexibility and made them less reliant on a specific political regime in Kyiv. Despite this advantage, however, across all sectors the escalation of the conflict meant a severe disruption to trading routes and loss of business, much of which was done with Russia.

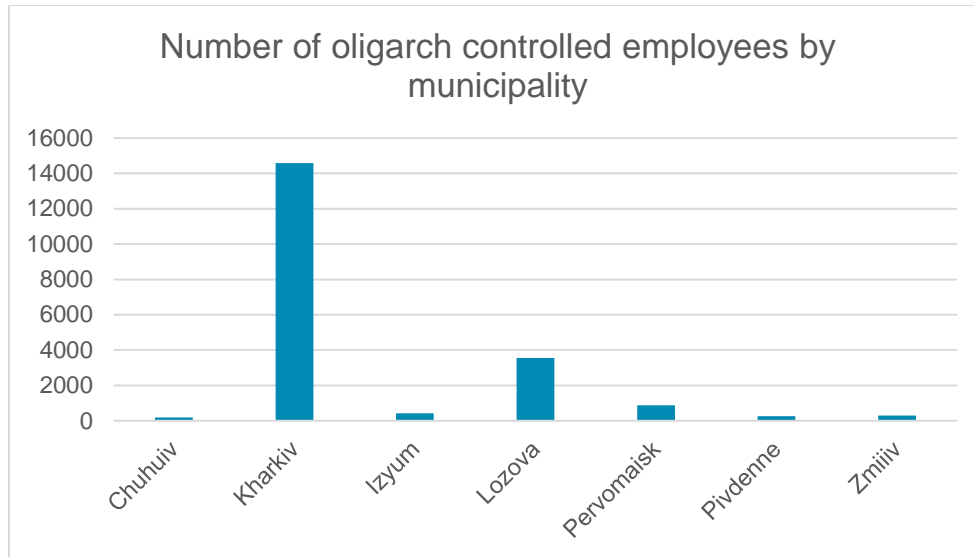
### 3.2.1. Overview of local oligarchic employment

The below data demonstrates regional employment breakdown on municipal level for Kharkiv. The below bar graph reveals that, in terms of the number of people employed - as in the other two regions - the vast majority are employed in the capital city, which is also the most populous area. Bearing in mind that the figures are likely to be more on the conservative side and are almost certainly much higher in reality, these data suggest that at the very minimum the total number of people directly employed by an oligarch in Kharkiv *oblast* was 20,965 at the time of the crisis.<sup>29</sup> Graph 1 below shows how these employment figures are distributed across Kharkiv's seven municipalities: Chuhuiv, Kharkiv, Izyum, Lozova, Pervomaisk, Pivdenne, and Zmiiv.

Graph 1: Oligarch-controlled employment by municipality

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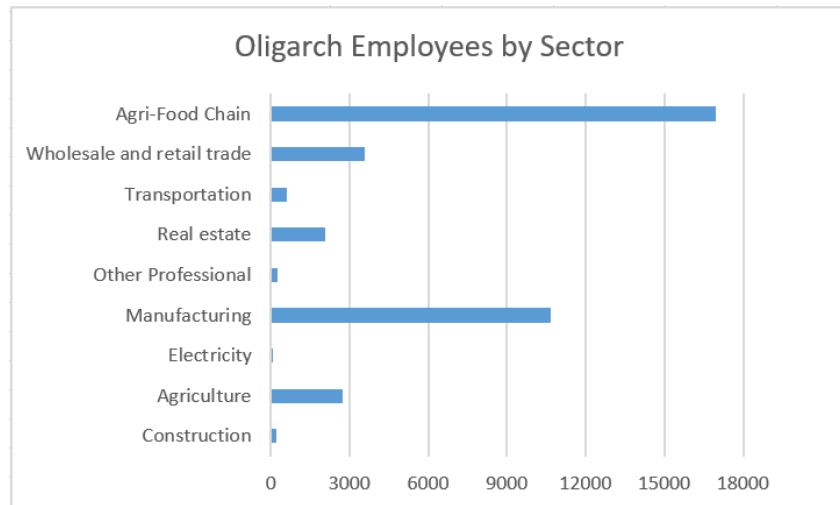
<sup>29</sup> Once again, this number is likely to be higher first and foremost because, as mentioned earlier, the list of companies provided by the Orbis database often require manual verification of ownership to establish who the physical person behind a particular company is - a labor intensive process that did not always lead to a clear answer. As such, for those companies whose ultimate beneficiary could not be established due to the level of obfuscation, some companies were classified as not oligarch-owned. In reality, therefore, the figure is likely to be much higher. Moreover, accounting for the fact that direct employees of these companies also had families that depended on the income of the employed individual, they more likely to also be supportive of the employer's preferences.



Source: Own calculations based on Orbis data

Nonetheless, as has been briefly mentioned earlier, and as will also be demonstrated and discussed later in this chapter, the nature of the composition of the region's economy and subsequently the types of businesses controlled by local tycoons did not generally give the region's oligarchs as much direct control over the public through employment compared to those in the Donbas. To this end, business elites in Kharkiv, whilst still mobilizing their employees for a specific purpose, also had to come up with other strategies to shape the trajectory of protest activity in the crucial weeks. The below graph (Graph 2) shows the sectors in which the aforementioned oligarch-controlled employees were concentrated based on the data gathered for this dissertation.

Graph 2: Oligarch-controlled employment by sector in Kharkiv



Source: Own calculations based on Orbis data

As one can see from Graph 2, the vast majority of those working for a particular regional oligarch were heavily concentrated in the agriculture-food (or agri-food) production chain. This chain took a horizontal form, with production spanning crop cultivation and the processing and manufacturing of the final consumption products. The concept of horizontal ownership of supply chains is another feature of oligarchic ownership, whereby one individual or a small handful of individuals, establish a monopoly over multiple levels of the supply chains in specific sectors. As such, given that an oligarch in a particular sector almost always dominates the entire chain of production, in this case of agricultural and food products, the entire process can cumulatively be called an agri-food supply chain.

Finally, Table 1 below highlights specific oligarchs in Kharkiv in order of the number of employees that come under their control through employment in their enterprises. The information was generated through the aforementioned data collection process and verification of company information, which entailed tracing the enterprises' ultimate ownership. A more detailed account of the below-mentioned businessmen will be explored in the following sections, which will also highlight in greater detail various connections between these businessmen.

Table 1: Employment by oligarchs (size of workforce) in Kharkiv

Name	Number of Employees
Vsevolod Kozhemyako	3,618
Anatoliy Girshfeld	2,298
Sergiy Chernushov	1,721
Oleksandr Lobanovsky	1,490
Oleksandr Feldman	1,328
Oleksandr Yaroslavsky	1,235
Alla Kovalenko	1,183
Oleg Bakhmatuk	983
Andriy Verevsky	732
Mykola Azarov	707
Ihor Kolomoisky	457

Source: Own collection based on data from Orbis

The above list is consistent with and corresponds to the list of top oligarchs in the region produced by Forbes and reliable investigative journalist sources in Ukraine (Bivings 2021). Unlike the Forbes list, however, which ranks individuals based on their wealth, the list generated here ranks the oligarchs in order of the number of workers that they directly employ. These numbers are relatively small. In contrast with the cases of Donetsk and Luhansk and the heavy industry and extractive sector, where the wealthiest individuals are also sometimes the largest employers, this is not the case in Kharkiv. The wealthiest man, Oleksander Yaroslavsky, is estimated to have directly employed at least 1,235 individuals before the 2014 crisis.<sup>30</sup> In terms of wealth, Vsevolod Kozhemyako ranks

<sup>30</sup> This figure is likely to be much higher however when taking into account his ownership of the Kharkiv Tractor Plant, which now has almost 3,000 employees. The last available data for the enterprise in the Orbis system showed figures for a year prior to 2013, when the enterprise had mass layoffs due to economic strains, thus decreasing the total number.

lower on the list, but arguably has more direct influence over a greater number of people as he is estimated to have directly employed at least 3,618 workers during the timeframe of interest. A closer examination of the role of these actors as well as an overview of the similarities and differences in their backgrounds will be provided throughout the rest of this chapter, as well as chapters 5 and 6.

### 3.2.2. Key agriculture-food oligarchic employers

As mentioned above, despite the fact that oligarchs in Kharkiv occupied a different economic landscape, which this dissertation argues was important in ultimately shaping their preferences and actions during the 2013-2014 crisis, their businesses were nevertheless also notably disrupted and impacted by the loss of the Russian market as a result of the conflict. For example, the Barabashovo Market has been a key feature of Kharkiv and its identity since 1995, with a square area of 75 hectares, this establishment provided employment to approximately 55,000 people, with close to 1,500 permanent employees in Kharkiv city itself, and is one the largest wholesale trade markets in Eastern Europe (Barabashovo n.d.). Following the outbreak of the war in the neighboring Donbas, however, the market lost the vast majority of its clients not only from Russia, but also traders from Donetsk and Luhansk. Given these new market circumstances, in order to survive, the owner of the establishment had little choice but to adapt to the new reality and reorient the market. Barabashovo was founded and is owned by Oleksander Feldman, an oligarch widely known for being among Ukraine's ultra-rich. Much like other oligarchs in Ukraine, Feldman owes his initial success in the supermarket business to personal connections and patronage networks in the 1990s. One of Kharkiv's former mayors, Evgeniy Kushnaryov, was especially instrumental in Feldman's ability to set up of his supermarket business, in the first place. Kushnaryov was one of leading members of the Party of Regions and served as the first mayor of Kharkiv following the fall of the Soviet Union, between 1990 and 1998 and aided in cementing the party's politics in the region's fabric.

In the early 1990s, almost no one had heard of Feldman, but this changed when he turned to the city authorities with a proposal to open a market (Proza 2011). At the time, Kushnaryov was seeking effective forms of interaction between the government and business to create new jobs, fill the local budget, and develop the city's infrastructure. To that end, the market offered a lucrative opportunity for both parties, which led the city council lease a plot of land to AVEK, a company owned by Feldman. As such, given the mutual interest on both sides, Feldman began to look for ways to get an interest-free loan from the city budget for the construction and further development of the Barabashovo market. In the end, in 1996, AVEK received a UAH 50 billion loan from the city budget, something for which Kushnaryov was criticized on several occasions, but a decision, which he insisted would bring social and economic benefits to the city in the form of increased employment, incomes and the filling of the revenue side of the budget by increasing the amount of market fees and land fees. Over the years, Feldman's track record has shown that the businessman is a political opportunist and has frequently switched political allegiances to serve his needs. For example, the oligarch was on Yanukovych's side during the 2004 Orange Revolution, but then switched his allegiance to Yanukovych's main nemesis, former Prime Minister Yulia Tymoshenko (Kyiv Post 2010). He then left the Yulia Tymoshenko Bloc faction in 2011 and joined the Party of Regions. As described in Chapter 6, during the beginning stages of protests in 2014, available evidence indicates that Feldman was more interested in protecting his business interests and fending off separatists than ensuring that Yanukovych and the Party of Regions, to which he was connected to at the time, survived (Glavnoe 2018).

Feldman was also linked to another oligarch in the Kharkiv region, Oleksander Yaroslavsky, who is also often credited with using his business influence to stem the spread of separatism. Although little by way of public information exists on the relationship between the two oligarchs, they do have an established business relationship through various deals in the past. In fact, when Feldman became more politically active himself, Yaroslavsky had, reportedly, at one point supported

Feldman when he was active in politics across various parties, switching from Yulia Tymoshenko's party to Viktor Yanukovich's Party of Regions at various points in time (Interfax 2015). Most notably, however, both businessmen also shared a connection through Metalist football club, which first belonged to Feldman before he sold it to Yaroslavsky. Eventually, Feldman also came into a joint business with Yaroslavsky's Ukrсіб (Antikor 2015). On a local political level, both oligarchs are also known to have shared a common dislike of mayor Genadiy Kernes and governor Muhailo Dobkin, which led to the two oligarchs previously cooperating in an attempt to prevent Kernes from winning a mayoral election in Kharkiv (Ukrudprom 2007), further highlighting that a precedent of regional businessmen cooperating and acting together to achieve a specific political outcome exists.

Much like Feldman, Oleksander Yaroslavsky is also widely known in Kharkiv, consistently ranking as the region's wealthiest individual. Much like with the other members of the economic elite, Yaroslavsky's financial success is reflective of the importance of informal connections. Moreover, Yaroslavsky's background also demonstrates how oligarchs in certain economic sectors have traditionally displayed a greater degree of political flexibility and switched political alliances in order to either grow or protect their business interests, as well as cooperate with other regional businessmen towards the same end.

Aside from being the wealthiest individual in the region, according to the data gathered for this dissertation, Yaroslavsky also ranks as one of the top employers. Yaroslavsky is estimated to have employed at least 1,235 people during the time frame of interest. However, as alluded to before, this oligarch's wealth and influence are not accidental, with due diligence research on this individual confirming that his high level of influence is largely a direct result of his connections since the early 1990s. More specifically, Yaroslavsky is linked to former Kharkiv Governor Oleksander Maselsky, who is known in the region as a 'founding father' of the regional economic elite. In particular, Maselsky, was instrumental in the early establishment of a regional financial-industrial-agrarian group, thus paving the way for the consolidation of the region's powerful business network. Maselsky

began his professional activity in the local collective farm and was eventually appointed director of the "Red October" farm in Kharkiv *oblast*, where he remained for the rest of his life. As such, Maselsky was particularly well-connected and influential in the region's agricultural sector, owing to his work in the sector during the Soviet Union.

Later, when Maselsky became governor of Kharkiv in 1992, his previous connections to the region's agricultural sector and his political status as a governor became extremely beneficial to Yaroslavsky, who married Maselsky's only daughter, Irina in the early 1990s (Ukraiinska Pravda 2010). The two were married for a few years before divorcing, with Yaroslavsky pursuing another strategic marriage to a distant relative of Ukraine's former president Leonid Kuchma, Yulia Tumanska (Gazeta UA 2018). In the early 1990s, Maselsky was instrumental in facilitating Yaroslavsky's rise to prominence and helped him to secure his early position as a leader of Kharkiv's financial-industrial group, having initially earned some capital in banking and reforming "Kharkovcombank" in 1991. Then in 1992, the bank became a member of the Ukrainian-Siberian Investment Corporation (Ukrsib), of which Yaroslavsky eventually became president. With the joint efforts of Yaroslavsky and his former father-in-law, Maselsky, Ukrsib became a classic regional financial industrial group through which Yaroslavsky was eventually able to begin acquiring various agricultural and real-estate businesses. By 1998, Yaroslavsky managed to consolidate his control over the region's banking and finance sector and became the principal shareholder of Ukrsib Group. Through Ukrsib, Yaroslavsky purchased various companies and worked closely with Vasilii Salygin, then head of the regional council and chairman of the regional organization of Party of Regions in Kharkiv (Znaj UA 2015). Eventually, Ukrsib became one of the leaders of the vodka business in the region. In particular, it controlled the cross-industry cooperative association, Argo. The sudden rise of Ukrsib in 1998 to a higher degree of prominence is also connected to Yaroslavsky's increasingly close ties to then-president of Ukraine Leonid Kuchma and businessmen connected to his inner circle.

The rather unexpected connection of Yaroslavsky to Kuchma is largely explained by the aforementioned marriage between Yaroslavsky and Kuchma's relative, Yulia Tumanova in 1998. This development subsequently brought the businessman and his companies closer to the national position of power and led to him entering into a business relationship with Yuri Tumanov, brother of Kuchma's wife, Lydmula (Unian 2007). Yaroslavsky's UkrSib<sup>31</sup> corporation also asserted control of over approximately 70% of the production of fertilizers in Ukraine, which were then sold to the companies of other businessmen that broke into the agricultural-food sector, representing a mutually beneficial business relationship between Yaroslavsky and other local elites engaged in the agriculture-food supply chain. Lastly, being one of the agricultural flagship cities in Ukraine, Kharkiv is particularly known within this larger chain of production for being an important site of production of agricultural machinery such as tractors and engines for self-propelled harvesters. For example, one of the largest enterprises in this category in the region is the Kharkiv Tractor Plant (KhTZ), which has played a key role in enhancing agricultural production and increasing output. The company is now a private enterprise that employs approximately 3,000 workers and is under the ownership of the DCH group, which belongs to Yaroslavsky (Breen 2018). Interestingly, before the plant came under majority ownership of Yaroslavsky, it was connected to a Russian oligarch, Oleg Deripaska, who partly owned the enterprise through an Austrian businessman, but after the outbreak of the war in the Donbas, Deripaska terminated his business involvement with the plant (KyivPost 2018). As such, the case is potentially interesting given the direct influence of Russia's own oligarchs and links to the elites in Kharkiv, which nevertheless did not impact the Kharkiv elites' decision to prevent separatist mobilization from spreading

As such, through relationships like those described above, both Yaroslavsky and Feldman have since the beginning been politically-savvy, managing to establish a working relationship with

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<sup>31</sup> Although Yaroslavsky's group never fully broke into heavy industry such as metallurgy and mining, unlike those in Donbas, the oligarch's financial group did own assets in the region's metallurgical and construction industry, along with an ownership of two coal mines in Kharkiv, and an aluminum plant in the Pervomaisky district of Kharkiv.

various political individuals, including those from the Party of Regions, which eventually became the main political power across all of eastern Ukraine. This ideological and political flexibility was instrumental to their ability to secure initially, and later grow their economic position in the region. As such, both Yaroslavsky and Feldman, as well as other businessmen in Kharkiv, who will be discussed in Chapter 6, have at various points in time exhibited an ability to cooperate with various political elites, rather than throwing their economic weight behind one specific political candidate.

### 3.2.3. Preliminary reflection

As such, as this section has set out to demonstrate, at the onset of the crisis in early 2014 Kharkiv region also threatened to become a Russia-backed separatist enclave, like the neighboring Donetsk and Luhansk. Moreover, during the separatist protests in the spring of 2014, only a minority of Kharkiv's citizens actually went out to stage counter demonstrations against the movement - as was the case in the other two regions. Furthermore, with pro-Russian views in Kharkiv more prevalent (Zerkalo Nedeli 2014) than almost anywhere else in Ukraine besides the conflict-torn Donbas region and close connectivity to the Russian market, one of the only ways the separatist crisis could be stopped was through a deliberate and proactive counterforce, which this dissertation argues largely came from the regional economic elites. This is despite the fact that these elites had strong economic ties to Russia given cross-border trade of agricultural and various other products and business links to the region's enterprises

Additionally, as has also been highlighted so far, aside from the agricultural and food production chain, oligarchs in the region also control a few smaller sectors such as real estate, IT and finance, amongst others. Consequently, given that these sectors and products within them were more easily transferable and relied less on political protection to maintain, likely served as an important factor in allowing local elites in Kharkiv to recover after the 2014 crisis and re-orient their products to other markets. Crucially, other recent academic research on the separatist rebellion in Kharkiv

also provides support for the argument that local oligarchs were important in shaping the developments. For example, that "the pact between local and national level elites [is] a key reason why the region has avoided a local repeat of the pro-Moscow demonstrations" and that "the modus operandi typically employed by Kharkiv elites such as Yaroslavsky and Feldman to influence Kyiv has not been to conquer it, but rather to incorporate themselves into it" (Shapovalova and Jarábik 2018).

Nevertheless, it is also important to note that at various points, when their business interests came under threat, agricultural tycoons in Kharkiv were not afraid to challenge authorities in Kyiv and resorted to mobilizing workers employed in their enterprises to pressure Kyiv – though never under the threat of separatism. One such example is Oleh Bakhmatuyk, who, according to this study's estimates, employs close to a thousand individuals – again, likely to be a conservative estimate. Bakhmatuyk, who will be mentioned in more detail in the following chapters, is the owner of an agricultural vertically integrated companies, UkrLandFarming, and Avangard, which are among the largest egg producers in Eurasia (Forbes 2011). Since Volodymyr Zelensky became president of Ukraine in 2019, both of the aforementioned enterprises were investigated for corruption and Bakhmatuyk was put on a wanted list on suspicion of embezzling UAH 1.2 billion (Burbela 2019). The oligarch has denied the charges and stated that his companies will fight for their rights, which has been achieved by mobilizing his workers to protest. To that end, Bakhmatuyk bluntly stated that his workers went out to protest and demanded resignation of the prosecutor in charge of the investigation. The protest action was captured on video (Hromadske 2020) and shared on social media, with the oligarch himself stating that

“We will have to bring people out to protest. We will knock on all the doors to hear us. We cannot just sit and watch our company being destroyed”  
(Agravery 2020).

As can be seen from the above, at various points oligarchs have been both willing and able to use their control over a segment of a local population in order to either advance or protect their business interests. Although most of the oligarchs strive to maintain a low public profile and tend to deny any direct involvement in shaping protests there are nevertheless times, when these actors openly display their ability to mobilize the crowd for the benefit of their enterprises. Moreover, the above case also demonstrates that oligarchs do not necessarily need hundreds of thousands of people in order to create a strong political impact. Often a vocal minority can lead to disruptive events. As such, although the conditions for large-scale mobilization in Kharkiv were potentially less conducive than those in the more concentrated sectors occupied by economic elites in Donetsk and Luhansk, business elites in Kharkiv nevertheless effectively deployed this tool at various points in time, indicating that they are keenly aware of the effectiveness of protests as way of applying pressure on the government and protecting their economic interests.

### 3.3. Extractive and Metallurgy Sectors

As highlighted earlier, oligarchs across the entire country have benefited from a system which was not completely democratic or transparent; however, as this research suggests, this was especially true for those oligarchs concentrated in the mining and metallurgy sector in the Donbas region. Much like the rest of eastern Ukraine, both Donetsk and Luhansk were well-known industrial hubs with Donetsk in particular an important region for metallurgy and mining. Since independence, oligarchs created a structure that protected their monopolies, provided access to cheap energy, and also gave them control over lucrative state-owned companies. Furthermore, their leverage was enhanced by the control of media resources, political party finance, and several key state enterprises – particularly those in the mining and metals industry. Mining industry, which was and remains heavily controlled by oligarchs, especially those in Donetsk, is the main source of currency inflows

for the region and by far the largest employer, employing well over 200,000 workers, indicating that, aside from financial power, those controlling key plants in the region also had the human power to help reinforce their position. More specifically, the data collected for this dissertation shows that in Donetsk, the total number of workers estimated to be employed by a local business elite is at least 202,637.<sup>32</sup>

Meanwhile, the region of Luhansk shares numerous similarities with Donetsk, and collectively the two are known as the Donbas. Moreover, Luhansk, just like Donetsk and Kharkiv, also faced the same level of external threat from Russia given its geographical proximity and local political sentiment.<sup>33</sup> The composition of the local economy in Luhansk is very similar to that of Donetsk and much of the economic activity across the region is also largely occupied by the same group of oligarchs, with Rinat Akhmetov chief amongst them. For example, as will be described below in greater detail, much like in Donetsk, the mining and heavy industry sector was especially occupied by familiar key players that monopolized the entire supply chains in the region. The situation was therefore ideal for establishing control over the local population through a form of direct employment. Moreover, other than direct employment, locals were also often reliant on big enterprises for other benefits, which in a way allowed big corporations to establish what today may be called corporate social responsibility. In other words, big enterprises, even from Soviet times, often acted not only as employers, but also as providers of housing and development of local communities. By becoming integral parts of the livelihoods of local communities, these enterprises and their owners were therefore able to foster loyalty and dependency from the locals, many of whom could not necessarily depend on the state for the sufficient provision of social and welfare services. As such, this dynamic largely increased the chances of these elites mobilizing this workforce.

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<sup>32</sup> To illustrate this point further, estimates from notable business journals such as Forbes and Financial Times have constantly estimated that Rinat Akhmetov alone employs about 300,000 workers across the country (Olearchyk 2014).

<sup>33</sup> Notably, as has been mentioned earlier, other south-eastern regions of Ukraine have also experienced a separatist threat, but largely due to a different composition of local business elites and their dominance in other economic sectors, the dissertation argues had a profound impact on the ultimate outcome.

The similarity of economic conditions across many parts of Luhansk therefore made it relatively easy for the oligarchs that operate in the same economic sectors in Donetsk to expand and "capture" numerous enterprises in the neighboring region. Notably, however, as will be described in a case study in Chapter 6, Luhansk was also home to an area with strong agricultural roots, with business tycoons in this sector actively fighting against separatism during the crucial stages. Thus, as will be demonstrated, the initial behavior of the local economic elites, whose financial power also translated into direct control over the local labor force and other power structures in the region is argued to have been just as critical in Luhansk as it was in Donetsk and Kharkiv.

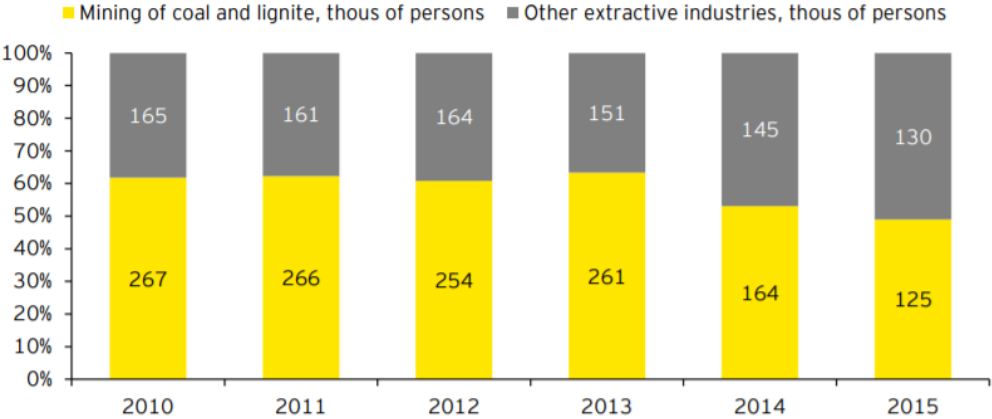
As demonstrated throughout the course of this discussion so far, composition of local employment is argued to have played an important part in the outcome. Additionally, as mentioned before, this part of the country is particularly well-known for mining, metallurgy, and other heavy industry. In total, some estimates suggest that about 70% of all persons employed in extractive industries are concentrated in three main regions – Donetsk, Dnipropetrovsk, Luhansk, and to a lesser degree, Kharkiv regions, with Russia accounting for the largest importer of Ukraine's coal before the crisis (Ernst & Young 2016). The main coal deposits of Ukraine are located in two basins: Donetsk and Lviv-Volyn. Of the two, the former is substantially larger and stretches through Dnipropetrovsk, Donetsk, Luhansk and Kharkiv oblasts. As such, given the presence and mining of coal across five regions, the ownership type of these enterprises is argued to also have been important. By far the largest player in the private sector is the aforementioned DTEK Group, which in Luhansk owns large-scale enterprises that encompass several mines under an overarching umbrella of DTEK and/or Metinvest Group.<sup>34</sup> The extractive sector is also a historically crucial source of employment in the region and in Ukraine more broadly. Overall, between 2010 and 2013, according to the State Statistics Service of Ukraine, the average number of staff in the extractive

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<sup>34</sup> For example, Krasnodonvuhillya came under Metinvest's ownership in 2007 and encompasses seven mines. In contrast, the Lviv-Volyn basin is entirely state-owned.

industries amounted to 412,000 persons, or about 15.9% of all full-time employees in the Ukrainian industrial sector and 4.2% of all full-time employees in Ukraine (Ernst & Young 2016).

Graph 4: The average number of full-time employees in the extractive industries\* of Ukraine in 2010-2015



Source: Ernst & Young 2016

Approximately 70% of all people employed in extractive industries of Ukraine are concentrated in the Donetsk, Dnipropetrovsk and Luhansk regions. As will be demonstrated in the following sub-section, bar graph (Graph 5) visually shows the municipal level breakdown of employment by the region's oligarchs based on the data gathered for this dissertation. To that end, within Luhansk, Luhansk city, Brianka, and Sverdlovsk are found to be the municipalities with the highest number of oligarch-controlled employees. Among the notable mining enterprises located in these locations are Sverdlovanthracite, a coal-mining production association, which since 2011 has been integrated into Rinat Akhmetov's DTEK enterprise as part of a long-term lease for 49 years. Sverdlovanthracite operates 5 mines: Dolzhanskaya-Kapitalnaya mine (number of employees unknown); Y.M. Sverdlov mine (approximately 800 workers); Red Partisan mine (approximately 2,050 workers); Kharkov mine (approximately 705 workers), and Centrosoyuz mine (approximately 1,064 workers), as well as three concentration plants. Other notable enterprises, which will be

discussed in greater detail in the following sections include enterprises such as Luhanskvuhilla, which is closely associated with a well-known regional oligarch and politician, Oleksandr Yefremov. In 2016, Yefremov was detained on suspicion of supporting separatist forces in the region and undermining the territorial integrity of Ukraine, as well as of illicit enrichment through his informal control of Luhanskvuhilla enterprises in the lead-up to the crisis (Radio Free Europe 2019).

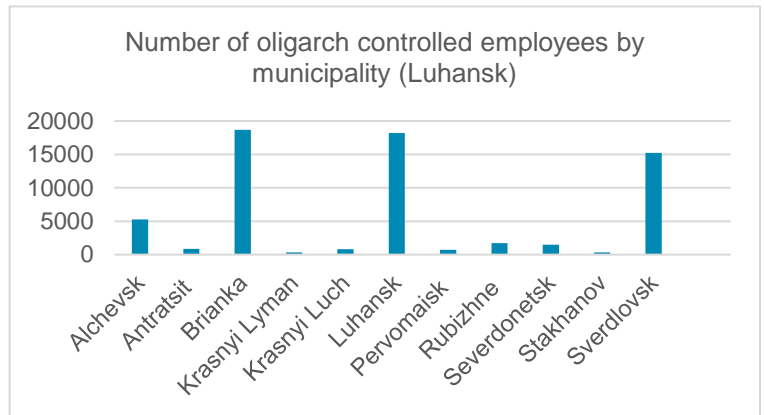
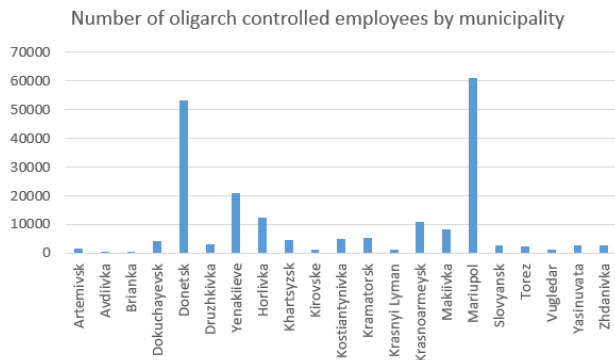
As in Kharkiv, the importance of the Russian market to the economy was crucial. However, given that the regional elites were tied to the extractive and metallurgy industries in particular, this market – and the CIS more broadly – was even more important. In large part, as mentioned earlier, this is due to the fact that, aside from often not meeting EU standards, unlike in the CIS region, the European market began making a massive transition away from coal and towards renewable energy – a trend that has skyrocketed over the years as part of the European Green Deal. More specifically, among the most critical components of the European Green Deal are issues that target energy efficiency, promotion of renewables, and air pollution reduction – all of which are longstanding issues in Ukraine that no government in Kyiv has been able to successfully address due to the strong lobbying pressure the financial elites in the heavy industry sector (EnergyTransition 2020). For example, even as recently as with the arrival of Volodymyr Zelensky as president of Ukraine, key players in the sector, most notably, Rinat Akhmetov continue to successfully derail the electricity market reform, with one of the key strategies to do so being appointment of Denys Shmyhal as prime minister. Notably, between 2018-2019 Shmyhal was a top manager of Akhmetov's vertically integrated energy conglomerate DTEK, thus underling a strong conflict of interest between his position as a senior government official and a former employee of one of the most powerful informal actors in the country. Subsequently, the electricity market regulation was changed to favor DTEK, leading to a sharp downturn in the nascent renewable sector after feed-in-tariffs were retroactively reduced – a development that caused international outrage among investors (Aris 2020).

Again, whilst this example is outside the time scope of this study, it clearly underlines the enduring resistance to energy reforms and commitments supported by the EU even years after the conflict in the Donbas began. Ultimately, this adds to the explanation and illustrates one of the primary driving motives for the resistance of this sectoral economic group to sudden moments of disruption to the status quo, which risks challenging their economic position. As such, unlike those in the agricultural sector, oligarchs in the Donbas essentially faced an existential crisis given that the short-term benefits were less obvious for them, and in the longer term their business empires would come under a direct threat from various energy reforms promoted under the European Green Deal. The sub-section below will now briefly introduce the structure of local employment and key local economic players and their backgrounds, also comparing and contrasting their journeys to those in Kharkiv.

### 3.3.1. Overview of local oligarchic employment

As visually illustrated by a bar graph below (Graph 2), the capital of Donetsk Region, Donetsk city, is one of the largest sites of oligarch's employees. The second is Mariupol, which is one of key home bases of Rinat Akhmetov. The two locations are among the largest and most populous areas in the oblast. Smaller municipalities such as Krasnoarmiynsk, Gorlivka, and Yekhaniv are also sites of heavy mining activity that are either directly owned or *de facto* controlled by an oligarch, as will be described in greater detail in a case-study in Chapter 5. Meanwhile, Graph 5 also illustrates this data on a municipal level in Luhansk, demonstrating that within Luhansk, Luhansk city, Brianka, and Sverdlovsk are found to be the municipalities with the highest number of oligarch-controlled employees.

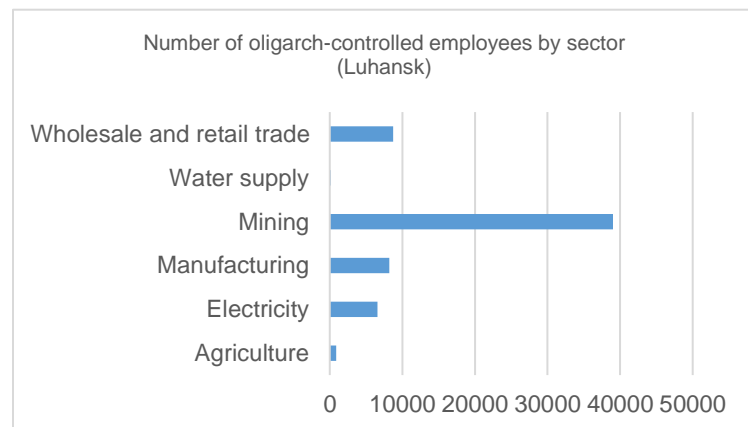
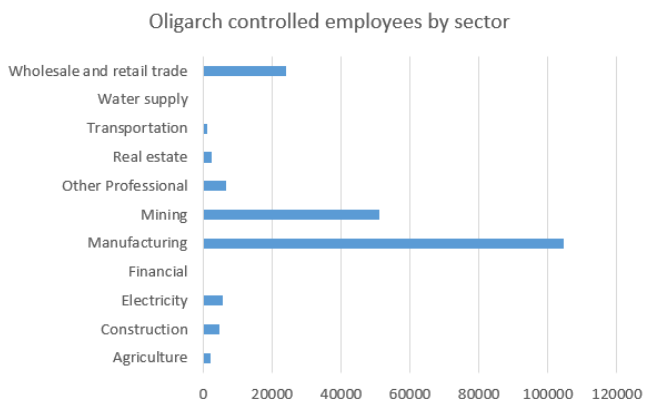
Graphs 2 and 5: Oligarch-controlled employment by municipality Donetsk and Luhansk



Source: Own calculations based on data from Orbis

Additionally, the chart below (Graph 3) visually demonstrates the approximate breakdown of the sectors in which the region's citizens were engaged before the period of interest. Those that are categorized as being employed in manufacturing are predominantly engaged in the production of machinery used for surface mining metal products. Similarly, in Luhansk, Graph 6 visually represents employment break down by sector, demonstrating that the majority of oligarch-controlled workers were employed in heavy industry, particularly in mining.

Graph 3: Oligarch-controlled employment by sector Donetsk Graph 6: Oligarch-controlled employees by sector Luhansk



Source: Own calculations based on data from Orbis

Lastly, Table 2 and 3 below highlight the main economic elites that operate in the Donbas region and the number of employees that they are known to control according to the data from Orbis. As in Luhansk, in Donetsk Akhmetov represents a dominant position not only financially, but also in terms of being the main employer in the region. Moreover, as was also the case in the other two regions, and as will be elaborated on in greater detail in the following chapters, the oligarchs on the list are generally well connected to each other, and have historically done business together. Moreover, in the past, when it came to politics, unlike in Kharkiv, these groups have also historically traditionally lobbied for specific candidates from their region, who would then work to protect or advance their sectoral interests.

Table 2: Donetsk Economic elite-specific employment    Table 3: Luhansk Economic elite-specific employment

<b>Name</b>	<b>Number of Employees</b>
Rinat Akhmetov	132,334
Oleksandr Yanukovych	23,806
Viktor Nusenkis	18,823
Vadym Novynsky	9,356
Andriy Orlov	3,923
Oihor Andreyev	3,237
Alexander Leshchinsky	3,007
Viktor Vishnevesky	2,038
Serhiy Taruta	2,037
Dmytro Firtash	1,461
Borys Kolesnikov	1,355
Yuri Ivanyushenko	539
Anton Klumenko	371
Vitaliy Haidiuk	242
Andriy Kuselyov	108

<b>Name</b>	<b>Number of Employees</b>
Rinat Akhmetov	36,256
Oleksandr Yefremov	9,786
Konstantin Grigorishin	7013
Yuri Logachev	4,354
Yui Boyko	3,474
Natalia Korolevskaya	953
Oleksandr Melnechuk	817
Nikolai Zlochevsky	452
Ivan Avramov	322
Viktor Pinchuk	153

Source: Own calculations based on data from Orbis

### 3.3.2. Key extractive and heavy industry oligarchic employers

A fair amount has already been said about the leading businessman in the region, Rinat Akhmetov, who indisputably is the largest employer and the richest individual in Ukraine, not only according to this research, but according to numerous other sources such as Forbes. More

importantly, this leading oligarch represents the most explicit example of the oligarchic phenomenon discussed in this dissertation, and of the power of vested economic interests in Ukraine and its impact on the country's politics. As was the case with other members of the post-Soviet economic elite, the 1990s propelled Akhmetov onto the scene and gave the industrialist plenty of reasons to obfuscate ownership of many of his companies. Moreover, his rise during these years in eastern Ukraine's industrial and coal-mining Donbas region is murky, and often linked to the violent and criminal events of 15 October 1995, when a bomb struck Donetsk's Shakhtar football stadium, killing Akhat Bragin, Akhmetov's mentor and the region's then mafia boss (McLaughlin 2014). His death officially remains unsolved, which is not unusual for the criminal networks of Ukraine, and the region more widely. However, the general consensus among investigative journalists and regional experts is that Akhmetov was in some way connected to the event, given that he immediately succeeded Bragin as chairman of the football club and took over Bragin's local business interests, which he then continued to cultivate and expand on. Thus, having initially gained a foothold in the region's business scene through a favorable insider connection, like most of the other oligarchs in the other regions, since taking over in the mid-90s, Akhmetov began cultivating the loyalty of Donetsk residents with investments across the region, as well as neighboring Luhansk, before eventually reaching other parts of Ukraine. Having clearly risen to the top in the region, putting him in a position to steer most of the political and socio-economic developments in Donbas, Akhmetov began to extend his influence at the national level, which would later allow him to even better cement his regional presence.

One of the notable moments that confirmed the importance of Akhmetov's position on the national scene in Ukraine was in 2004 when he went into a business partnership with Viktor Pinchuk, son-in-law of then-President Leonid Kuchma. The two men submitted a winning USD 800 million bid for a steel giant Kryvorizhstal (Murphy 2004), a deal that was also approved by then-Prime Minister Viktor Yanukovich, a Donetsk native who was also running for president at the time and was Kuchma's preferred successor. Notably, and perhaps unsurprisingly, Akhmetov, was a key backer of

Yanukovich, and remained among his main sponsors until and during the early stages of the separatist crisis and conflict period precipitated by the Euromaidan crisis. The details of the Kryvorizhstal deal are outside the scope of this dissertation, but it is important to mention the case as it is one relatively well-known example in Ukraine of how Akhmetov – and other financial groups – have benefitted from opaque privatization schemes of state enterprises at cut-rate prices. As such, even before their winning tender was announced, Yanukovich's main rival, Viktor Yushchenko, stated that, "Any [parliamentary] deputy will tell you who wants to buy this company. Don't be surprised if their last name ends with '-chuk," a reference to the president's son-in-law, Pinchuk (Pravda 2004).

The blatant profiteering from the Kryvorizhstal deal was one of the main factors fueling public outrage ahead of the 2004 Orange Revolution, a situation similar to the driving forces behind public anger during the events in 2014. The case of Kryvorizhstal was therefore extremely important in illustrating why even during the Orange Revolution, Akhmetov backed Yanukovich and the political elites associated with him. The Revolution ultimately undermined Yanukovich's chances to secure electoral victory, despite the powerful backing of key financial groups in Donbas and resulted in Yushchenko ultimately securing the 2004 election. The new authorities then quickly moved to seize Kryvorizhstal from Akhmetov and Pinchuk, which further highlights the inherent incentive of some oligarchs to actively work towards subverting democracy – either through electoral fraud or mass mobilization – to ensure that their interests are protected (Kommersant 2005). As such, because of his financial interests, and the need to have a loyal ally as president, Akhmetov nevertheless continued to patronize Yanukovich's campaign beyond the 2004 Orange Revolution. In fact, it has been a well-established fact that the oligarch had employed a range of elite management consulting firms, such as McKinsey (Bogdanich and Forsythe 2018), and top American political consultants, such as Paul Manafort (Shuster 2017) - who later became Donald Trump's presidential campaign manager – to essentially make Yanukovich 'electable'. Manafort was eventually

imprisoned on charges related to his work in Ukraine under Yanukovych, once again highlighting the extent of the interest of business groups in keeping politicians in positions of power so that they can more easily be controlled. As such, the substantial backing that Yanukovych received from powerful oligarchic groups led him to assume a position as Prime Minister in 2006 and head of the Party of Regions. Even during that time, the latent threat of separatism was present in Ukraine, with the eastern part of the country heavily mobilized to support Yanukovych, with miners and heavy industry workers – among pensioners – representing his strongest supporters. Interestingly, although miners faced severe financial difficulties during Yanukovych's time in office – being notoriously unpaid for prolonged periods of time – they continued to support him. Additionally, Akhmetov, much like other regional industrial tycoons who eventually came to profit under his leadership, saw his wealth significantly increase after Yanukovych finally became president in February 2010. More specifically, during this time, Akhmetov's main companies, the mining and energy firm DTEK and the steel conglomerate Metinvest, which are controlled through his holding company System Capital Management (SCM), saw their profits soar. Additionally, Akhmetov began accumulating stakes in the region's energy companies, which was largely done through partial share sales in which his companies were often the only bidder (Concorde Research Capital 2011), thus allowing him to not only demonstrate but also cement his long-lasting influence. As such, by the time the Euromaidan uprising began in late 2013, Akhmetov had already obtained an iron-tight grip and control over a great deal of Ukraine's power networks, primarily concentrated in the Donbas, with branches in coal mining, electricity production and power distribution – effectively establishing control over the aforementioned supply-chain. The initial Euromaidan demonstrations in Kyiv against Yanukovych's regime also targeted Akhmetov's ties to the then-president, with activists denouncing the broader concept of oligarchy in the country, in cries broadly similar to those made during the Orange Revolution, which enabled Akhmetov, and other businessmen like him to carry

out and capitalize on opaque business dealings at the expense of the country and stalling European reforms.

To that end, as has been mentioned previously, leading business figures in the region who depend on the status-quo to maintain their position of dominance, are expected to act more-or-less as a collective in order to protect macro-sectoral interests during times of political and social crises, such as notable elections, as well as mass revolutions, and this happens in spite of the natural regional rivalry. For example, among the closest of Rinat Akhmetov's associates in Donetsk is Vadym Novinsky. The two businessmen control the four largest metallurgical facilities in Ukraine, production of which heavily depends on coking coal.<sup>35</sup> Among all of the businessmen in Donetsk and Luhansk, Novinsky is by far the closest to Akhmetov, representing a long-time partnership in many joint ventures. Novinsky owns a substantial amount of his assets through Smart Holding. The assets are primarily concentrated in the mining and metallurgical complex, although the oligarch also has stakes in shipbuilding, agribusiness, construction and construction materials, the financial sector, and mechanical engineering. The Holding has acquired large blocks of shares in numerous international and domestic metallurgical enterprises, such as CJSC Makeyevka Metallurgical Plant, and in 2007 merged a number of these assets with the metallurgical assets of Metinvest group, which is part of Rinat Akhmetov's business empire of System Capital Management (SCM). As a result of the merger, Smart Holding became the owner of 25% of the shares of the enlarged Metinvest (Economichna Pravda 2019). Through their joint business ventures in Donetsk, the duo also own Avdiivka Coke Plant and Azovstal Metallurgical Plant, among others (Economichna Pravda 2019). Both enterprises were important sources of employment of local populations in their respective

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<sup>35</sup> In turn, the coke industry unites enterprises engaged in the extraction and processing of coal, and the sector and process of coke production is predominantly controlled by Akhmetov. More importantly, it would be impossible to produce steel and cast iron without coke, and the latter without coking coal. Specifically, this coal is mined by Pokrovska Mine (Burdey 2019), the largest enterprise of its kind in the country, and which, as mentioned before during the conflict was owned by Viktor Nusenkis. This indicates that business operations between various enterprises of these men were well-developed and had an established and a mutually beneficial relationship. Since 2018 Pokrovska mine has been owned by Akhmetov and 4 other companies through Metinvest BV (Netherlands): Mastinto Trading Limited (Cyprus), Misandyco Holdings Ltd (Cyprus), Treimur Investments Limited (Virgin Islands) and "Altana Limited" (Virgin Islands).

cities, with Avdiivka Coke Plant employing approximately 3,884 workers at the beginning of 2014 and Azovstal Metallurgical Plant employing approximately 10,000 workers. With both of these enterprises representing a key employer in the area, individuals employed in these enterprises were also heavily dependent on them remaining open and functional. As such, in the case of the Donbas, the nature and the structure of the regional economic composition, which hinges on the energy sector and heavy industry, has not only concentrated vast economic power in the hands of a very limited number of individuals, but has also provided them with a vast amount of control over the local populations via employment in their enterprises.

To that end, with regards to the 2014 events in the region, following Yanukovich's collapse in Kyiv and the regions, powerful local tycoons were essentially the only power keepers with above-mentioned resources that could impact regional developments. However, unlike those in Kharkiv or Dnipropetrovsk, those concentrated in the heavy industry and extractive sector used the separatist protests as a way to pressure Kyiv, as opposed to taking concrete action to prevent the events from escalating during the crucial stages of the rebellion. In both Donetsk and Luhansk, the most prominent members of the economic elite in the mining and metallurgy sectors who essentially allowed for the successful organization of separatist rebellion were Rinat Akhmetov and Oleksander Yefremov. For example, given the control over thousands of workers as well as over local political officials and to an extent the regional police and security forces, the oligarchs were in a prime position to shape the protest events at the very beginning. At least until mid-May, personally, Akhmetov publicly remained relatively silent on the issue of separatism in the Donbas; however, as will be demonstrated in greater detail in Chapter 5, the oligarch and those connected to the mining and metallurgy sector instead preferred to encourage separatist protests through more covert means given the highly controversial nature of the topic and political uncertainty following Yanukovich's downfall.

Nevertheless, even though direct examples are rare, explicit public statements sympathizing with the anti-Euromaidan protesters are available online. For example, Akhmetov made several statements expressing his support for those who protested for more decentralization and for their right to speak Russian language (YouTube 2014). Additionally, indications also exist in academic research (Wilson 2014) that Akhmetov actively tried to manage the protest activity at the beginning by "financing pro-Russian protests to make them appear a credible threat and using them as a bargaining chip for more concessions [and] his clientelistic network also attempted to manage people's fears in order to mobilize support against Kyiv" (Nitsova 2021). As such, as will be demonstrated in other sections during this dissertation, ability to influence and control the local populations was important in order for mobilization to take place, with access to thousands of their workers for mobilization, this study adds that these economic elites were able to shape the early stages of the crisis.

For example, as shown in the above sub-section in Table 2, the city of Mariupol is one area with a large number of people employed by oligarchs, and almost entirely by Akhmetov in major plants such as the Ilych Iron and Steel Works and Azovstal. Moreover, at the onset of the crisis, Mariupol was initially a site of strong separatist activity, with authorities having lost control over it in May, right before Akhmetov eventually pivoted towards Kyiv and publicly stated that he stood against separatism, with the help from his workers, who were ordered to re-establish peace and order (Kramer 2014). The well-documented incident clearly demonstrated the direct influence of oligarchs over the behavior of their workers, including in instances that are directly related to the issue of separatism and its timing. More importantly, the act signalled that the oligarch was well aware of the power that workers can add. Moreover, aside from his direct employees, the oligarch also maintained influence over the region's police and the security services, which would be instrumental in shaping the direction of the crisis in the formative period. More specifically during the crucial early days in April, the head of the regional Ministry of Internal Affairs was Konstantin

Pozhidayev, the same man who had previously headed the security service of one of Akhmetov's companies, DTEK, between 2005 and 2007 (Furmanyk 2020). Additionally, the head of the criminal investigation department of the Ministry of Interior in Donetsk was Eduard Komissarov, who at one point is reported to have also been employed by Akhmetov and headed the security service at the Ilyich metallurgical plant in Mariupol (Furmenyk 2015). Lastly, the then head of criminal police Sergei Piligrim, was also deputy head of Mariupol port security, with the port controlled by Akhmetov (Nashi Groshi 2014). These examples highlight the extent of one oligarch's deep presence in the region, with a lot of potentially important connections linked to some key individuals having at one time or another been employed by Akhmetov.

### 3.3.3. Other key sectoral players: Nusenkis and Novynsky

Aside from Akhmetov, Donetsk is also home to other very prominent, though arguably more discrete, oligarchs, such as Viktor Nusenkis, who also occupied a slice of the same economic sector as Akhmetov and faced the same existential threat as the rest of the elites in the sector. The oligarch was named in 2004 by a Donetsk-based investigative website *Ostrov* as one of the “founding fathers” of the Donetsk financial-industrial group, and one of the prominent figures that took control of the coal production in the region in the early 1990s (Kyiv Post 2010). According to the data gathered for this dissertation, which is summarized in Table 2, the oligarch employs at least 19,000 workers. Moreover, the connection between Nusenkis, Akhmetov, and Yanukovych dates far back, and the trio have frequently been photographed together at various occasions (Illin 2019). Collectively, the four oligarchs have also engaged in a number of other questionable deals, such as obfuscating ownership of their companies and owning shares of each other's businesses via offshore vehicles. These developments, which will be discussed in greater detail below, reinforce the point that by having been aligned in their business interests in the past, the Euromaidan crisis naturally led these actors to act more-or-less collectively during the initial stages of the separatist events.

Compared to much larger and more visible figures such as Akhmetov, Nusenkis has managed to keep a very low profile, especially in the international media, however, this certainly does not mean that his influence was any less important or regional dominance any less great. However, his relatively private lifestyle did make it extremely challenging to establish exactly what assets he owned. Nevertheless, several credible investigative media sources, such as *Korrespondent*, for example, confirmed in 2010 that the oligarch had bought into his partner's share of Donetskstal Industry Group several years ago (Kyiv Post 2010). The source also revealed the identity of another alleged shareholder in Donetskstal, Leonid Baysarov, who was subsequently hired as manager, and as will be seen later in the case-study section, Baysarov was also appointed as director of one of Nusenkis' mines in a municipality, which displayed a great deal of protest activity in the initial stages of the separatist rebellion. The specific mine in question is Pokrovska Mine (formerly Krasnoarmeyskaya-Zapadna), which is the largest and most lucrative of all of Nusenkis' known assets, producing over 4 million tons of coking coal per year that are used in metallurgical production. The enterprise employed approximately 8,000 workers, with Donetskstal Group – which was co-owned by Nusenkis, Akhmetov and Novynsky – also located in the municipality of Pokrovska. The web of companies connected to the Donetskstal Group also united the Donetskstal Metallurgical Plant (Donetsk city), Yasinovsky and Makeevsky CHP (both in Makeevka), and the Svyato Varvarunskaya coal enrichment factory. Meanwhile, Donetskstal is the oldest metallurgical plant in Ukraine, with one of its branches located in Pokrovska, which represent the earlier mentioned chain production, the entirety of which is almost always dominated by the business elite. Coal extracted from the Pokrovska mine is subsequently enriched at the enterprise also owned by the same businessman and afterwards sent to the coking plants of the Metinvest Group, owned by Akhmetov (Illin 2019). The process therefore displayed a great deal of synergy between these individuals and a common business bond. Thus, when it came to protecting their sectoral interests during a mass revolution, the businessmen had an incentive to pool together resources and coordinate action in

order to protect the overarching business interests of the sector. Additionally, Nusenkis as well as Novynsky were traditional supporters of the Party of Regions, and generally displayed a lesser degree of political flexibility than the oligarchs in Kharkiv. For example, much like the other two, Novinsky was also a supporter of Viktor Yanukovych, with several of his actions during the early days of the crisis indicating that he actively and deliberately allowed separatist mobilization to build up, whilst working to protect the status quo. For example, having also been somewhat active on the political scene at the time as a deputy in parliament, Novinsky was able to not only at various points to shield himself from any potential criminal investigations due to the parliamentary immunity, but to also directly participate in the political decision making process. More specifically, when the Euromaidan first unfolded and pro-separatism protests began taking place across the eastern regions, Novinsky acted to shield the separatist movement. Despite, owning numerous businesses in Donbas and multiple joint ventures with Akhmetov, Novinsky voted to stop the "anti-terrorist" operation in the Donbas (Levyi Bereg 2014). In other words, when the interim government came to power and declared the separatist movement a "terrorist operation", vowing to stop its threat, Novinsky instead pushed for dialogue with the demonstrators despite the growth of separatist activity. This very similar approach was also taken by Akhmetov as highlighted in the previous subsection above, underlining coordinated action and a united front between the region's key economic heavyweights. As such, this absence of a strong counterforce against the pro-Yanukovych and pro-separatist movement resulted in the ability of the separatists to gain strong foothold in the region. Moreover, Novinsky maintained this position even in May when the war erupted (Ukraiinska Pravda 2014). Such a risk calculation from the very beginning suggests that the oligarch was confident that the separatist threat would result in concessions from the new authorities in Kyiv and therefore the preservation of the status quo. This is not to mention that Novinsky, and several of the senior managers in his companies entered parliament in 2014 as representatives of Opposition Bloc, a remnant of Yanukovych's Party of Regions. This further underlines that the set of economic actors

from these regions were in a state of conflict with Kyiv and sought to preserve their influence in various ways in order to prevent passage of policies that threatened their financial interests.

Additionally, even after parts of Donetsk were captured by the separatists, investigations revealed that Nusenkis and Akhmetov were allegedly partaking in essentially illegal exports of coking coal products produced at Makeevkoks and Yasinovsky Coke and Chemical Plant controlled enterprises, which are owned by Viktor Nusenkis (Antikor 2015). And although the leaders of the self-proclaimed Donetsk People's Republic (DPR) had carried out nationalizations of certain businesses and enterprises – having swiftly taken branches of Privatbank, which then belonged to Ihor Kolomoisky – into operational management located on the occupied territory, businesses of some of the other regional economic elites appear to have been less targeted. For example, the leadership of enterprises owned by Nusenkis reportedly maintained fairly close relations with then self-proclaimed leader of the DPR, Alexander Zakharchenko, with products produced at the oligarch's coke-plants being among the first to re-register and receive “certificates” and permission to continue operations (Antikor 2015). Zakharchenko was a Donetsk native, having worked at a mine for most of his life. He was known to have led a local branch of “Oplot,” an organization dedicated to helping veterans with disabilities, and played an active role in the April 2014 events, which entailed seizure of Donetsk's regional administrative buildings. But even before the war started, Zakharchenko allegedly had close connections to Akhmetov, as demonstrated by an interview given by a Russian citizen named Sergey, who served in the DNR's government from 2014 to 2016. The remarks were given to Meduza, a reputable independent information news source specializing in Russian and the region's politics,

"Zachar [Zakharchenko] was close to Akhmetov's businesses and worked in his security detail. After the war started, he kept lobbying for his former boss's interests for a time. For example, he made sure there were no interruptions in fuel supplies and

raw material deliveries to Akhmetov's combines and factories, even if that meant getting them across the front lines [between the Ukrainian army and DNR forces]. Most other manufacturers were pressed into serving the revolution pretty quickly" (Meduza 2019).

Similarly, the self-proclaimed leadership of DPR such as then-Prime Minister, Alexander Borodai, also at one point is reported to have defended Akhmetov's private property after threats were made that it would be nationalized, with Borodai reportedly declaring, "he is not Kolomoisky!" (Antikor 2015). The obvious implication of that statement being that Akhmetov was more on their side than Kolomoisky, who famously financed anti-separatist operations. Moreover, Borodai himself implied that there is an agreement between the self-proclaimed republic and Akhmetov to allow the oligarch to keep his assets and run his businesses, in exchange for steady employment and wages for "the citizens of DPR" (Zhuk 2015). As Borodai revealed in one interview:

"Mr. Akhmetov, because in his time he was central to the Ukrainian politics and was the man who effectively informally controlled Ukraine, he benefits from the current state of affairs" (Zhuk 2015).

Although Akhmetov's team have denied all of these allegations, their existence as well as the research for this dissertation suggest that the role of oligarchs during this time was likely critical to the way the early stages of the conflict were shaped.

#### 3.3.4. Key sectoral employers in Luhansk

As highlighted in the earlier sections of this chapter, the nature of local employment concentration and the economic structure in Luhansk is very similar to Donetsk. As such, financial elites in the heavy industry and mining sector are argued to have also largely facing the same threat given that their economic interests were rooted in industries that would come under the most threat if Ukraine were

to make a decisive pivot to the West. In terms of economic heavyweights and key regional employers, the Luhansk establishment is usually associated with Oleksandr Yefremov, former leader of the Party of Regions faction, whose political connections also allowed him plenty of opportunities for enrichment and influence over the political situation in the region.

Similarly to other oligarchs, Yefremov also exercised great influence over key officials in the region and established interests in the coal industry. Highly likely due to his political connections, companies that belonged to Yefremov and his family are known to have regularly won tenders for the supply of equipment and repair work at state-owned coal enterprises (Skorkin 2014). This was an easy path towards enrichment for the oligarch as the companies regularly engaged in typical machinations such as providing services at inflated prices, with tender competition in many cases a mere formality. Through these types of corrupt schemes, Yefremov is estimated between 2010 – 2013 to have made a profit of UAH 5.7 billion, with a substantial number of enterprises in Luhansk serving more-or-less as cash-cows for the oligarch. In fact, just two days before Yanukovych's escape from Ukraine in February 2014, Yefremov's companies are reported to have won tenders worth more than UAH 4 million, highlighting a by now familiar pattern of the importance of the political status quo for groups in this particular economic sector. As such, given his influential position in the lead up to the crisis and clear interest in preserving the status-quo, this dissertation argues that, just as was the case with elites in this economic sector in Donetsk, Yefremov likely viewed the initial potential to destabilize the situation in the region as an effective way to demonstrate to the new government his influence, and to pressure the new administration to retain favourable policies that would allow the regional businessmen to keep their considerable wealth and influence. Moreover, this structure was also beneficial to Akhmetov in Donetsk, who not only maintains strong business links in Luhansk, but is also known to have supported Yefremov politically at certain points as a strategic move whilst seeking to expand his economic influence into the neighbouring region (Volyn News 2016).

As such, the Luhansk elite establishment is usually associated with Yefremov, although compared to Donetsk, he and others in his immediate circle were comparatively less wealthy. Furthermore, despite similarities to Donetsk, Luhansk's financial-industrial dynamic nevertheless has its own specificity and history of forming big business. For example, as hinted at above, in the 1990s, unlike Donetsk or Dnipropetrovsk, the region did not have its own powerful business group. However, the privatization schemes in the late 1990s and early 2000s were, as with other oligarchs, a key turning point which allowed for unprecedented enrichment. However, unlike oligarchs in Kharkiv and Donetsk, most of whom strategically used their connections to regional and national political elites, Yefremov was himself a governor of Luhansk between 1998 – 2005. This proved a very lucrative position which allowed him a seat at the decision-making table and allowed him a substantial say over who acquired strategic stakes in lucrative enterprises in the region. To that end, during these crucial days of financial elite formation in the regions, Yefremov and his team served somewhat as a “liquidation committee” and promoted the sale of local assets to influential financial industrial groups – of which the Donetsk businessmen such as Rinat Akhmetov became among the main beneficiaries. Though, Yefremov himself nevertheless also managed to enrich himself largely as a result of his companies winning lucrative tenders under his watch. For example, as with other oligarchs, Yefremov's ability to enrich himself greatly depended on the strong obfuscation of his companies, virtually all of which were registered in offshore tax havens, making the tracing of their ownership very difficult. For example, in 2011 the state's coal mining enterprises signed a purchase agreement for the acquisition of goods and services for UAH 502.7 million (Economichna Pravda 2011). Specifically, sources report that more than half of all the tenders in the coal industry were won either by companies linked to Yefremov, or those close to him. In turn, it is reported that in the process this group earned approximately UAH 227 million at what was technically a state-owned enterprise Luhanskvuhilla. Thus, although technically a state-owned property at the time, a great deal of operations that took place at Luhanskvuhilla were in fact de-facto controlled by the ultra-

wealthy regional elites via their offshore companies. This is the same dynamic that was also evident in Donetsk, whereby some enterprises that were technically state-owned, nevertheless came under the influence of wealthy elites either through long-term leases or through tenders that effectively took over the management of operations of a particular enterprise for a particular period of time. This was important because as a result of these arrangements, a particular oligarch would then become the de-facto owner with the executive power to appoint management that would subsequently represent their interests on the ground of a particular enterprise.

For example, investigative sources confirm that this was the case in both Donetsk and Luhansk in 2011, whereby firms that supported the Party of Regions made at least UAH 1.75 billion from at the time state-owned enterprise of Donetsk Coal Energy Company, Sverdlovanthracite in Luhansk and Rovenkianthracite also located in Luhansk. Notably, both enterprises in Luhansk eventually came under direct ownership of Rinat Akhmetov's DTEK. Before being formally acquired by DTEK, the company announced that it would invest up to UAH 500 million (approximately USD 63 million) into the two state-owned companies (Mining and Quarry World 2010). Under the investment agreement, which was approved by the Ministry of Coal Industry of Ukraine on 9 July 2010, the contract was signed for five years with the option to extend. As such, both enterprises were fully transferred to DTEK, which had the contractual obligation to "finance the re-equipment and upgrade development projects of both companies, under the terms of the standard state-private sector partnership mechanism" (Mining and Quarry World 2010). Perhaps more importantly, through this intensive long-term operation, DTEK also planted deep roots into the local community in and around the towns where the mines that were associated with the enterprise were located. For example, in May 2010, Rovenky and Sverdlovsk's local authorities joined DTEK's Social Partnership Declaration, which enabled the company to participate in the development of both towns and aid in creating comfortable living conditions for the towns' inhabitants and attracting additional investment into the towns and their local businesses (Mining and Quarry World 2010).

Unlike most other financial elites, Yefremov, was also much more publicly supportive of the unfolding separatist movement, as documented on multiple occasions in the national and international media and discussed throughout this dissertation. As such, he appears to have calculated that his position would be either retained or even better served under a different regional political structure. Similarly to Donetsk, however, despite his more openly more pro-Russia rhetoric, Yefremov did not himself spearhead or mobilize the street protests, which similarly to Donetsk was at least in part done by individuals employed by or in some other way connected to Yefremov. However, similarly to the position of the oligarchs in the Donbas such as Akhmetov and Novynsky, Yefremov also insisted that instead of actively fighting against the separatists, the interim authorities in Kyiv should instead negotiate with them. For example, during a meeting of the conciliation committee of the Ukrainian parliament on 12 May, Yefremov criticized the interim president, Oleksandr Turchynov, for calling the separatist referendum in Luhansk ‘a farce’ and argued that Kyiv should not discount the will of the people expressed by means of referendum so easily (Nitsova 2021). As such, as was the case with local elites in Donetsk, Yefremov also used his position as a key local power broker to pressure Kyiv and advocate for more power to be given to the regions. As will be discussed in subsequent chapters of this dissertation, Yefremov was later investigated for financing and supporting separatists and using his position over the region’s enterprises to facilitate the spread of separatism (Grebennyuk 2016). Additionally, evidence has also found, similarly to the elites in Donetsk, that people connected to Yefremov later went on to assume positions<sup>36</sup> in the administrative structures of the Luhansk People’s Republic (LPR), underlining that the initial beginning of protests was highly unlikely to take place without at least some involvement and knowledge of the local oligarchs.

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<sup>36</sup> For example, the first leader of the separatist republic, Valeriy Bolotov, was once Yefremov’s driver, as mentioned in other parts of this dissertation, thus indicating that connections of those taking part in the separatist events to regional oligarchs was hardly ever distant.

### 3.3.5. Agricultural cluster elites, a counter example: Oleksiy Vadatursky

The case of Luhansk is also interesting because, as is also highlighted in later chapters, part of the region, which borders Kharkiv, was home to some agricultural activity, which was dominated by a different set of oligarch groups to those of Donetsk and the industrial portion of Luhansk.

Overall, the agriculture sector in both Luhansk and Donetsk oblasts was largely overshadowed by the large scale of the industrial complex and made up only about 10% of the economy of the region (GRP) before the conflict, with only about 10% of the labor force also employed in the agriculture sector and the rest worked in factories, mines, services, trade, and other sectors (Food and Agriculture Organization of the United Nations 2018). Large firms in the agricultural sector in the region, unlike those in the heavy industry, were also in a different position compared to the large-scale heavy enterprises due to their ownership, most of which was overseen by a different group of economic elites. For example, unlike the mining and metal-making enterprises, not only was the number of large agricultural enterprises comparatively small, but the business elites in this sector do not seem to have dominated the whole chain of production to the same extent as the extractive and heavy industry sector, and largely dealt directly with production related to the cultivation of agricultural products. Research during this dissertation established that Luhansk was home to a handful of notable large agriculture-food enterprises such as Agroton, which is owned by Yuri Zhuravlev, who operates in Kharkiv and Luhansk (Latafundist 2020), and Nibulon, which is owned by Oleksiy Vadatursky. The latter has proven to have been particularly significant in championing the interests of the agriculture-food industry and instrumental in speaking out against the development of separatism in the region, and directly using his company Nibulon as a vehicle to fight against separatist development in the early stages of the conflict.

In particular, the north part of Luhansk is largely known for a handful of smaller industrial cities and a vast rural region of black earth – known as *chernozem* – with the territory historically more associated with Slobozhanshyna, an area centered around Kharkiv (Milakovsky 2018). The

area also hosts a well-known agricultural conglomerate, Nibulon, owned by Oleksiy Vadatursky, who took a similar approach to Kolomoisky in Dnipropetrovsk and offered to use his influence to pay for the capture of separatists in any of the areas where his business operated (Unian 2014). Vadatursky, however, is originally from a neighboring Mykolaiv oblast – a southeastern region in Ukraine – which is home to more of his business activities, meaning that the degree of his actual influence over the course of events was likely much stronger in his home region. Nevertheless, like the actions of Kolomoisky, Vadatursky used his influence in parts of Luhansk that hosted his businesses, as well as sending aid directly from Mykolaiv. In other words, he used his position as owner of prominent agricultural enterprises as a way to not only mobilize workers, but, whenever not possible, to simply send resources and pay for the establishment of a framework which would aid in preventing the destabilization of the social situation in his area of operations. As he explained in an interview with a local news source, Unian in May 2014;

"When I talked to our people, I said, let's catch [separatists]. I will also pay. I am not Kolomoisky, I don't have this structure, but we are the heads of enterprises, who are able to do it in this case. After all, these are people who will fight against me and each of you" (Unian 2014).

The oligarch also specifically emphasized the need to protect checkpoints and entry into Mykolaiv, specifying that the eight checkpoints at the entrances to the city at that time were inefficient and required more personnel, who also needed to be better paid. To that end, he declared his readiness to bear the lion's share of the costs for the proper equipment of public order formations, as well as to partner with local security companies that already had the trained personnel and weapons. Most notably, in support of the overarching argument in this dissertation, Vadatursky also explicitly stated that he would hold a conversation with every employee of his company Nibulon. As a result, he called on all to unite around the new Ukrainian government and thanked citizens of Mykolaiv, who reportedly on 7 April 2014 dispersed a tent camp of separatists in the city (Unian 2014).

Nibulon is not only one of the largest exporters of Ukrainian agricultural products, but also one of the most efficient crop-growing enterprises. Nibulon cultivates 82,500 ha of land in 12 regions of Ukraine (InVenture 2017). Furthermore, Vadatursky had been looking to Western investors for the development of the agricultural holding. In the summer of 2015, the European Bank for Reconstruction and Development (EBRD) for example provided his company with a loan of USD 130 million for investment projects to develop exports, as well as logistics and grain storage infrastructure (InVenture 2017).

This economic interest fueled anti-separatist activity. In the smaller district of Slobozhanshchina, for example, protests took place in favor of a united Ukraine, according to local sources (InVenture 2017). Research for this dissertation confirms that Nibulon operates in this district and oversees 2,056 ha of land (Tripoli 2020). Moreover, residents of this territory have also specifically noted in an interview with a Ukrainian news source that the absence of "separatist political games" on the part of local business elites helped this particular area to preserve its pro-Ukrainian stance (Radio Free Europe 2011). "Starobelsk is Slobozhanshchina, not Donbass," activists say. They emphasize that they have nothing to do with the mining region, thus further highlighting the importance of particular economic sectors in the process. The narrative also very much fits with the broader trend and supports Vadatursky's statement (Nibulon 2007). Moreover, agricultural workers working for Vadatursky's Nibulon also highlighted their support and the support of Nibulon during the crisis. Specifically, Vadatursky mobilized support from his native Mykolaiv region to be sent to Donetsk and Luhansk;

"Given the extremely difficult situation in the east of the country, especially in the humanitarian sphere, I decided to volunteer and organize a community to help our fighters and peaceful Ukrainians in the east," said Sergey Kishkovsky, a farmer from the Snigirevsky district (PrestupnostiNet 2014).

He furthermore noted that this initiative was supported by absolutely all agricultural producers of the region and local authorities;

"Together, over three days we collected more than 40 tons of humanitarian aid (in particular, 246 bags of flour, vegetables, a ton of vegetable oil, mineral water, etc.), which was sent to the Lugansk and Donetsk regions. We faced only one the problem [which is] logistic. But thanks to the help of the Deputy General Director of Nibulon Andrey Vadatursky [son of Oleksiy Vadatursky], who provided the freight transport, our help will be delivered to where it should be, "said the farmer.

"In this situation, the task of our company is to contribute as much as possible to this initiative and provide the necessary assistance (namely, to provide freight transport), positively influencing the implementation of these initiatives. We, as a Ukrainian and patriotic company, consider it necessary to listen to and support the initiatives of the President of Ukraine Petro Poroshenko and the initiatives of local communities," said Andrei Vadatursky (PrestupnostiNet 2014).

As such, this adds another example of how an oligarch can influence the normalization of the political situation in the localities where the elite enterprises operate by making a decisive choice in time before the conflict escalated beyond their control. This is in stark contrast to the numerous reports that cite Rinat Akhmetov as having flown to and from Russia in the crucial months of March and April, with journalists implying that the result of these meetings was evident on the streets of Donetsk and Luhansk (Zakarpatyya 2014). However, as already discussed in other parts of this dissertation, as well as in this chapter, these alleged trips were not indicative of Russia's influence over Akhmetov, but rather of the oligarch's balancing of his own business interests during a turbulent time domestically. Lastly, the discussion has so far considered similarities and differences between the background of the main players across the three regions of interests and the nature of local

employment in companies associated with them. The following sub-section offers some concluding remarks, before moving onto Chapter 4 which empirically tests the theories put forward in the dissertation so far. Lastly, Chapters 5 and 6 will engage in a deep dive qualitative case study analysis and examine the phenomenon further.

### 3.3.6. Conclusion

As highlighted above, in the 1990s in Ukraine – as in most other post-Soviet states – certain individuals were able to cement their presence in society via the process of mass property transfers from state to private hands. In the case of Ukraine, in particular, in part due to the distribution of resources such as coal and agricultural land, it was possible for some individuals to capitalize on this initial wave of transfers, thus setting them up with the starting capital needed to continue acquiring further assets within the regions. Crucial to the process of this early privatization scheme were the aforementioned personal connections and informal networks, which are an integral part of all post-communist states and a common feature of the formation process for all of the oligarchs in the three regions. Some regions such as Donetsk and Luhansk, together with their economic composition and strategically positioned individuals created particularly favorable conditions for this "shadow privatization" to take root. In these regions, oligarchs were able to strategically maneuver energy firms such as the Donetsk and Luhansk *oblast* energy companies into incurring large debts in order to later purchase them with dubious funds at artificially diminished prices once these enterprises went into bankruptcy.<sup>37</sup>

Control over these large enterprises therefore allowed certain oligarchs to establish control over notable segments of local populations. They were the main source of employment and key providers of social welfare to local communities. However, given that the oligarchs in the extractive and energy sector were notoriously reliant on preserving the status quo in order to preserve their

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<sup>37</sup> Leading state companies into bankruptcy was one among many strategies that allowed for a handful of individuals to amass immense amounts of wealth in a short span of time and capture the economy of the regions where they had established their presence and dominance on multiple levels of society.

dominant business positions, rapid regime change would almost certainly work to threaten their positions – especially considering how much these individuals had spent in order to get certain candidates from their region to be elected to positions of power. To that end, erring on the side of caution at the beginning of the crisis preferred the position of oligarchs in Donetsk and Luhansk. In order to achieve their goal, these groups utilized one of the most crucial tools at their disposal to project their dominance to the interim government in Kyiv: their ability to tap into their mobilizational networks in various enterprises that they owned. As mentioned before, the extent of their influence over the regional populations was vast, and often this influence was masked by the fact that most oligarchs often controlled certain enterprises through the aforementioned complicated offshore schemes that ultimately hid the name of real beneficiary owners. This, in turn, allowed them to embed themselves further into the economic and political fabric of the system.<sup>38</sup>

As has also been demonstrated so far, the pool of economic elites was also very small across all three regions of interest, with this specific set of actors also benefitting in a similar way from an under-reformed political system. In general, this entrenched presence of big business in the country's political fabric has been one of the main and well-known reasons for Ukraine's stalled democratic transformation since the end of the Soviet Union. However, the necessary political reforms linked to closer integration with Europe appear to have ultimately been less costly or threatening for the economic tycoons in the agricultural-food sector, who ultimately used their influence towards a different political economic outcome. For example, one of the aspects of the Association Agreement was restructuring of import tariffs, which impede access to the EU market. This was a particularly attractive prospect for the agriculture-food elites discussed in this study, who stood to gain the most in the immediate term. A decrease in import duties was, for example, extremely favorable to

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<sup>38</sup> For example, the Ministry of Interior at one point also confirmed that the issue of the shadow economy was a large problem in Ukraine, with a substantial number of offshore companies – which has only skyrocketed since then – owning stakes ranging from 10 to 98 per cent in fuel-energy, metallurgical, and mining enterprises. In 2002 the Ministry, estimated that these offshore companies ultimately own at least 78 per cent of the country's ore-mining sector (Korol 2014).

companies such as confectionary giant Roshen, owned by Petro Poroshenko, given that these products are levied import tariffs of about 35-40% in the EU (Kościński and Vorobiov 2014). Similarly, the arrangement was extremely beneficial for those involved in the agricultural goods such as to the Kernel group, owned by Andriy Verevskiy and others described in more detail in Chapter 6. In contrast, however, the oligarchs in the heavy industry and extractive sector, as discussed already so far, and as will be demonstrated in more details in Chapters 4 and 5, faced a much greater set of challenges, with their industries more directly threatened by various reforms that would be required of Kyiv and therefore did not have a strong incentive to follow the "Europeanisation" of the country's political and economic systems.

To that end, as the discussion has so far demonstrated, economic sectors largely shaped the threshold for risk appetite of the oligarchs in the regions, with those in Kharkiv displaying a greater degree of political flexibility. Meanwhile, those whose interests were connected to the extractive and heavy industry in Donetsk and Luhansk were much less politically flexible early on, preferring to instead hedge their bets and continue to either directly or indirectly support Yanukovich during the beginning stages of the crisis. In other words, as discussed throughout the text so far, oligarchs tend to selectively support laws and reforms that allow them to maintain and/or increase their wealth, whilst at the same time fiercely opposing any move that jeopardizes their positions (Mathers 2020, Terzyan 2020). Moreover, given how much was at stake for these actors, their involvement in the events must be explored further. For example, a direct quote from an oligarch himself, Ihor Kolomoisky, strongly reaffirms this point. Referring to Rinat Akhmetov in Donetsk, Kolomoisky said in an interview that he was concerned that Akhmetov had not done enough to engineer a different outcome in his region of Donetsk,

“It was up to the oligarchs to take charge and rebuild the state. We had the most at stake,” said Kolomoisky (Freeland 2014).

Lastly, as has been demonstrated so far, economic elites in the regions had control over a significant number of individuals, with those in the Donbas possessing an especially notable leverage over street demonstrations through the sheer number of employees that they directly controlled. As will also be shown in chapter 5, these individuals often also had influence over union leaders in the region, which further extended their ability to help shape the direction of the events on the ground during crucial stages of the conflict. Meanwhile, elites in Kharkiv, who generally had less direct control over employees due to the sector that they occupied often also supplemented their mobilizational efforts with other strategies that worked to prevent the spread of separatism in their respective areas of operations. More about these strategies and key elites will be discussed in chapter 6. As such, the remainder of this dissertation will continue to consider and explore internal social prerequisites of the separatist conflict on a local basis. As has been demonstrated, although Kharkiv, Donetsk, and Luhansk shared cultural variables such as language and ethnicity, as well as geographic positioning, the transformation of these factors into a separatist conflict needed appropriate mixture of internal and external factors, with local oligarchic preferences often acting as a key domestic driving force (Ivanov 2015) particularly through their ownership over large companies and employment in the regions, which has proven to be a useful vehicle for mobilisation. The discussion now turns to an empirical examination of oligarchs' impact in the regions of interest and will demonstrate how regional elites within a specific sector have displayed specific political preferences during the early days of the crisis, which are argued to have been strongly shaped by the economic sector that they occupied.<sup>39</sup>

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<sup>39</sup> It is argued that economic conditions in the Donbas shaped the preferences of the local economic elites towards more protectionism rather than market-oriented reforms and transparency. It is also true that most oligarchs are likely to prefer a system of greater opaqueness due to the often unethical way in which they acquired wealth in the early 1990s. As such, this serves as a further indication that those financial elites that demonstrated greater political flexibility during the revolutionary events of 2014 were those that occupied economic sectors that were less dependent on personal political connections and would be competitive on the European market.

## **Chapter 4: Estimating the Effect of the Oligarchs**

In this chapter, I explore the effects that the sectoral interests of oligarchs had on the likelihood of rebellion. Whereas rebellion is expected to occur in municipalities where oligarchic labour is concentrated in heavy industry, it is expected to be less likely in municipalities with a greater concentration of local employment in oligarchic-owned industries such as agriculture and food. In brief, this investigation examines the understudied relationship between oligarch influence – defined primarily as their control over a proportion of local employment - and the timing of the rebellion across the municipalities within Donetsk, Kharkiv, and Luhansk. As highlighted in the introduction section, this study is concerned with the first stage of the conflict, the formative crisis period. Specifically, the starting point of the crisis is deemed to be the moment when Yanukovich formally lost power and left Kyiv in mid-February until the moment of the referendum in Donetsk and Luhansk on May 11<sup>th</sup>, 2014. As such, the chapter will analyze data on ownership type and probability of separatism and test a range of variables for their effect on the timing of the rebellion.

The remainder of this chapter is organized as follows. In the subsequent sections I introduce descriptive statistics of the variables of this study. Next, the study tests the statistical significance of these variables. I then introduce the reader to the statistical model, which tests the main hypotheses. The section that follows is the discussion of the results where the main empirical findings of this analysis are presented and elaborated upon; the role of sectoral differences is also discussed in this section. The chapter is concluded with a summary of the main findings and a discussion of next steps.

### **4.1. Key Variables: Descriptive Statistics**

The justification and the discussion of the variables selected for this study has been outlined in the theory chapter. The focus of this section is, therefore, to show empirically whether and to what extent these variables vary between municipalities that experienced separatist rebellion and those that did

not. In particular, the chief explanatory variable in this dissertation is oligarch controlled local employment, with alternative explanatory variables such as, language, ethnicity, proximity to Russia, average monthly wages of locals, also accounted for and tested in the process.

**Table 1: Separatist vs Non-Separatist Municipalities Descriptive Statistics**

Variable	Separatist Control	No Separatist Control
Municipality (N)	34	13
Russian Language % (Mean)	74.5%	52.5%
Ethnic Russian Population % (Mean)	39.1%	28.7%
Party of Regions Votes in 2010 local elections % (Mean)	81.9%	72.2%
Proximity to Russia (km)	132.2	127.1
Average monthly wages (UHA)	3,655.3	3,490.4
Population Density (Mean)	1,647.4	1,463.8
Log Operating Revenue (Mean)	13.3	13.2
Total Oligarch Employment in Mining (Mean)	6,861.7	880.2
Total Oligarch Employment in Agriculture-Food (Mean)	1,532.9	1,828.3

The above figures broadly serve as indicators of what the potential effect of these variables might be on the likelihood of rebellion. First, ethnicity and language appear to vary across separatist and non-separatist municipalities. Given the earlier-mentioned debates in the literature that warn against the potential dangers of concentrated ethnic minorities' propensity towards separatism (H. Hale 2000, Sorens 2005), the 10.4 percent difference on the ethnicity variable between the separatist

and the non-separatist municipalities gives us a reason to explore this effect further and test its significance in the next section. The difference between separatist and non-separatist municipalities is even more noticeable for Russian language speakers. The percentage of Russian-language speakers in separatist municipalities was over 74 percent, compared to 52 percent in non-separatist regions. Such a difference, paired with the previous studies mentioned in the literature review and theory chapter that found language to be of significance for political outcomes, gives reason to suspect that this variable will be of importance in this case as well.

Second, as one might expect, the descriptive statistics also reveal that the municipalities that experienced a 'successful' separatist rebellion were more densely populated than those that did not. This is consistent with the logic that more densely populated areas help solve the collective action problem as the population is more easily mobilized due to their living in closer proximity to one another (Schoene 2017, R. V. Gould 1991, Anthony and Crenshaw 2014). Third, the separatist municipalities were also slightly closer to Russia and had higher wages, although the actual difference appears to be very small.

Regarding the main explanatory variable of interest, oligarch-owned employment, a noticeable difference between the separatist and the non-separatist municipalities also exists. For example, there were more oligarch-owned employees in the mining sector in the separatist municipalities than in the non-separatist ones. Finally, the separatist municipalities were also more supportive of the Party of Regions, which is consistent with the theory that this political apparatus was crucial for the continuation of business interests of the oligarchs that were connected mainly to the heavy industry sector. The following section tests for statistical significance of the described variables.

#### 4.1.1. Testing for Statistical Significance of the Key Variables

The purpose of this section is to test statistically the effect of the variables described above. This will allow us to determine their individual effects on the timing of the separatist rebellion. It will also allow us to determine which variables should be included as controls in the main regression that follows, prioritizing those that are statistically significant and/or theoretically most important for the purposes of this project.

**Table 2: Significance of the Control Variables**

	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>	<b>Model 6</b>	<b>Model 7</b>	<b>Model 8</b>	<b>Model 9</b>	<b>Model 10</b>
Ethnic Russians	0.026 (0.014)*		-0.006 (0.021)							
Russian Language		0.033 (0.013)***	0.036 (0.016)**							
Distance from Russia				0.001 (0.002)						
Average Monthly wage					0.000 (0.000)					
Log Operating Revenue						0.080 (0.055)				
Party of Regions							0.042 (0.019)**			
Employment in Mining (Oligarch)								8.336 (3.208)***		
Employment in Agriculture-Food (Oligarch)									-15.661 (22.207)	20.630 (21.066)
Employment in Agriculture-Food (Oligarch) * Population Density										-0.091 (0.054)*
Population Density										-0.000 (0.000)
Log-Likelihood	-113.755	-109.631	-109.589	-115.445	-115.519	-87.917	-96.128	-92.203	-87.308	-83.128
Number of Observations	3,225	3,141	3,141	3,225	3,225	2,294	2,915	2,804	2,480	2,480

\* p<0.1; \*\* p<0.05; \*\*\* p<0.01

In the above table, Model 1 demonstrates the effect of the first control variable, percentage of ethnic Russians. The results demonstrate that the effect is significant at 0.01, not controlling for anything else. The effect, however, disappears altogether once Russian language is controlled for in Model 3. A correlation test between these two variables reveals that, as one might expect, ethnicity and language are correlated. The effect of Russian language is also found to be significant on its own in Model 2 at 0.01. Furthermore, the effect of this variable consistently remains significant when other controls were introduced, which suggests that this is a more important factor to control for in the main regression as opposed to the proportion of ethnic Russians. This is consistent with previous studies that have also found language, rather than ethnicity, to be a stronger predictor of political preferences in Ukraine (Kulyk 2011). The fact that ethnicity is not found to be statistically significant, however, is an interesting finding in and of itself as it demonstrates that, contrary to other literature (Shulman 2005), which finds the likelihood of rebellion to increase with an increase in a proportion of ethnic minorities, the results in this work demonstrate that this effect might not hold on the local level.

Model 4 empirically tests the effect of proximity to Russia and finds that it is not statistically significant. The results make sense considering that some of the first municipalities to experience the rebellion were located the furthest from the Russian border, one famous case is Slovyansk in Donetsk. Moreover, other regions that also share a border with Russia have demonstrated no case of separatist rebellion. One notable example of this is Kharkiv city, which is only 40 kilometers away from the Russian border, yet the outcome of the rebellion in this municipality and others within Kharkiv region, could not be more different from those in municipalities such as Slovyansk. It was, however, important to examine the effect of this variable due to the arguably disproportionate amount of attention that the shared border with Russia received in the media and from those with anti-Russia sentiments as a primary reason for the separatist conflict. The shared border and Russia's involvement also became more prominent in the later stages of the conflict, which made it an

important variable to control for even though the time-frame within which this study operates essentially eliminates Russia's physical involvement at the first stage of the conflict period. More specifically, the formative crisis period that presented a window of opportunity for the regional elites to shape the trajectory of the rebellion lasted from the immediate power-vacuum in mid-February when Yanukovich was removed, until the moment of the referendum in Donetsk and Luhansk on May 11<sup>th</sup>, 2014, which signified a formal consolidation of power by the rebels. Focusing on the first stage of the conflict is important as it eliminates the complicated conflict dynamics, which often take on a life of their own and that necessarily occur during any crisis (e.g. physical presence of foreign and domestic troops, and/or other forms of aid, which may be difficult to trace and control for). Thus, as the research question is concerned with the origins of the rebellion and the role of the domestic actors, the formative crisis period allows for the effect of this variable to be isolated.

Next, results in Model 5 present the effect of average monthly wages, which are used as a proxy to test the effect of the rich versus poor debate discussed in the second chapter, and establish whether greed or grievance, if either, had an effect on the timing of the separatist rebellion. The results demonstrate that there is no effect. In other words, municipalities where workers were earning more on average were not more likely to experience a separatist rebellion earlier than those where workers were earning less, and vice versa. The effect of the operating revenue of companies, which is used as a proxy for the economic power that companies wield, is presented in Model 6. The results show that this variable is not statistically significant either. The study deems that it was important to test for the effect of this variable as it could be the case that the wealthier enterprises simply had more influence on the timing of the rebellion given their monetary resources as opposed to the availability of human power that they had at their disposal. Given that this dissertation places emphasis on the latter as being a more appropriate proxy for the effect of oligarchs on the rebellion, it is important to control for the other alternative possibility.

The effect of the Party of Regions is presented in Model 7 and is significant only when no other variable is controlled for. It will not be included as a control in the main regression as it is closely linked to the effect of the oligarchs in this theory. Lastly, Models 8, 9, and 10 test the main explanatory variable, effect of oligarch-owned employment. Specifically, the hypothesis examines the relationship between oligarch control of employment in certain economic sectors and probability of separatism. The results presented in Model 8 show that on its own the effect of oligarch-owned mining is statistically significant, meaning that it increases the likelihood of separatism occurring earlier in the crisis period. Lastly, Models 9 and 10 test for the significance of the agriculture-food effect and show that this variable has the opposite effect on the probability of separatism. The results, however, are statistically significant only when we create an interaction effect between this sector and population density. An in-depth discussion of these results follows in the next sub-section.

The chapter now proceeds to testing the main hypothesis using the Cox survival analysis controlling for the proportion employed by the state and other non-oligarch actors (e.g. small private companies), percentage of Russian speakers, log operating revenue, log population, and distance from Russia. The main hypothesis that will be tested is, therefore,

*H1: Municipalities that were most likely to experience the separatist rebellion earlier on in the conflict were characterized by a higher concentration of employment by local businessmen in heavy industries such as mining, as opposed to municipalities where local economic elites' influence was concentrated more in the agriculture and food sector*

Table 3: Employment Concentration by Sector and Employer Type

	Model 1	Model 2	Model 3	Model 4
Employment in Mining (Oligarch)	11.501 (5.559)**			
Employment in Mining (Other)	-1.253 (3.872)			
Employment in Agriculture (Oligarch)		45.765 (31.013)		
Employment in Agriculture (Oligarch) * Population Density		-0.181 (0.102)*		
Population Density		-0.000 (0.000)		
Employment in Agriculture-Food (Other)		-0.856 (24.513)		
Russian Language	0.041 (0.017)**	0.007 (0.015)	0.063 (0.022)***	0.046 (0.019)**
Log Population	0.361 (0.279)	0.519 (0.330)	0.208 (0.273)	0.220 (0.285)
Log Operating Revenue	0.059 (0.084)	0.170 (0.078)**	0.1693 (0.085)*	0.113 (0.093)
Distance from Russia	0.009 (0.003)**	0.002 (0.004)	0.012 (0.005)**	0.010 (0.005)**
Employment in Machinery (Oligarch)			67.317 (33.772)**	
Employment in Machinery (Other)			-0.632 (9.712)	
Employment in Metals (Oligarch)				1.453 (7.769)
Employment in Metals (Other)				46.439 (44.414)
Log-Likelihood	-69.188	-62.549	-51.494	-54.334
Number of Observations (N)	2,099	2,003	1,847	1,865

\* p<0.1; \*\* p<0.05; \*\*\* p<0.01

Results in Model 1 offer support to the first part of the main hypothesis and reveal that the effect of oligarchs with vested interests in the mining industry is statistically significant. In other words, the results demonstrate that as the proportion of oligarch-owned employment in the mining sector increases, so does the likelihood that a municipality will experience a separatist rebellion earlier than municipalities where this group is less dominant. The results, therefore, support the first hypothesis, which expects that oligarchs with vested interests in this sector were likely to be influential for the timing of the rebellion given that they had the most to lose in the aftermath of Yanukovich's removal. On the opposite end of the spectrum, results in Model 2 demonstrate the effect of the oligarchs with vested interests in the agriculture-food industry, which yields an opposite effect on the timing and the overall outcome of interest. One thing to mention regarding the effect of the agriculture-food industry is that, on its own, the concentration of employment in this sector was not initially statistically significant. The results were, however, in the expected negative direction, which means that as the concentration of agriculture-food employees by a regional economic group increases, the likelihood of the separatist rebellion on an earlier day decreases. The fact that, at first, the results were not significant might simply be due to the fact that this particular sector can be relatively more difficult to mobilize due to, for example, lower population density in the rural towns where most of these employees would be found. Early literature has also noted this possibility and remarked on the general docility of the peasants stating that they were like 'potatoes in a sack,' too heterogeneous to be able to organize politically for class action (Marx 1967). Bearing this image in mind and considering other studies that highlight the difficulty in organizing large dispersed groups in general (Olson 1965) and farmers in particular (R. Bates 1989, Mamonova 2015), it would make sense to expect lower levels of mobilization from this group. However, it is then equally theoretically plausible to expect that an increase in population density would change these results. This dynamic is captured in Model 2, which creates an interaction effect between population density and the proportion of population employed by oligarch-owned agriculture - food enterprises. The results

demonstrate that once employment in this sector is interacted with population density, the effect becomes statistically significant. This is both interesting and important because, intuitively, one would expect an increase in population density to also increase the likelihood of a rebellion as groups that live in closer in proximity to one another would be able to overcome the typical collective action problems that are more prevalent among the rural populations. The fact that an increase in population density along with an increase in oligarch owned employment in agriculture actually produces the opposite effect, meaning that it decreases the possibility of the rebellion, strengthens the argument in this study and gives further reason to suspect that economic factors had a greater impact on the timing of the rebellion. A more detailed discussion of the effects of employment in each of the two sectors is presented below.

## 4.2. Mining

The first part of the main hypothesis presented in this work concerns the effect of powerful financial industrial groups with vested interests in heavy industry sectors such as mining on the likelihood that municipalities will experience a separatist rebellion. Using survival analysis, Model 1 in Table 3 presents the results derived from the regression analysis, which reveal that a greater concentration of this interest group in a local coal industry significantly increases the likelihood that a municipality will experience a separatist rebellion earlier in the crisis period. The importance of oligarchs in the mining sector has briefly been introduced in the first two chapters, and given the significance of the results, a deeper discussion of this sector and the main actors connected to it follows below.

Focusing on mining as one of the main sectors of interest is appropriate given the importance of coal to Ukraine's economy in general, and in particular to the economy of the eastern part of the country where the majority of this resource is concentrated.<sup>40</sup> The role that coal-mining played in

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<sup>40</sup> Ukraine is estimated to contain about 3 percent of the world's coal. (Ministry of Foreign Affairs of Ukraine 2020).

shaping the interests of economic groups during the early privatization auctions that transferred previously state-owned large industrial enterprises into the hands of a small group of regionally concentrated elites prompts the expectation that their interests will be deeply rooted in this sector and the region, making them a powerful lobby group. Individuals connected to this sector initially acquired their financial power through murky deals in the energy and mining sectors, which proved to be extremely lucrative to their enrichment and eventual monopolization. One particular business group, System Capital Management (SCM), which belongs entirely to Ukraine's richest oligarch Rinat Akhmetov, has been the biggest beneficiary of the privatization of many of the coal mining enterprises in the Donbas. As will be demonstrated here and in subsequent qualitative chapters, Akhmetov was a very close ally of Viktor Yanukovich. It is important to understand the sheer scope and the interests of this particular economic group in order to more clearly see the link between the sectoral interests connected to it, and to generate a narrative behind the numbers presented in Model 1.

System Capital Management is by far the largest financial industrial group in Ukraine with an estimated sum of \$22 billion USD in assets in 2010. The company became the main player in the coal market, and established impenetrable, vertically integrated structures along the production chains of coal-coke-metal (Metinvest), and coal-generation-electricity (DTEK). Together, the company and its subsidiaries control both the markets for steel and thermal power. Business was booming for DTEK during Yanukovich's presidency. In 2012, for example, the company produced approximately 46.1 percent of Ukraine's total coal (Savitski 2015). The President, for his part, publicly expressed commitment to the development of this sector, and a plan to further increase the use of coal in the domestic market stating that; "People have been thinking for a long time that coal is an energy source of the past. Modern processes on the world energy market show that this is far from the truth. We have to settle difficult problems, problems that have been building up in the coal industry for years, and need to be tackled today" (Kyiv Post 2012). Other than having nearly exclusive rights to the coal

production and the backing of then President, the company's 2012 report also revealed that in that year DTEK owned, leased, or had concession rights to operate 31 coal mines and 13 coal enrichment plants, including three mines and one coal enrichment plant in Russia (DTEK Annual Report 2012 ).

Coal (along with gas) is the largest source of power generation in Ukraine, which is managed by five generation utilities that operate 14 large scale thermal power plants (TPPs), with Akhmetov's DTEK possessing either a direct ownership of or majority stake in these power generation plants (OECD 2020). The parent company, System Capital Management, of the vertically integrated Metinvest and DTEK, is organized through a holding structure registered in Cyprus and together with its subsidiaries is, therefore, responsible for essentially the entire chain of production, imports and exports of coal. A visual representation of the SCM corporate structure – or, rather the parts that were possible to untangle – is presented in Appendix 1 using information from the Market Intelligence Research database.

Ownership of these utilities and, no doubt, many other subsidiaries that were impossible to trace, besides financial capital, also directly translate into control over local employment. System Capital Management, for example, is estimated to provide employment to approximately 300,000 individuals, the vast majority of whom are concentrated in parts of Donetsk and Luhansk, the hubs of coal production in Ukraine. This industry is also closely interwoven into the socio-economic fabric of the local populations dating back to the late 18<sup>th</sup> century, when extraction of coal in this region began, and when in the 19<sup>th</sup> century coalfields in the Donbas provided the majority of the coal supply in the Russian Empire. Under the Soviet Union, the region continued to remain one of the major powerhouses fueling Soviet industrialization. There was, however, little or no effort made for economic or employment diversification, which led the local population to remain tied to the coal industry with few or no alternative employment opportunities (Savitski 2015). Thus, in the aftermath of the Soviet collapse, the survival of these mining towns essentially came to be dependent on the private players to whom a great deal of these enterprises were transferred. This setup automatically

put workers in a vulnerable position. Finding other jobs for miners is tough not only because of the general lack of alternative employment opportunities, but also because “low education levels [among this demographic] act as barrier to retaining and the acquisition of new qualifications” (Popova 2007, 151). Indeed, the most common job search strategies among miners is to search for a similar job at other coal mines. This trend continues to the present day, as in many towns dominated by the mining sector few workers are likely to have any other skills and employment options, which further binds them to their current employers, who dominate the local market. Prior research on dismissed coal workers confirms this trend, and highlights that 70 percent of the unemployed miners that managed to find a job at a different mine were underground workers, as “vacancies for surface workers are practically non-existent” (Popova 2007, 153).

Therefore, towns dominated not just by one industry, but also one-company are suggested to be especially vulnerable to the position of its owner. The majority of these one-company towns are located in Donetsk and Luhansk oblasts and the firms that operate within them are traditionally monopolists in the local labor markets. As a result, these firms are “socially important” to localities because they tend to provide not only employment for the local workforce, often being the only or the major employer in the area, but also major investors in the local infrastructure (such as housing, recreation facilities, health care and child care establishments, roads, etc.). When government failed to provide, or public finance was unavailable, large private players were able to take the lead. Acting as service providers in the communities where they operate binds the local population to them, and greater concentration of employment allows for a more effective way for these companies to lobby the government due to the workers’ sensitivity to employment losses (Commander, Nikoloski and Plekhanov 2011). In turn, the government was generally expected to provide support for these companies and their owners in the form of market protection from foreign competition, minimum price guarantees, preferential treatment in government procurement tenders, and non-transparent privatization schemes in order to protect the interests of the economic elites in this sector that grew

powerful enough to challenge it. Thus, as the argument here suggests, and the results in the regression demonstrate, greater concentration of economic elites in the mining sector via their control over employment increased the likelihood that a rebellion would occur sooner in municipalities where more of this variable was concentrated. The motive to act against the incoming regime stemmed from the threat that the incoming political elites posed to the economic empires of those that were benefitting under the status quo. Their control over the local workers, a crucial ingredient for staging for a rebellion, subsequently served as a powerful tool for the economic elites to further their interests.

#### 4.2.1. Importance of the Status-Quo

Of the three regions, the Donetsk-based economic elites appear to have had the most to lose and were the best positioned to rebel after Yanukovich's removal. The economic interests of this group began to emerge and take shape under the presidency of Leonid Kuchma, which first allowed them to consolidate absolute power within the region, and then also to capture it on the national level with the help of Victor Yanukovich. The importance of Yanukovich to the interest of the economic groups in both Donetsk and Luhansk, but particularly in Donetsk, was evident from the beginning. His rise to the national political scene began when Kuchma appointed him as governor of Donetsk oblast 1997 – 2002. He then went on to become Prime Minister in 2002 – 2005, also during Kuchma's presidency. During the 2002 parliamentary elections, Regions of Ukraine (later renamed as the Party of Regions), a party that Yanukovich headed, emerged on the scene and quickly formed one of the largest pro-president parliamentary factions. In an unsuccessful attempt to secure his own presidency in 2004 due to the notorious electoral fraud that sparked the Orange Revolution, Yanukovich came back to win in 2010 and continued to be the main political representative of the

Donbas elites. In return for their generous funding and mobilization of votes, the elites received “protection” of their business interests on the national level.

The stability of the regime became crucial to the interests of the largest private enterprises located primarily in the Donbas, as it was under Yanukovych’s rule that they continued to enrich themselves and maintain their dominance. His commitment to the protection of the status-quo was evident by the preferential treatment of his financial supporters, most notably the System Capital Management group. Privatization legislation favoring one specific bidder, for example, was the most common way to display this favoritism. Whilst serving as Prime Minister, between April 2003 and July 2004, Yanukovych, together with his political ally and then director of the State Property Fund, Mykhailo Chechetov, oversaw ten large privatization auctions generating the revenue of US\$1.6 billion. The successful bidders turned out to be mainly those close to Yanukovych and concentrated in the Donbas. In particular, Rinat Akhmetov’s System Capital Management won four auctions, including one in conjunction with Interpipe, owned by then president Kuchma’s son-in-law, Viktor Pinchuk. Interpipe was successful with two additional auctions, and Industrial Union of Donbas (ISD) – belonging to another Donbas based oligarch, Serhiy Taruta - won two auctions altogether. Enrichment of the Donbas elite did not stop there. Legislation favoring the insiders was adopted in the case of UkrRudProm, a monopolist in the mining and production of iron ore raw material. A special law was enacted that was expressly designed to enable bidders already possessing more than 25 percent of the shares of UkrRudProm to rake in the rest in the ongoing privatization (The World Bank 2005). As such, the purchase of these enterprises would provide control over the main raw material for ferrous metallurgy, and automatically led to “direct registration of the main parts of UkrRudProm under metallurgical financial-industrial groups (FIGs)” (The World Bank 2005). Another example of privatization of specific enterprises favoring industry insiders are the cases of the Ilyich Steel Plant in Mariupol and Zaporizhstal, of which Akhmetov is, once again, the main beneficiary. In the immediate aftermath of Yanukovych becoming president in 2010, Akhmetov

purchased at a very discounted price “Ilyich and Zaporizhstal, two steel mills that increased revenue at his Metinvest, the country’s largest steel manufacturer, by 52 percent to more than \$14 billion in 2011” (Bloomberg 2014).

A study by the Razumkov Center, concluded that private intermediary companies with the help of state executive authorities were monopolizing both the coal sale market and the market for mining equipment and materials. Their analysis suggested that “a possibility to obtain super-profits that are available to powerful private companies associated with state authorities, is a key reason of inefficiency of efforts to introduce transparent market mechanisms into the coal sector as well as intersectoral relations, and is a barrier to legal privatization” (Razumkov Centre 2003). This situation, the experts suggested, resulted in bankruptcy for many mines. Since 2006, uncompensated losses caused mining companies’ debts to accumulate; this was often done intentionally so a company would declare bankruptcy and could be privatized for its debts or at a liquidation price. The main beneficiaries under this arrangement were Corum Group and DTEK, both incorporated in Akhmetov’s SCM Holding. It is reported that, as a result of this arrangement, in 2011 and 2012, Akhmetov added three billion US dollars to his net worth by buying state-owned energy assets sold by his political ally, Yanukovych (Business Week 2012). The monopolization was not going to stop there, and Yanukovych remained crucial to the process. A new law On the Peculiarities of the Privatization of Coal Mines adopted in April 2012, was set to further open state-owned facilities to private investors through licenses and leases or outright sales in an effort to save millions of dollars and boost production and to modernize the country’s chronically unprofitable coal sector. The main beneficiaries were no doubt going to be the established groups such SCM, and the privatization practices would follow the same old familiar pattern (PWC 2013).

Although the true value of the largest business groups is unknown for reasons such as their multiple off-shore accounts and phony holding companies with untraceable ownership, etc., according to the available sources, it is, nevertheless, estimated that “the six largest business groups

in Ukraine, make up almost 18 percent of the Ukrainian GDP” (Avioutskii 2010). Of this percentage, System Capital Management and Metinvest, control approximately 6.2 percent of the GDP. Given that Akhmetov’s assets are concentrated in coal and steel enterprises, Yanukovich’s support for the industry was, therefore, crucial and demonstrates how much the business group stood to gain from his presidency, as well as how much it stood to lose when he was removed. Thus, the end of Yanukovich’s reign essentially meant not only a likely end for the unprofitable mines for which the state provided direct support, but also a heavy curtailing of the interests of those who have benefitted under his political protection. His removal meant that there was no longer a guarantee that the incoming regime would not engage in nationalization and asset stripping of the former beneficiaries - a common tactic in Ukraine and Russia.

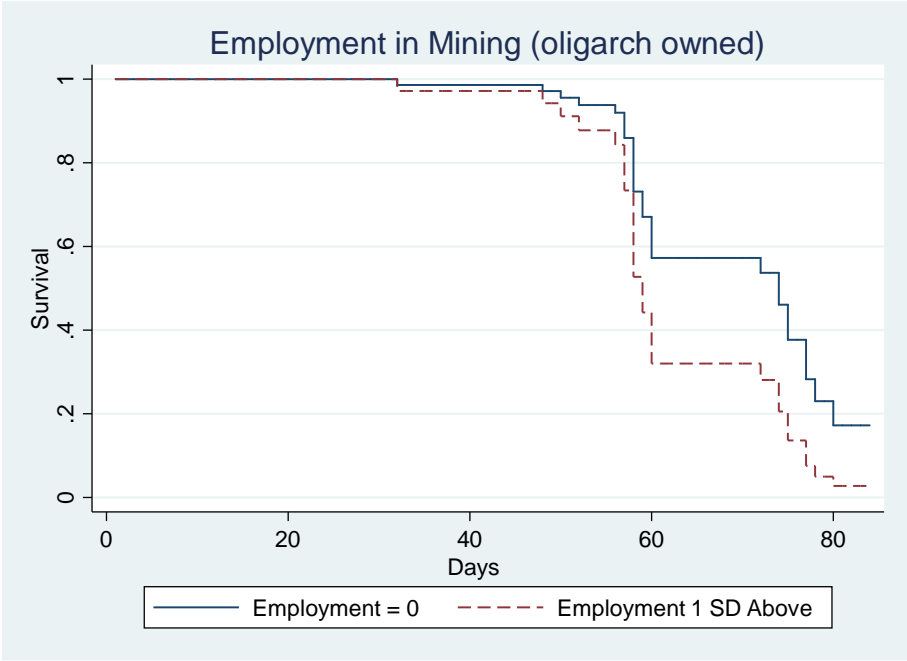
More importantly, closer relationship with the European Union, which the new administration was pledging to pursue, also carried with it certain implications that made this political-economic alliance a less obvious choice for the big financial industrial groups in the mining and energy sector. To better understand why closer integration with the European market was not deemed as beneficial by the Donbas oligarchs, one should consider the grand scale of corruption in the coal and broader energy sector, which shaped the political preferences of the groups dominating these sectors accordingly. The scale of the corruption has largely been underestimated by the European organizations such as the EBRD and other financial institutions who have over the years committed some resources in hopes of initiating energy policy reforms (Puri, et al. 2010). Ukraine’s aspirations to join the European Union have existed long before 2014. One of the heated issues, however, has always been the dire need for the country to restructure its energy market in order to meet European standards. To that end, in 2011 Ukraine became a member of Energy Community and claimed to be committed to implementing a range of European regulations that would put its energy sector within European regulatory standards. In reality, however, up until 2014 the implementation of these necessary reforms was more of a formality (DiXiGroup 2014). The big private business

groups in the sector constituted a strong lobby and were clearly opposed to the reforms that were deemed necessary by the western European community. Efforts that were made to implement the required directives, were half-hearted at best and contained a number of violations. Europe has also made strong efforts at promoting renewable energy as a way to reduce air pollution. This further meant that the coal and energy industry in Ukraine would need to be restructured and long-term exit strategies for the coal industry would need to be designed. This was in direct conflict with the interests with those who came to dominate the coal sector. As a result, the signing of the EU Association Agreement in November 2013, when it became obvious that joining the EU energy market demands transparency and profound change in how the energy sector is governed, Yanukovich suddenly put the process on hold and pivoted towards Russia in an effort to maintain business as usual.

Thus, in the Autumn of 2013, when it became obvious that joining the EU energy market demanded transparency and profound change in how the energy sector was governed, the Yanukovich administration made a political pivot towards Russia in an effort to maintain the status-quo. This move, however, did not have the support from economic tycoons outside of the mining and steel sector, as is evident by the subsequent rebellion only in specific parts of eastern Ukraine. Reforms, after all, are perceived by elites opportunistically, with an end-goal of increasing their rents and consolidating their power. How an elite group benefitted under the regime and which pocket of industry they occupied determined how they were likely to view the potential reforms. Economic elites benefitting under the system certainly had little interest in reforms paving the way for the establishment of a full-fledged capitalist system, instead preferring what Hellman (1998) called a partial reform stage. These actors whose economic interests were threatened were well positioned to transform their grievance into action first and foremost through their control over a significant portion of employment across parts of the region where they operated. The monopoly particularly in the coal mining industry concentrated primarily in the hands of System Capital Management made

those connected to this group especially vulnerable once Yanukovich was deposed. Given their near virtual monopoly over local employment, in which workers had little or no alternatives, made this group particularly well positioned to shape the trajectory of separatism in its early stages. Figure 1 below, visually demonstrates the probability of any municipality coming under separatist control when there is no employment in oligarch-owned mining enterprises, and when this employment is one standard deviation above the mean at approximately one hundred and twenty-four thousand workers.

**Figure 1: Employment in Oligarch-owned Mining**



As can be seen from the above graph, on day sixty, for example, the likelihood of a municipality remaining a part of Ukraine when there is no employment in this sector is approximately 58 percent. On the other hand, when the number of workers is raised to one standard deviation above the mean, this likelihood significantly decreases to about 32 percent. The results presented in Model 1, Table 4 and the analysis provided so far yield support to the main hypothesis

that employment in the heavy industry concentrated in the hands of a powerful economic group, increases the likelihood of separatist rebellion occurring earlier on in the crisis period. Whether or not these economic elites actually preferred secession and foresaw the calamity that unfolded shortly after the establishment of the People's Republics is a matter to be debated elsewhere. The important factor to consider for the purpose of this analysis is that their ability to mobilize and use the threat of secession served as an effective bargaining chip with the center, and posed a legitimate threat. As such, this group was well positioned in the crucial stages of the conflict development to shape the trajectory of outcomes when their vested interests were threatened. A more in-depth discussion of this industry and its beneficiaries will follow in the qualitative chapters of this dissertation. In the meantime, the discussion turns to examining the second sector of interest in this work which is found to have the opposite effect on the timing and the likelihood of the rebellion, the agriculture-food industry.

### 4.3. Agriculture and Food

The second part of the main hypothesis concerns the effect of oligarchs in the agriculture and food industry. The results presented earlier in Table 4, Model 4 offer support to the prediction that municipalities where interests of the business elites were vested in the agriculture-food sector were the least likely to experience instances of separatist rebellion on any given day. As will be demonstrated in this section, there is a noticeable difference between the preferences of elites in this sector and how they stood to benefit from the incoming regime and a closer integration with Europe, compared with those vested in the mining industry.

As a whole, the agricultural sector is another important component of Ukraine's economy and employment. Ukraine was known as the breadbasket of the Soviet Union, and proudly remains a major crop producer for the world market today. The country has over 32 million hectares or 56.1

percent of arable land - the second highest percentage in Europe - which is equivalent to roughly one third of the arable land in the entire European Union (FAOSTAT, 2012). Furthermore, Ukraine holds invaluable access to the Black Sea and possesses 25 percent of the world's '*chernozem*', fertile black soil, which further adds to its agricultural potential and makes this country attractive to agricultural producers and investors. Combined, these assets make Ukraine one of three world leaders (after the US and the EU) in exports of certain types of grain and industrial crops. Wheat and barley constitute the highest agricultural exporting products. For example, in 2012 Ukraine produced 5.2 percent of world's barley, 2.3 percent of wheat, and 23.5 percent of sunflower oil making it one of the global leaders in the agriculture-food exporting sector (OECD 2015). The country is one of few in the world with a significant export potential, and potential to play an important role in ensuring food security in the world (RazumkovCenter 2017, Rachkevych 2012). Given these statistics, it is unsurprising that agriculture has traditionally been one of the most crucial sectors in the Ukrainian economy. For example, in 2012 it accounted for about 8.2 percent of the total GDP, 14.5 percent of exports, and approximately 17 percent of the total employment (OECD 2015). It is also, therefore, probably not surprising that the sector attracted private businessmen keen to establish their monopoly.

In the early 2000s, foreign investors and domestic oligarchs started accumulating the former collective land. Large-scale agricultural tycoons rented land from the rural population who remained *de jure* the official landowners due to a moratorium on land sales in Ukraine. Specifically, transition from public to private ownership during the 1990s allowed land to be formally distributed to those who were working on the collective and state farms, receiving an average of 4 ha each. In December 1999, the adoption of a presidential decree officially gave 7 million rural habitants the right to lease this land. Initially, the vast majority of the recipients of the land entitlements under the program were either retired or approaching retirement. There were also individuals who simply did not have the resources, or the need, to transform their newly acquired land plots into large-scale agricultural

enterprises (Mamonova 2015). This arrangement set the stage for land-grabbing by the emerging privately-owned 'agro-holdings.'

Under the Soviet Union, most Ukrainian towns had one or even two large agricultural enterprises (collective or state farms) with at least 1,000–1,500 employees. Thus, the newly established mega farm enterprises, which established monopoly holdings from the leasing of land, were a natural extension from the former collective farmland. They also took over some of their predecessors' social functions and maintained a relationship with the rural households (Mamonova 2015). Specifically, the relationship allowed farmers to receive farm inputs and output from large farms at lower prices, or even take some 'for free', as was commonly practiced in the Soviet era (Kuns, Visser and Wästfelt 2016). Just as with the mining sector, the socialist legacy largely influenced the societal acceptance of large-scale agricultural development in Ukraine. Farmers accepted the newly established large agricultural enterprises "as successors of collectives and expressed strong nostalgia about the Soviet past" (Mamonova 2015).

Most of the rural residents in these towns have private housing and live off subsistence farming, while others earn their daily bread from farming businesses or agricultural firms, which usually belong to large agricultural holdings. Massive private farms, or corporate farms, are commercially oriented large holdings and are by far the largest and most influential operating actor in this sector. Known in the literature as, 'agro-holdings,' these enterprises are comprised of joint-stock or limited liability companies and private enterprises managed by individuals with privately owned assets. Collectively, these organizations account for approximately 60 percent of agricultural land (OECD 2015), and account for 42.3 percent of the share in the GDP, against 5 percent for farmers (Ministry of Agriculture, 2012). Agro-holdings is a term that is used in the literature to describe "a group of legally independent and/or dependent of each other agricultural, processing and/or service providing organizations whose largest charter capital stock belongs to one legal or physical entity responsible for managing and organizing the group" (Matyukha 2017, 40). Similar to other sectors,

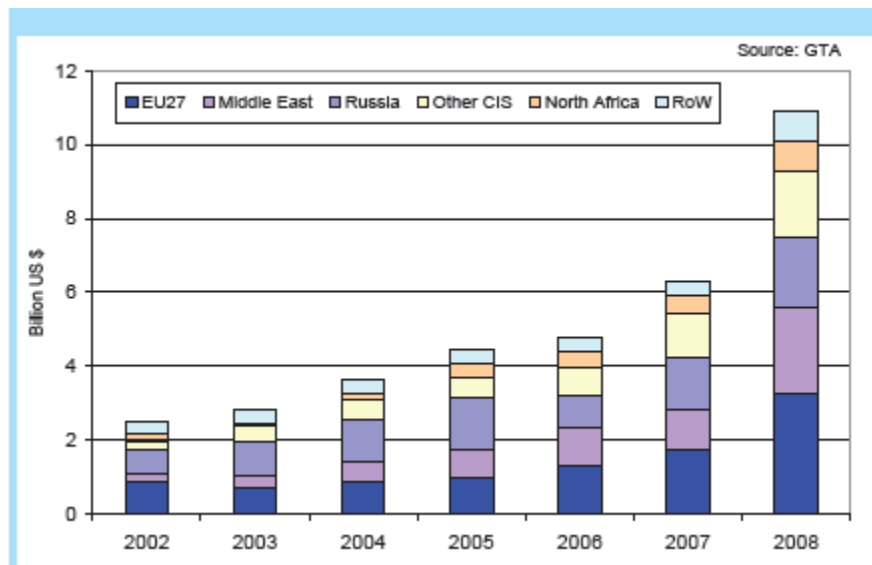
agro-holdings own the entire chain of production starting from, for example, ownership of a poultry farm to then meat packing factory, logistics unit, the wholesale trading house, a wholesale and retail chain, etc. Thus, agriculture and food holding tycoons, much like those in the industrial and energy sector described earlier, have integrated their businesses horizontally and vertically in order to control the whole value chain of production. As these agricultural holdings expand, the concentration and control of land also rises correspondingly and is held by a few domestic owners. For example, one of the major Ukrainian 'agro-entrepreneurs', a Kharkiv based billionaire, Oleg Bakhmatyuk, owner of UkrLandFarming exemplifies the trend of companies interested in buying up all aspects of the food supply chain. UkrLandFarming is Ukraine's current largest agricultural holding, controlling over 500,000 ha of land. As of 2011, the company was thought to include: 65,000 cattle, 23 million poultry, 18 meat processing plants, six seed plants, six sugar factories, four silos, three grain elevators, three sow farms, six feed milling plants, and three long-term egg storage facilities (2011). By 2013, UkrLandFarming was the largest land bank in all of Ukraine, with more than 670,000 ha total of land (Ukrainian Grain Association 2013). Avangard, one of the world's largest producers of eggs and egg products, also falls under the corporate structure of UkrLandFarming. The company is formally registered in Cyprus, Ukraine's biggest tax haven (Parusinski 2012). The corporate structure of the company is visually presented in Appendix 2.

Just as in other major economic sectors, the monopoly of agricultural food sector allowed these agro-holding companies to concentrate their lobbying and mobilizing power in one, or a small handful of entities. Though in some sense their presence allows farmers to have at least some income derived from rent, in reality they become further marginalized and ever more dependent on the oligarchs that own them (Kulinich 2014). Thus, despite the fact that the mechanisms through which agricultural enterprises were able to control the workers do not differ much from those of the tycoons in the heavy industry sector, their economic interests and connection to the Yanukovych's regime clearly did. Partly, this is evident by the continued trend towards increasing the concentration

of agricultural land after Yanukovych's removal, which signals that their growth was likely not as dependent on Yanukovych himself, something that was not equally evident for the other business groups as demonstrated in the previous discussion. For example, the previously mentioned nationwide Kharkiv-based agro-holding *UkrLandFarming* continued to prosper in the aftermath of the Euromaidan and increased the size of its the farmland by 162 thousand ha (31.9%) in 2016, compared to 2013. The second place was occupied by Verevsky, whose *Kernel Group* in the same period increased its land by 75 thousand ha (22.7%). Originally from a neighboring Poltava oblast, a vertical agro-holding, Kernel Group, specializes in producing and exporting sunflower oil and grain with agricultural assets situated mainly in the Poltava and Kharkiv oblasts, both oblasts are priority farmlands for agricultural holdings, where 6 out of top 10 major companies have their land banks (Gorb, Greblikait and Yasnolob 2018).

Aside from continued advancement of their economic interest in the aftermath of Yanukovych's removal in a form of continued land acquisition, the difference in the potential for success of this economic group, which made them less dependent on Yanukovych himself, can be detected when one examines the export potential of the goods in this sector. First, regardless of the geographic direction of exports, agricultural products are likely to be much less vulnerable than the heavy industry sector as they have greater export potential to a broader range of markets due to the continued demand for goods such as grain on the global market. Second, the importance of the EU market, in particular, is crucial for those with vested interests in the agricultural sector given that the EU-27 became the main destination of Ukraine's agriculture-food exports from 2006 (Graph 1) and by 2008 its share had reached 30 percent. In contrast, Russia's share has declined from 34 percent in 2003 to 17 percent in 2008 (2009). The EU is Ukraine's biggest trade partner in agriculture, and this was set to continue with the proposed signing of the EU Association agreement in 2013. Thus, those with vested interests in this sector had more reasons to be optimistic about the future in the aftermath of Yanukovych's removal and less incentive to mobilize against the incoming regime.

Graph 1: Ukraine's Agricultural Exports by Destination



Source: Global Trade Atlas (GTA)

The export oriented nature of the large 'agro-holdings' should therefore automatically make them more sympathetic to the European market given that it is the largest consumer. Employees in the agriculture-food sector were also no less vulnerable to the political-economic orientation of their employers than those in the heavy industry sector. As mentioned earlier, the sale of farmland in Ukraine is not permitted. Rural populations engage in long-term leasing of the land to large agricultural enterprises in exchange for rent. Many rural dwellers, who often struggle to make ends meet, are thus beholden by this arrangement as it at least provides some monetary and in-kind payments for land. Big businesses, in turn, benefit as the leased land is considerably cheap yet enables them to build large business empires. The rural dwellers are not able to operate and compete on the same level as large agricultural holdings, which instead became an attractive employer to many of the individuals in the regions. These enterprises tend to offer better wages than alternative agricultural establishments (Mamonova 2015). Thus, as large employers in the towns where they

operate, this sector plays an important role in the lives of the populations.<sup>41</sup> For example, wage work is estimated to account for 41 percent of the rural family income, with often at least one family member employed by a large agricultural enterprise (FAO Farm Survey 2005). For rural dwellers, employment in these enterprises provides some family income, as well as allows ownership of farmland, which they can rent out.

According to Mamonova (2015) during her fieldwork and interviews of Ukrainian farmers, in some small ways this structure of formal land ownership allows Ukrainian farmers to bargain with agro-holdings. Farmers can, for example, exert a bit more pressure on the owners of agricultural enterprises to provide social benefits and other community development projects, when the *de jure* ownership of the land is technically concentrated in their hands. How much this matters in practice is up for debate, as the leases that the companies often operate on last for a up to fifty years, and, as admitted by the author in the same study, there are plenty of cases where large agricultural holdings come to acquire the land illegally through various leasing schemes, and sometimes fraudulent purchases (Mamonova 2015). The result is a phenomenon known as “land-grabbing” that occurs when oligarch owned large-scale agricultural businesses strip rural inhabitants off their farmland without resistance from the latter. Currently about 60 percent of farmland is concentrated in the hands of a powerful economic group (Mamonova 2015). The lack of protest from the rural population to such developments can historically be explained by 70 years of socialism, during which expressions of disagreement with the government could lead to being deported to work in the Gulag labor camp. In addition, the countryside is generally less densely populated, making organization of

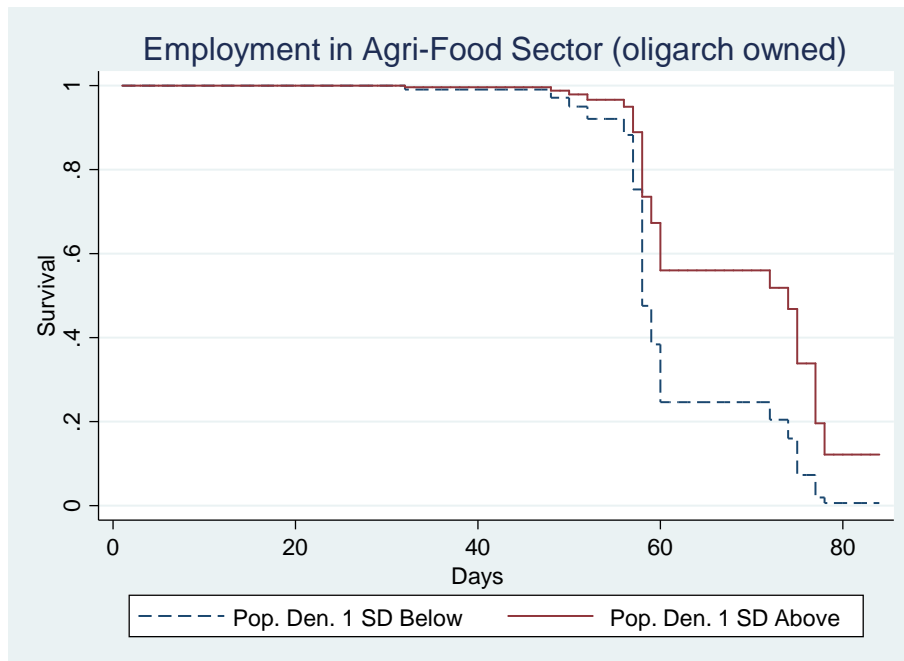
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<sup>41</sup> Other than through employment, which is the primary way through which employers have the power to shape and influence the lives of citizens, large companies also play an important role in the lives of local populations, not only as employers, but also a provider of social services. For example, large corporations frequently pursue corporate citizenship programs, which allow them to gain the sympathies of the local population; this, in turn, ensures their control over farmlands, for example (Mamonova, Resistance or adaptation? Ukrainian peasants’ responses to large-scale land acquisitions 2015). Through both of these channels owners of large enterprises come to play an invaluable role in the lives of the locals, which then makes employees an important representative of their interests and an easy source to mobilize.

this group more difficult, and has experienced an outward migration of young and active residents who move to urban areas leaving behind the older population.

Nevertheless, the dissertation first argues that historically rooted explanations are too bold and high-level, meaning that they do not adequately explain the sub-regional variation of the timing of the rebellion. Second, to account for the fact that rural areas tend to be much less densely populated, the present study created the interaction effect in Model 4, between employment in oligarch-owned agricultural enterprises and population density. Figure 2 below provides a visual representation of the results presented in Model 4. The graph captures the effect of employment in a large-scale agricultural sector when population density is one standard deviation below and one standard deviation above the mean.

**Figure 2: Employment in Oligarch-owned Agriculture-Food**



The interaction effect between population density and employment in an oligarch owned 'agro-holding' demonstrates that holding the level of employment at its mean, an increase in population density diminishes the likelihood of a separatist rebellion on any given day. Specifically, when population density is one standard deviation above the mean, the likelihood of a municipality remaining a part of Ukraine is at approximately 58 percent on day 60 when employment is held at its mean. As the analysis in this dissertation suggests, one of the main reasons for the continued lack of rebellion from this group, even when population density is accounted for, has to do with the vested interests of those connected to this sector, which made a rebellion against the incoming regime a less appealing option. In fact, the incoming president, Petro Poroshenko, himself had vested interests in the agriculture-food business. To highlight the importance of this sector, the new administration quickly acknowledged the importance of this industry and its promising future in a 2014 program of action, in its section "Ukraine: Strategies and Challenges", which specifies that grain is Ukraine's oil and gas (Ukraine's Top 100 State Owned Enterprises 2013). The analytical approach which has proven useful for exploring influence mechanisms utilized by Ukrainian oligarchs in other sectors therefore remain applicable in the agricultural context.

Overall, the empirical results have demonstrated that municipalities that have a greater concentration of oligarch-controlled employment in the agriculture-food sector, were less likely to experience separatist rebellion, or be among the last to do so. These results are consistent with the trend captured by Forbes Ukraine, which noted that there has been a noticeable shift in the power of the economic elites, the point that this dissertation attempts to demonstrate empirically - an endeavor which has not been attempted to date, to the author's best knowledge. Specifically, Forbes estimated that the business elites linked primarily to the gas and steel industries have been losing their wealth faster than the agrarian tycoons, which is no doubt a reflection of the changes at the executive leadership level (Forbes Ukraine 2016). Even more telling perhaps is the fact that the man that went on to become President, Petro Poroshenko, experienced an increase in profit from his

agricultural holding “Ukrprominvest-Agro” and his confectionary corporation Roshen. A rise in net income was also enjoyed by the agro-holdings “Nibulon” (Oleksii Vadaturskyi), “Kernel” (Andryi Verevskyi), and “Astarta” (Viktor Ivanchik). It therefore seems logical to explore the backgrounds and interests of these increasingly important actors and their impact on mobilization as will be done in greater detail in the upcoming qualitative section. Nevertheless, the discussion so far demonstrated that actors with vested interests in this sector were less dependent on the former regime for the advancement of their interests, and were unlikely to be harmed by closer integration with the European Union.

In fact, domestic agricultural tycoons had already recognized the benefits of western assistance and were quick to accept international support. There certainly has been no shortage of international projects aimed at building up and modernizing Ukraine’s agricultural sector. Of the European financial organizations, the European Bank for Reconstruction and Development (EBRD) is by far largest investor in the development of this sector (EBRD 2014), and finances mostly private businesses, with a total of 63 projects in the agricultural sector to date. Among the well-known companies financed by this organization are Astrata, Nibulon, and Kernell, all of which are owned by agricultural oligarchs, who operate across municipalities in Kharkiv. Such investments from the European Union based institutions serve as a powerful indicator of the international community’s recognition that the Ukrainian agricultural sector may be the future of the country’s economy, and further demonstrate the transferability of this sector to different markets. Thus, neither farmers’ prospects for employment, nor the economic interests of the large ‘agro-holdings’ appear to have been negatively affected by the closer integration with the European Union as the large ‘agro-holdings’ continued to position themselves closer and closer with western financial institutions seeking to further develop this sector. These factors worked together to diminish the incentive of the agro-food oligarchs to mobilize against the incoming regime and threaten secession. Unlike their neighbors primarily across parts of Donetsk and Luhansk, economic elites in Kharkiv, stood to benefit

from the changing political tide. As a result, the change of executive leadership crisis in Kyiv caused by the Euromaidan did not have the same effect on the interests of those with the vested interests in the agricultural sector than those clinging onto the industries that were much more dependent on their personal ties to the former regime.

Despite the fact that employees in the agriculture-food sector were equally as dependent on their employers as those in the heavy industry sector, the direction of their preferences therefore varied. As a result, the timing and the ultimate outcome of the separatist rebellion differed in municipalities depending on the composition of local employment concentrated in the hands of those who either stood to gain or to lose from Yanukovych's downfall. Weaker connection to the former regime and monopoly in a sector that was better positioned to compete on the global market, likely considerably lowered the appeal of these elites to rebel and create a threat of secession.

#### 4.4. Conclusion

This chapter empirically tested the effect of the main explanatory variable, oligarch-owned employment, in two economic sectors that were expected to produce different results, mining and agriculture-food. The findings support the main hypothesis that municipalities with more oligarch-owned employment in the mining sector were more likely to experience the separatist rebellion earlier in the crisis period. In contrast, the agriculture-food sector produced the opposite effect and were in general less likely to experience instances of the rebellion. These findings ultimately highlight the importance of economic interests of powerful regional elites in shaping trajectories of the conflict in its early stages.

Recognizing the importance of these groups and their preferences is crucial. The outcome of a separatist rebellion was not inevitable within any one of these regions all of which are broadly similar in their demographic composition, political preferences, and geographic positioning,

variables for which this study controls. While the study recognizes the important contribution of other branches of literature discussed at length in the second chapter, the main contribution made here is that the chapter sheds light on previously unexplored factor, the preferences of economic elite. In particular, the results in this chapter have demonstrated that oligarchs are able to translate their control over local economies into mobilization to either protect or advance their economic interests. Findings in this chapter, contribute to the body of literature on *employment mobilization* theory, in particular they resemble the work of Mares and Zhu (2015). The employment mobilization theory is also particularly relevant here considering the importance of a workplace to the average Soviet citizen highlighted in the post-Soviet economy literature. Chapter 5 will explain in greater detail the particular elements of the Soviet working culture such as the influence of enterprise directors at a workplace which embedded in the country a legacy of a power hierarchy between laborers and enterprise owners. As such the arguments here further position themselves among classic works on industrial administration in the Soviet Union that describe the relationship between worker and director as one of dependence (Berliner 1957, Puffer and Braithwaite 2016, Clarke, et al. 1993, Ashwin and Clarke 2002).

The chapter has furthermore highlighted how depending on which economic sector a group occupied, made that economic group either more, or less likely to be inclined to channel their efforts towards preserving Yanukovich's power structure. In some ways the argument broadly parallels that of Robertson (2007), which argues that regions that have poor political relations with the center, and few other bargaining resources, will seek to mobilize workers to pressure the center for transfers (Robertson 2007, 783). While it is true according to the arguments presented in this chapter – and ones that will be presented in chapter 6 - that agricultural oligarchs were not always on the friendliest of terms with the political elites connected to the Party of Regions, they also have not previously used their mobilizational capacity to protest against these political elites either. Instead, as will be demonstrated they more-or-less cooperated with the political elites in order to ensure a continuation

of their business operations. The oligarchs in Kharkiv could, therefore, be said to have been more opportunistic because the economic sector which they came to dominate allowed them this flexibility. In other words, although they did not particularly benefit under the former regime, their business had prospects to grow regardless. For example, despite the negative impact that the pivot away from the Russian market had on the agricultural oligarchs, they nevertheless did not oppose a change in political direction and were able to adjust and refocus their business on other markets. In this regard, we can see that their motivations were shaped by other considerations than simply by the famous “greed - grievance” argument proposed by Collier and Hoeffler (Collier and Hoeffler, *Greed and Grievance in Civil War* 2004).

On the other hand, oligarchs who occupied mining and the heavy industry sectors appear to have been less flexible during the change in the executive power. Specifically, their business interests were threatened by the requirements for European integration, which made them more inclined to support the political status-quo in order to ensure their continued ability to benefit from the sector under conditions that required more opacity instead of transparency required by the European standards. To that end the findings pertaining to this particular economic group fit into a set of literature which argues that oligarchs are inclined to take a political stance and use their resources to either oppose or support the new regime depending on whether the change in the ruling elite will endanger their wealth (Matuszak 2012, Shlapentokh 2004, Zudin 2000, Radnitz 2012). Ultimately, the dissertation hopes to establish a better understanding of business elites’ preferences and their effect on political outcomes (in this case a separatist rebellion) in post-Soviet Ukraine. Having established a statistical relationship between the timing of rebellion and oligarch-owned employment across the main economic sectors, the following chapters will examine in detail the mechanisms which made this mobilization possible.

## **Chapter 5: Trade Unions as vessels of mobilisation in the mining industry**

The previous chapter established that there appears to be a statistical relationship between employment in coal mining and the timing of the rebellion. Specifically, the relationship demonstrates that there appears to be a connection between employment in privately owned mines and the timing of separatist rebellion across the municipalities of interest. This chapter will explore the role of coal workers in these protests in greater detail, and it examines the relationship between workers and the owners of coal mines. It will examine ways in which coal workers, have traditionally been mobilized for collective action primarily from the top, such as by the local trade unions (Crowley 1995). In particular, I will examine trade unions as a vehicle of mobilization, as they are known to have often served as an important intermediary between powerful elite groups and the workplace in the past. As discussed throughout this dissertation, local economic business elites are demonstrated to have historically been important players in using their resources to shape the outcome of political developments within their regions. However, as also explained throughout this research, oligarchs, especially those directly connected to Yanukovych and the Party of Regions in the lead up to the crisis, appeared to be more hesitant in publicly supporting separatism given the highly controversial nature of the topic. In contrast, those oligarchs who supported Ukraine's territorial integrity were less inclined to disguise their position and therefore the availability of evidence to support their stance is much greater. Nevertheless, as has also been highlighted at various points throughout this chapter and in chapter 6, different actors varied in how much they revealed concerning their position on the separatist issue at the onset of the crisis. This was generally the most common case in Donetsk and Luhansk. For example, Oleksandr Yefremov publicly expressed support for anti-Euromaidan protests and was therefore more visibly supportive of this movement. On the other hand, others such as Rinat

Akhmetov were more publicly discreet, though nevertheless at times openly sympathetic, and instead are argued to have relied much more on other regional actors for mobilization, such as trade unions. In other words, chapter 5 presents evidence to support the argument that oligarchs in the heavy industry and extractive sector in the Donbas allowed for mobilization of anti-Euromaidan demonstrations at the inception of the crisis largely through other actors that were directly under their control such as trade unions and directors of the enterprises that they owned. However, it should also be clarified that even in the absence of direct comments from these elites expressing support for the separatist developments, their “silence” or occasional appearance of passivity is equally argued to be reflective of their initial preferences during that time frame. Most importantly, this is deemed to be the case because, as established so far, these regional elites had vast amount of power over virtually all aspects of regional life including workers, local politicians, and local law enforcement, which made their inaction to stop the initial mobilization from gaining momentum telling in and of itself. As pointed out earlier as well, at the very least, the Donbas elites at various points expressed understanding and sympathy towards to demonstrators.

To that end, the chapter will first examine the existing literature on the role of trade unions and worker mobilization in the post-Soviet space. Second, the chapter will describe the different trade unions in this sector. In particular the discussion will focus on the two main trade unions in modern-day Ukraine: the Federation of Trade Unions of Ukraine (FPU), and the Confederation of the Free Trade Unions of Ukraine (KVPU). Regarding the coal mining industry in particular, the discussion will focus on the Miners’ Trade Union of Ukraine (PPVP), which falls under FPU’s umbrella, and the the Independent Miners’ Union (NPGU), which belongs to the KVPU, an alternative, independent trade union. Lastly, the chapter will introduce several short case studies to illustrate the relationship between these actors more clearly.

## 5.1. Trade Unions and Labor Mobilization in the Post-Soviet Space

The last chapter argued that the varying economic preferences of large business groups occupying different sectors of the economy with different connection to the Yanukovich regime were among the strongest driving forces shaping variation in protests at the municipal level. As such, the nature of ownership over enterprises is argued to have mattered in the outcome of the protest events. Specifically, regional business groups are argued to have exerted their influence and shaped the trajectory of protests in the initial stages of the rebellion not only via their vast economic power, but also through their influence over the local labor market, and various connections to the managers of local enterprises and trade unions. In this way, the argument establishes a hierarchical relationship between employers and employees. More explicitly, because of their position of dominance, the former can shape the behavior of the latter, which otherwise lacks structure and independent will to organize. This passivity of workers can generally be understood through the prism of dependence on the hierarchical Soviet system of labor relations, and its seventy years of repression of any autonomous action from workers. In the post-Soviet space, a sense of hierarchy has not changed as the constant threat of unemployment has made workers, especially miners, heavily dependent on enterprises. As a result, the role of organized labor as an independent force in this part of the world remains marginalized (Kubicek 2002, V. Zhukov 2011). Additionally, as has also been discussed so far throughout this dissertation, economic elites also relied on trade union leaders to mobilize workers, which at various points throughout Ukraine's history were deployed as a force to pressure Kyiv. As explained in Chapter 2, trade unions in the post-Soviet space differ significantly from those in places such as western Europe, for example. In addition to the discussed literature on this set of actors across countries in the former Soviet Union, further recent research on the topic specifically in relation to trade unions in Ukraine also highlights the rather inevitable nature of these organizations operating in a top down fashion given that from their very inception they were subject

to strict party control and exploited to serve political ends (Potichnyj 2019). This dynamic largely continued in the aftermath of the collapse of the Soviet Union and the start of privatization which ultimately gave rise to oligarchy, with the new owners of large-scale enterprises ultimately using trade unions to advance their interests, as demonstrated throughout this research and previous academic research on the topic (Gorbach 2019).

Furthermore, even though a conflict of interest should exist between trade unions and bosses of enterprises, there nevertheless persists a history of cooperation and between the two actors given the previously described Soviet legacy and shared interests, whereby bosses and workers previously cooperated in order to maximize resources for their respective sector (R. Clarke 2016, I. Olimpieva 2011). Moreover, Olimpieva (2011) also emphasizes that "traditional Soviet-legacy labor unions follow the ideology of 'social partnership,' stressing the commonality of interests among employees and employers" (I. Olimpieva 2011, 2). However, there was also a degree of subjugation as illustrated by an example from *Pokrovska* mine (formerly *Krasnoarminska-Zapadna No.1*) which belongs to an oligarch, Viktor Nusenkis. The mine is one of the largest privately-owned mines in the Donbas. According to the latest available figures from 2010 the enterprise reportedly mined more than 4.5 million tons of coal that year and employed over eight thousand miners. The vulnerability of this enterprise's workers to the demands of their employers and the lack of representation from the main trade union operating at this mine, PPVP, is reflected in a statement from a miner's wife, Olga after her husband, Viktor, was injured at work. Speaking to *Radio Free Europe*, a news-source, Olga said that when her husband was injured, a large sum was deducted from his salary,

"He injured his leg. He went to work whilst sick, but eventually the pain became unbearable and he went on sick-leave [...] In the end he received three thousand less."

Other employees from the same enterprise have also expressed their concerns over the ease with which owners of private enterprises can fire them. Moreover, unions, whose responsibility it should be to represent workers such as Viktor, have not done much to properly defend their interests and stand up to the employers (Yarmoshchuk 2012). Incidents such as the one reported by Olga are abundant among this group. Deputy Director of the Independent Miners' Union (NPGU), Anatoliy Akomochkin, also shared this concern, stating that "State-owned enterprises are more liberal in this regard [sick-leave], whereas private owners operate differently" (Yarmoshchuk 2012). Thus, job security and the ease with which private enterprises can fire employees often puts workers and their families at the mercy of these enterprises and further reinforces the dependence of employees on the employers.

Examples such as the one presented above highlight the importance of post-communist political economy in Russia and Ukraine and help to explain the weakness of organized labor as an independent force, which stems not only from its previously "subservient role, but also because economic reform in these states has hampered trade union development" (Kubicek 2002, 604). As such, rather than becoming an independent force and a representative of workers' rights, trade unions have either mostly failed to achieve any meaningful change, or, worse still, became vessels through which more powerful elites were able to channel their influence. Through this prism, the chapter builds on the work of other scholars that have also questioned the degree of independence of trade unions from politics and big business interests. For example, in the case of Russia, Markus (2007) points out that labor was generally not organized and therefore did not present much of a threat to employers. Moreover, Olimpieva (2011) also highlights that the dominance of the "distributive system" in the post-Soviet space, which is based on cooperation between the employer and union [...] signifies the preservation of the strength of management in labor relations" (I. Olimpieva 2011, 2). As such, the situation lends itself well to unions being used by powerful elites as vehicle of mobilization and yet another way to advance their interests. This way, certain elites gain

leverage and are able to further bring the state under their sphere of influence, or at least make it listen to their demands.

The effects of privatization in the 1990s contributed to the described dynamic of cooperation rather than tension between trade unions and enterprise directors. Indeed, negative effects of privatization such as “massive corruption” have been highlighted in academic literature in the past (Kubicek 2002, 611). Furthermore, privatization enabled the continuity of cooperation between trade union leaders and owners of large business enterprises as they often began to lobby together for their sector’s interests. This is largely the case because many of the privatized enterprises still need and rely on state protection from foreign competition, for example, thus leading unions and business owners to lobby together (Kubicek 2002). Therefore, it is not uncommon, for example, for workers to be mobilized in support of the enterprise owners and existing management as they fear dismissal or replacement by new owners (Kubicek 2002). Eventually, this “joint action with the directors ends up with the factual loss of independence” as unions lose sight of workers’ interests and become a tool of management, both in political lobbying and in ensuring discipline and worker acquiescence on the shop floor (Gordon 1995).

This close cooperation with the management generally leads to a lack of trust from the employees towards the union leaders. This general distrust has already been highlighted in various surveys and scholarship alike. In Russia, for example, workers do not believe that unions represent the interests of the workforce, but rather those of the management, the oligarchs, and the state (Clarke, et al. 1993). Surveys from Ukraine also highlight a general feeling of disenchantment with and distrust towards trade unions. Kubicek further discusses the role of trade unions in post-Soviet Russia, especially the dominant Federation of Independent Trade Unions of Russia (FNPR) and concludes that,

“the FNPR has also been unable – unwilling may be more accurate – to mobilize the bulk of its members to protest at economic conditions and policies that have been catastrophic to millions of workers. Much of the FNPR’s activity – in protests, lobbying and political campaigning – has been in concert with managers of enterprises and employers’ organizations, and this can cast doubt on how far the unions have succeeded in becoming a voice of *workers*” (Kubicek 2002, 608).

His findings are also echoed by (Clarke 2016), for example, who notes that “labor leaders were open to right-wing influences and in later times, to co-option into the political structures of the restored capitalism” (R. Clarke 2016, 541). As a result, trade unions as an institution were not to be trusted to remain completely free of the forces of corruption, or to pursue the interests of the workers as opposed to their own benefit. Furthermore, despite the general anti-oligarch sentiment among Ukraine’s population, this did not always mean that workers would disobey “*their oligarchs*”, a phenomenon that stems back to “Soviet-era clientelistic traditions [which] still led workers to identify with their enterprises and enterprise managements, and post-Soviet industrial struggles were often aimed at pressuring Kiev to grant concessions to Donbas employers” (R. Clarke 2016, 541).

The main two national-level trade unions in Ukraine are the FPU and the KVPU and are mainly distinguished by their political orientation. Within these two national-level unions the miners are represented by the Independent Miners’ Union (NPGU), and the Miners Trade Union of Ukraine (PPVP). As will be described in greater detail in the next sub-section, while the latter is based more on the traditional model and is generally associated with a close relationship with government, much like its parent organization the FPU, the former, the NPGU, is also vulnerable to influence by powerful financial groups and opposition political forces, despite its ‘independent’ title. As explained by Zhukov (V. Zhukov 2011):

“the Independent, or maybe a better word is alternative, trade union, stems from the nationwide miners’ strike in June 1989 over the workers’ dissatisfaction with their economic situation and unpaid wages. Many were also disenchanted with the fact that the traditional trade unions did not protect the interests of employees. These [independent] types of unions most importantly lack resources which means that they are often forced to seek alternative sources of funding either from political parties or other organization, which naturally puts them at risk of “falling into dependency on their new allies” (V. Zhukov 2011, 155).

The questionable degree of independence of trade unions from management is also raised by Varga (2013). The author highlights that it is important to understand the relationship between trade unions and management at the factory level since these organizations operate and have their roots in political economies that have placed them under the control of management rather workers.

Ultimately, the discussion so far demonstrates that there is a relationship between trade union leaders and enterprise managers, which is worth pursuing further, especially as it relates to the latter deploying unions' mobilizational capacity to protect or advance their interests. The relationship of dependency of industry workers on employers makes workers an easy target for mobilization. Trade unions have often been involved in the mobilization process and have close links to certain economic elites some of whom depend on the preservation of the status-quo. The argument, therefore, highlights the importance of the domestic variables and local conditions in this discussion, which is further consistent with academic work in this field. Specifically, Clarke (2016) points out that the group that was the most vocal in protesting consisted of “for the most, indigenous people – coal miners, clerks, drivers of buses, just ordinary people living there [Donbas] who feel threatened by the [post-Yanukovych] Ukrainian government” (R. Clarke 2016, 539). Another

supporting argument highlighting the importance of local conditions and original protestors in the Donbas is also demonstrated by Matveeva (2016). Research from local press sources demonstrates that trade unions were active in mobilizing workers in 2014 as well as in previous instances of mass mobilization. The discussion will now turn to a more detailed examination of the two trade unions, their origins, the political orientation of their leaders, their connections to the local labor market and various elite groups, as well as their involvement in previous episodes of mass protest.

## 5.2. Emergence and Political Allegiances of Ukraine's Unions

Despite their dense mobilizational networks, which make trade unions well equipped to defend workers in the transition to a market economy, the trade union movement in Russia and Ukraine never became as strong as it could. In large part this is an extension of the Soviet system where, from inception, trade unions' role was defined by Lenin as providing the 'trans-mission belt from the Communist Party to the masses', and as a 'school of communism in general' (Lenin 1970, 470). Furthermore, under Stalin unions were exploited by the state as an "instrument for the imposition of a rigorous labour discipline in the drive to increase production throughout the intensive exploitation of the working class" (Clarke, et al. 1993, 64). As such, trade unions represented workers' interests only so far as they did not conflict with the interests of the state. Furthermore, the traditional role of trade unions was more of a 'distributor'. In other words, rather than being protectors of employees' rights, trade unions instead served as a vessel for the delivery of benefits from the Party to the workers. As a result, these organisations had no experience of defending workers' rights, and in many ways they continue to act as an extension of powerful economic interests.

Although trade unions have evolved since the collapse of the Soviet Union, they still do not provide the means by which workers can express their interests independently (Clarke, et al. 1993). As a result, the system of labour relations remains hierarchical in nature and workers face serious

collective action problems. In Ukraine, trade unions gained more prominence during the early years of independence. However, instead of forming a united front and combining forces, the union movement split into two factions: the Federation of Trade Unions of Ukraine (FPU), which reflects more traditional Soviet labor relations, and the more “radical” Confederation of Free Trade Unions of Ukraine (KVPU), which – at least in the beginning – tried to break free of government control. Ultimately, as will be discussed in the course of this section, ideological differences, rivalry, and representation of their patrons’ interests prevented unions from providing a truly effective counterforce to oligarch domination and hindered their ability to serve as champions of workers’ rights. Meanwhile, their strong mobilizational capacity made them a useful tool for powerful oligarchic interests.

The collapse of the Soviet Union meant that, at least in theory, trade unions would undergo a transformation process. In Ukraine specifically the branch of the All Union Central Council of Trade Unions (AUCCTU), *Ukrprofrada*, existed as a monopolistic trade union association with a total membership of approximately 26 million. Members of this union were not only workers, but also ministry heads and employers. As such, from the very beginning the system shaped an understanding of unions as being part of the system and inclusive of the top management. Out of this structure, on October 6<sup>th</sup>, 1990, the present-day FPU became a successor to *Ukrprofrada* after the adoption of the declaration on the establishment of the Federation of Independent Trade Unions of Ukraine. In its attempt to break with the communist past, FPU’s new motto became the protection of the socio-economic rights and interests of Ukrainian citizens (Federation of Trade Unions of Ukraine 2002: 574). The actual process of restructuring the union, however, was haphazard and lacked direction. Furthermore, given that the FPU was a legal successor of the *Ukrprofrada*, all of the fixed assets and property previously given to *Ukrprofrada* by the Soviet state were transferred to the new organization. It is estimated, for example, that the total amount of the assets that were transferred

amounted to approximately 3 billion U.S. dollars, therefore making FPU one of the richest collective property owners in the country (Budzan 2002; Shangina 2001).

Furthermore, given that the Federation of Trade Unions of Ukraine essentially emerged from the AUCCTU, much of the latter's membership base was transferred to this new organization making it the largest trade union in the country. For example, of over 500 registered trade unions in 2011, a quarter of which have national status, nearly 90 percent of their membership belongs to the FPU. This translates to nearly eight million members, making the FPU the largest trade union in terms of membership. The close alliance between the leadership of this union and the political leadership of the country has often led unions under the FPU's umbrella to be branded as "official" (Karpinsky 2001).

Alongside the FPU, a rival trade union was simultaneously emerging on the scene, the Confederation of the Free Trade Unions of Ukraine (KVPU). Traditionally, this organization positioned itself as independent of government influence and was based purely on the principles of the protection of workers' rights. Unlike traditional unions, most of the independent unions excluded members of the administrative and managerial apparatus from their membership base. Compared with more traditional unions, the independent unions were also much weaker – in large part because at least in the beginning they were significantly much less well endowed, both in terms of membership and property. Although public information on membership is difficult to find, in the case of Russia, for example, "none of the independent unions or local workers' committees has more than a handful of members" (Clarke, et al. 1993, 98). The membership of independent unions in Ukraine is also generally known to be much smaller. Furthermore, as the author of this dissertation has found out first-hand for herself while investigating the precise membership numbers, independent unions do not have a transparent membership registration system available to the public. Several phone calls and emails to the trade union leadership requesting the most basic numerical data of membership across municipalities did not yield any results. This struggle also echoes Clarke's

findings in the case of Russia which emphasizes that “membership claims have to be taken with a large pinch of salt” due to the lack of transparency in the registration system (Clarke, et al. 1993, 99).

**Table 1:** Trade Union Membership in Ukraine, 2012

Name	Membership	Affiliates
Federation of Trade Unions of Ukraine – FPU	7,800,000 (1.1.2013)	43 all-Ukrainian Branch unions, including: <ul style="list-style-type: none"> <li>• 498,700: Mining &amp; Metallurgy (1.1.2013)</li> <li>• 319,700: Coal mining (1.1.2013)</li> <li>• 1,960,200: Education &amp; Science (1.1.2013)</li> <li>• 1,072,000: Health (1.1.2013)</li> </ul>
Federation of Transport Trade Unions – FTTUU	735,242 (21.9.2011)	Eight all-Ukrainian branch unions of which four also affiliated to FPU: <ul style="list-style-type: none"> <li>• 495,800: Railway Union (31.12.2012)</li> </ul>
Confederation of Free Trade Unions – KVPU	181,600 (1.1.2012)	10 all-Ukrainian branch unions: <ul style="list-style-type: none"> <li>• Mining/Railways/Transport</li> <li>• Education/Health</li> </ul>
Association of Autonomous Trade Unions – AATUU	204,124 (27.4.2012)	Eight all-Ukrainian branch unions: <ul style="list-style-type: none"> <li>• Transport/Food &amp; Processing Industries</li> <li>• Science/Military</li> </ul>
All-Ukrainian Trade Union and Trade Union Association »Unity«	153,562 (20.4.2012)	Four all-Ukrainian branch unions <ul style="list-style-type: none"> <li>• Police/Prison</li> <li>• Energy Sector/Seafarers</li> </ul>
Others	1 million (estimate)	
Total	9,5–10 million (estimate)	

**Source:** (Traub-Merz and Pringle 2018)

As reflected in the table above, only five federations since 2012 have a membership base of at least 150,000 members or more. Of these federations, the largest by far is the FPU, claiming close to eight million workers, while KVPU is composed of less than 200,000 members across the country. Miners represent the largest group within both of these organizations, and have been a crucial force capable of shaping social and political outcomes in their respective areas (Volynets 2015: 117–118).

The miners' branch of the independent union, NGPU, emerged out of miners' strikes of the early 1990s. In 1991 the strikes combined both economic and political dimensions. The Donbas Workers' Committee linked political issues to economic demands, although "the fundamental question is whether the leaders of the Workers' Committees represented the views of the miners in this regard, or whether they were functioning in the best Bolshevik tradition of harnessing the workers' economic demands to their own political aspirations" (Clarke, et al. 1993, 104). Nevertheless, the strike served as convenient springboards for the political careers of many union leaders. Thus, due to the nature of its origin, the union appeared independent from the ruling system and its legitimacy was based purely on the scale of its collective action. As mentioned above, this was partly due to its membership base, which, unlike the FPU, excluded state officials or managers of enterprises. Additionally, unlike the traditional union, which acquired a great deal of resources from the previous system, the independent union had to rely primarily on membership fees, charitable donations and other external sources of funding to finance their activities (Nezalezhna Profspilka Hirnykiv Ukrayiny 2003, Volynets 2015).

This framework was meant to be better suited for representing members' interests, as well as more conducive to transforming the union into the classic European model whereby unions acted as protectors of their members' interests against their employers, as opposed to ruling over them in conjunction with management. In practice, however, the lack of resources and internal cohesion quickly lent this organization to become susceptible to outside influence from opposition political parties and elite groups, who were rivals to the Donbas elites. The union's leadership formally aligned itself with an opposition political bloc when its leader, Myhaylo Volynets, became an MP representing Block of Yulia Tymoshenko. Moreover, historically, Volynets, has also at various points cooperated with other powerful oligarchs in Donetsk, such as in the early 1990s, highlighting connections and potential conflicts of interest in his role as a trade union leader. Local media reports on the topic, for example, demonstrate that Volynets has previously used his influence as a trade union leader to

mobilize miners in order to pressure Kyiv for a change in political leadership in the 1990s on behalf of powerful groups in the region (GalInfo 2020). More specifically, Yuhym Zvyagislky, who as will be demonstrated in greater detail below, was an important figure and owner of several mining enterprises in Donetsk. Volynets is reported to have mobilized mass protests of miners in order to press for Zvyagislky to become prime minister of Ukraine, a position which Zvyagislky went on to briefly occupy in the autumn of 1993 until the summer of 1994. Zvyagislky is a well-known figure in Donetsk, having not only served as a member of parliament, but also the owner of one of the largest mines in Donetsk, Zasyadko mine, which employed approximately 9 thousand workers (EkonomichnaPravda 2007). The mine was previously a site of several large-scale accidents one of which in 2007 resulted in the deaths of nearly one hundred miners, which elicited harsh public criticism of the trade unions, who the public perceived did not do enough to fight for workers' rights and ensuring that oligarch-owned enterprises abide by the safety precautions and adequate compensation of workers' families (Korrespondent 2011). Additionally, former speaker of Ukraine's parliament, Oleksander Moroz, recalled that whenever Zvyagislky "sought anything, it was connected with the needs of [the Zasyadko Mine]," underlining the argument that oligarchs' interests are strongly shaped by their economic interests. Indeed, Zvyagislky, just like Akhmetov's business partner Novynsky, also voted in favor of "dictatorial laws" on 16 January 2014, which strongly highlights that the oligarch channeled his resources against Kyiv during the beginning stages of the crisis<sup>42</sup> (Lashchuk 2019).

Nevertheless, given some of the outlined differences in their origins and political allegiances of their leaders, the two trade unions have often found themselves in conflict with each other at times of political change. As will be described in the following subsections, changes of executive leadership and moments of crises have often seen leaders of these trade unions acting in opposition to one

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<sup>42</sup> Lastly, it is also reported that he was connected to Alexander Kalyussky, who was appointed as Deputy Prime Minister for Social Policy in the self-proclaimed Donetsk People's Republic (DPR).

another and representing opposing politico-economic groups. In 2014, for example, the FPU and the KVPU appear to have channeled their resources towards different outcomes during the bitter events of the Euromaidan and the subsequent separatist rebellion. As will be argued in the remainder of this chapter, this was largely due to the fact that their leaders represented opposing politico-economic groups.

### 5.3. Past instances of mobilization

As mentioned earlier, leaders of both trade unions formally represented opposing political-financial group in government, which implies that they were able and willing to use their mobilizational capacity in a direction that would strengthen the position of their allies. For example, the leader the Confederation of Free Trade Unions of Ukraine, Muhaylo Volynets began his trade union activity during the mid-1980s. Specifically, in 1985 Volynets became chairman of the Soviet trade union committee of the Stakhanov mine. As such he was one of the beneficiaries of the movement, which served as a springboard for his political career. As a result of the miners' strikes at the end of the 1980s, Volynets quickly established a career in the trade union sphere and made important connections with the authorities. In 1995 Volynets became the chairman of the Independent Trade Union of Miners of Ukraine (NPGU) replacing a man perceived loyal to the Donetsk "red directors", Aleksander Mriel. Having established himself as a trade union leader, a position in which he remains to this day, Volynets aligned himself with Yulia Tymoshenko's Dnipropetrovsk politico-economic group, which has traditionally been in rivalry with the Donbas oligarchs.<sup>43</sup> The influence of the Dnipropetrovsk group was strongest during Kuchma's first term as president. For example, it was during this time that the famous Pavlo Lazarenko case took place. Serving as prime minister from

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<sup>43</sup> Although post Euromaidan, the trade union leader is often accused of coming more under the influence of Rinat Akhmetov and the Donetsk establishment. Further investigation of the links between trade union leaders and the regional oligarchs, also unveiled that Volynets' son Andriy Volynets works in Rinat Akhmetov's DTEK's subsidiary, DTEK Trading SA (Shabayev 2021). This connection strongly suggests that trade unions were and are connected to oligarchic interests and are susceptible to their influence, having at various points acted on the behalf of these actors.

1996 until 1997, Lazarenko was also an active businessman, who later fled Ukraine and was eventually arrested and charged with money laundering, fraud, and embezzlement. During his brief time as prime minister, Tymoshenko was one of his closest aides and business partners. Lazarenko's corporation, United Systems of Ukraine (YESU) developed rapidly and was one of the largest financial industrial groups in the country, as well as the largest private importer of Russian gas. Tymoshenko directed YESU between 1995 and 1997 and as such began her political and business career alongside Lazarenko. The scandal that later unfolded around YESU has been used against Tymoshenko in the past by her political and financial rivals as it relates to illegal gas export, tax fraud, and her potential involvement in the murder of a rival businessman from Donetsk, Yevgenii Scherban. One of her most bitter political and business rivals, the main representative of the Donetsk group, Viktor Yanukovich was particularly relentless in using the case against Tymoshenko, which eventually resulted her being imprisoned in 2010 for several years.

The leadership of the Federation of Trade Unions of Ukraine (FPU) has also been openly involved in a close relationship with specific political-financial groups. In fact, the trend of union leaders taking up government posts and party membership also originated from the same miners strikes in the late 1990s. For example, the leader of FPU, Viktor Turmanov was previously a former chairman of the miners' strike in the 1990s in the *Red Lion* mine in Krasnoarminsk. During this time, he formed close relationships with the business elites in the region who later went on to privatize these mines. In the 1990s the two trade unions, although distinct from one another, briefly joined forces to demand coal subsidies from the central government (Traub-Merz and Pringle 2018). This short-lived cooperation between them ended in 1998 when union leaders began to take up government posts. Because of their entanglement in politics and big private capital – the lines between the two are often blurred – the unions' ability and willingness to genuinely represent the interests of the workers weakened (Heiko 2006, Dodonov 2002). From that moment on, allegiances were formed, and each union represented the interests of the relevant elite group connected to a

particular region. The Federation of Trade Unions of Ukraine (FPU) continued to remain the more traditional union and retained closer ties to the government in power. Meanwhile, the Confederation of Independent Trade Unions of Ukraine (KVPU) became an opposition to the more traditional force.

Transitions of power are, therefore, of great importance to the economic groups as an executive favorable to their interests could mean either a rise or a fall of their economic empires. Groups, therefore, deploy resources at their disposal during electoral seasons, or other moments of changes in leadership, such as revolutions to influence electoral outcomes. For example, during the 2004 Orange Revolution, which saw a clash between Yushchenko and Yanukovych both trade unions channeled their mobilizational resources in support of different candidates. The election and the revolution resulted in Yushchenko's presidential victory and Yulia Tymoshenko became the leader of the 'Orange government' in parliament in February 2005. Just as in 2014, the stakes for regional business groups in 2004 were high and the revolution saw the involvement of various groups including that of trade unions and miners.

Based on their experience in 2004, the Donbas elites had legitimate reasons in 2014 to be concerned that their assets would either be expropriated or frozen. The 2005 case of Borys Kolesnikov illustrates this point well. Kolesnikov is a prominent businessman from Donetsk with close connections to Yanukovych. In the aftermath of the Orange Revolution, in April 2005 he was arrested for a few months on charges of the previously illegal takeover of shares in several of his companies under the former regime (Radio Free Europe 2005). After coming to power in 2004-05, Tymoshenko also launched the re-privatization of the *Kryvorizhstal* mining and smelting enterprise. *Kryvorizhstal*, Ukraine's most profitable mill, was sold to the son-in-law of former president Leonid Kuchma, Viktor Pinchuk, who paired up with the Donbas based Rinat Akhmetov and purchased the mill for \$800 million. The sum was allegedly significantly lower than those offered by other bidders and the terms of the tender were deeply unfair (Mite 2005, Kupchinsky 2005).

Meanwhile, the position of the trade unions during the Orange Revolution reflected the position of the economic elites that they represented. The independent trade union, which was formally aligned with Tymoshenko, publicly declared its support for Yushchenko and mobilized its members in his support.<sup>44</sup> At the same time, NPGU's leadership accused the 'traditional' union of orchestrating the mobilization of miners in support of Yanukovych. For example, *Radio Svoboda*, a news source, reported that there were approximately 450 miners sent to Kyiv by train - 150 from Hlyboka mine, and 300 from Pochenkova mine to support Yanukovych during the 2004 election (S. Garmash 2004). Miners were not given specific information - some were told that they were going to Kyiv as observers, and others simply that they had to go and support Yanukovych. Given that trade unions were technically supposed to be independent of politics and not use their members as pawns in political games, the leader of the 'official' FPU trade union, Viktor Turmanov, said that he had no information regarding the described mobilization of miners. Despite Turmanov's denial of any knowledge of these events taking place, Volynets was adamant that miners from the *Pavlograd* enterprise, which encompasses ten mines all belonging to the oligarch Rinat Akhmetov, were each to send about 50 workers to go to Kyiv in support of Yanukovych. He further declared that other mines such as *Pokrovska* (formerly *Krasnoarminska-Zapadna N1*), which belongs to the oligarch Viktor Nusenkis, were to mobilize at least 400 people. Mines in Dobropilla, also belonging to Akhmetov, and state-owned mines in Dmutrov municipality reported similar events (S. Garmash 2004). Using their ability to bring out protestors for their cause, we can see how regional groups with high stakes in the election were able to influence separatist trajectories and create conditions for the separatist threat to take root even back in 2004. Local news sources from the time, for example, highlight the presence of posters against Yushchenko which read, "*Are you ready for a civil war?*" (S. Garmash 2004).

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<sup>44</sup> Although it is also important to note that given the nature of the topic, trade union leaders - regardless of their true feelings for each candidate - are not likely to come out in support of electoral fraud or elites associated with it.

Even though the leadership of the traditional unions did not publicly admit to taking part in the mobilization events described by Volynets, other indisputable evidence of FPU's support for the elites associated with Yanukovich exists. This is demonstrated by an official poster circulated by the FPU in advance of the 2004 presidential elections (National Archive of Ukraine 2004). The image below clearly displays the union's support for Yanukovich with a side heading which reads "Trade Union for Yanukovich!" (National Archive of Ukraine 2004).

Image 1: FPU call to support Yanukovich in the 2004 elections

**ВИБІР 2004**

**ЗВЕРНЕННЯ**  
Голови Федерації профспілок України,  
народного депутата України О.М.Стояна  
до пенсіонерів

*Шановні наші пенсіонери!*

Звернутися до кожного з Вас особисто змусили мене ті спекуляції, що їх використовують окремі політичні сили у зв'язку зі значним підвищенням розміру Ваших пенсій.

Як відомо, Уряд Віктора Федоровича Януковича підняв розмір мінімальної пенсії до рівня прожиткового мінімуму, тобто до 284,69 грн. Впевнений, що Ви вже отримали пенсії у такому розмірі. І так буде щомісяця, а з початку нового року відбудеться підвищення не тільки мінімальної пенсії, а й пенсії залежно від стажу і рівня заробітної плати.

Для профспілок такі дії не стали несподіваними, оскільки це передбачено Генеральною угодою, підписаною ними з Урядом. Це також закріплено в Соціальному контракті між Федерацією профспілок України і кандидатом на пост Президента України В.Ф.Януковичем, у якому він зобов'язався перед нашими громадянами підняти всі соціальні виплати до рівня прожиткового мінімуму та здійснити компенсацію знецінених заощаджень.

За такі соціальні гарантії нашим батькам профспілки боролися з усіма попередніми урядами, але вони постійно виправдовувались, що на це немає коштів. Ось так вони й "господарували" понад десять років, змінюючи один одного.

Source: (National Archive of Ukraine 2004)

Having failed to place their preferred candidate in the position of power in 2004, Donbas business elites tried again in 2010. This time, they brought in help from the West to clean up Yanukovich's image, which was tarnished by the electoral fraud in 2004. Specifically, Rinat Akhmetov hired Paul Manafort, an American political consultant to clean up Yanukovich's image and

make him electable. Politico-economic groups once again used their influence over the miners and trade unions as means of mobilization and intimidation. For example, in the 2010 presidential election between Yulia Tymoshenko and Viktor Yanukovich, local reporting reveals that in *Rovenkyanthracite* a mining enterprise consisting of 6 mines in Rovenky Luhansk owned by Rinat Akhmetov, the director of the enterprise was pressured to vote for Yanukovich, and those that intended to vote for Tymoshenko were threatened (Censor 2010). Speaking to *Donbas Kommentari*, a local news source, mine director Nikolai Polyhin said,

“Those that called themselves defenders of miners brought to *Rovenkyanthracite* Donetsk businessmen [...] Today these representatives along with the former minister of coal, Tulub, under whom our enterprises were a step away from bankruptcy, are putting pressure on the people to vote for Yanukovich” (Censor 2010).

Additionally, although it was not possible to directly reach the leadership of trade unions explored in this chapter, some examples from previous instances of mobilization and intimidation from trade unions towards workers have caught international attention and demonstrate that precedent for this dynamic exists. For example, the role of trade unions as important vessels of voter mobilization for a particular candidate during elections is a known phenomenon in the region. More specifically, concerns about trade unions intimidating workers in Ukraine were also expressed by the International Confederation of Free Trade Unions (ICFTU) in 2004 during the Orange Revolution after the ICFTU revealed that it "has received reports of violations of democratic and human rights during the election campaign. Several workers, including teachers, miners and transportation employees, are reported to have been put under extreme pressure by their employers to vote for candidate Viktor Yanukovich" (ICFTU 2004). Regarding this specific case, the ICFTU specifically highlighted that workers reported that they were threatened with being fired, for example (ICFTU 2004). As such, based on the available evidence, it appears that the mobilization from above relied

more on pressure, particularly with relation to miners' and industrial workers' job security. This also fits with other research on the topic in Ukraine and the wider post-Soviet space in particular, that found that labor compensation and access to services are often used as tools to pressure workers to support particular political candidates (Allina-Pisano 2010). Nevertheless, interviews of workers and trade union leaders was not possible within parameters of this study and circumstances and is thus something that would be an additional area to explore further for future research.

Nevertheless, these brief historical accounts mentioned above of past instances of mobilization demonstrate how trade unions have been active in supporting political candidates that are connected to specific economic groups. Leaders of trade unions often blame each other for representing an opposing financial group and for acting as agents of those that want to put in place politicians that are favourable to their economic interests (Censor 2010). The active role of trade unions in contentious events continued in 2014 with familiar groups behaving in similar ways and representing the same set of elites as in 2004. For example, the FPU carried on representing the interests of groups that were closely linked to Yanukovych and his inner circle, while the NPGU adamantly spoke out against separatism and denounced their support of Yanukovych.

#### 5.4. Unions, Business Elites, and the Separatist Crisis of 2014

The presence of coal miners and trade unions connected to regional political-economic groups during the 2014 protests were reported in multiple local media sources. The Trade Union of Coal Workers (PPVP) continued to remain connected to the political-economic elites in Donbas, while the Independent Trade Union (NPGU) supported a different agenda and political-economic groups opposed to Yanukovych. The remainder of this chapter will provide deeper insights into the interests of the regional elite groups and the ways in which they used their influence over the workforce to advance their interests. To that end, the chapter will present a few short case studies of mining

enterprises in municipalities that experienced separatist rebellion to offer further illustration of the dynamics between oligarchs, politicians, and labor during 2014 to better understand and visualize how protest mobilization unfolded. Furthermore, these snapshots will add more context and description to the ways in which miners were mobilized - often by trade unions - to participate in the protest events. The case studies will draw on direct quotes from the trade union leaders, as well as reports of the events in the local sources to demonstrate how the involvement of the traditional and independent trade unions differed from one another other in 2014, and how connections with different politico-economic groups fits with the ultimate direction of the separatist trajectories. The discussion will also reference a similar split between different oligarchic blocs and trade unions in Ukraine seen during the Orange Revolution.

#### 5.4.1. Case One: Pokrovska Mine

Located in Pokrovsk (until 2016 Krasnoarminsk), *Pokrovska* coal mine is by far the largest one in the municipality and the surrounding areas. In fact, it is one of the largest privately-owned coal mining enterprises in the country employing approximately eight thousand workers. The enterprise belongs to Viktor Nusenkis and like most large enterprises, its privatization entailed close cooperation between politics, business, and labor unions. Compared to other oligarchs in Ukraine, relatively little is known about Nusenkis, who keeps a low profile. His rise to economic power is similar to other oligarchs from the early 1990s. For example, Nusenkis and his associates exploited their managerial positions and connections to large enterprises during the crucial moments of social and political chaos that accompanied the Soviet collapse and became some of Ukraine's richest individuals. Nusenkis himself is a former mine director of the *Zhdanivska* mine, in the city of Zhdanivska, which was also privatized and came under the ownership of the *Coal Energy* group, which belongs to Viktor Vushnevytsky, a close business partner of Nusenkis (Korrespondent 2014). In 1992 Nusenkis established *Energo* which immediately became one of the largest companies in the Commonwealth

Independent States (CIS). The company's subsidiary, *Donetskstal Group* is comprised of *Donetskstal Iron and Steel Works*, *Donetsk Metallurgical* factory, *Pokrovska* coal mine (formerly *Krasnoarmeiska Zapadnaya No 1*), *Yasunovska* coking and chemical plant, and *Makiivka* coking and chemical plant. Meanwhile *Zhdanivska* mine, which Nusenkis was a manager of and which later came under the ownership of his associate, Vushnevytsky, employed approximately 2,700 workers and was represented by the PPVP trade union (DonbasUA 2015). The municipality is among the earliest to have experienced a separatist rebellion, with miners being important actors in shaping the direction of the protests in 2014. Moreover, the mine's director, Ruslan Dubovsky went on to be a head the Ministry of Coal and Energy of the DPR (Delovaya Stolitsa 2015).

Nusenkis' *Pokrovska* enterprise was privatized with help from then minister of coal, Sergei Tulub who highlighted the need for modernization of *Pokrovska* mine as one of the primary reasons for transferring it into private ownership. On paper the logic seemed fair and sound. It was beneficial for the state to rid itself of unprofitable mines and transfer them to whoever was willing to take them. The trouble was with the mines that were profitable and had to be sold on a competitive basis. In those instances, business groups that were closest to the regime usually ended up in possession of the most profitable enterprises. Donbas elites in particular established themselves as leaders in acquisition of these enterprises. *Pokrovska* mine was no exception to this dynamic. For example, then governor of Donetsk *oblast*, Vladimir Logvinenko, was a long-time committed supporter of privatization and in favor of establishing what was essentially a vertical monopoly in the market. At one point he said,

“The owners and consumers of coal products, which are links in the chain ‘coal — coke — metal’ or ‘coal — electricity’ should come into the mine management system. Only in this case market mechanisms will begin to operate. Investing in this industry is possible only if privatization is carried out” (UkrRudProm 2007).

Logvinenko's support for privatization and the establishment of a vertical structure of enterprises, however, is likely to have been heavily shaped by his previous experience in the top management position in Nusenkis' *Energo*, where he served as a general director before becoming governor. Moreover, in 2004, Logvinenko was also appointed to the supervisory board of *Pokrovska* mine, as reported by *Ostrov*, a Donetsk media outlet (Ostrov 2004). Similarly, *Energo* group had the support of the trade Union of Coal Miners of Ukraine (PPVP) during the privatization process. The head of PPVP, Viktor Turmanov did not show any opposition to the transfer of the mine into private hands and supported Tulub's idea of creating vertical holdings.

In fact, cooperation between this set of actors dates back to at least the early 2000s. As mentioned above, Nusenkis partnered closely with Viktor Vushnevytsky, another oligarch who had close ties to Yanukovych, and the owner of *Coal Energy SA*. Other than their connection to the *Zhdanivska* mine, the two men also shared a parliamentary connection and benefitted from a cooperative relationship with the FPU union leader, Viktor Turmanov. In the past, Turmanov is known to have used his influence to mobilize support on behalf of the oligarchs' interests. In 2009, for example, then president Viktor Yushchenko and Prime Minister Yulia Tymoshenko made a decision that did not sit well with some of the Donbas based business groups. Specifically, Tymoshenko banned state-owned companies from buying coal from private and leased coal enterprises – and this inevitably negatively affected Vushnevytsky's and Nusenkis' business interests. To pressure the government to reverse this decision and to demonstrate his regional influence, Vushnevytsky with Tumanov's help mobilized miners to protest outside the Cabinet of Ministers and *Verhovna Rada*. The union framed the issue in terms of unpaid miners' wages. For example, miners were mobilized on the basis that due to Tymoshenko's policy there was no buyer for the coal. As a result, *Coal Energy* enterprises began salary delays to the miners, which made this group even easier to mobilize and pit against the authorities in Kyiv. Miners were then delivered to the capital to protest

against the government's decision chanting "For Ukraine – Ukrainian coal, for miners – earned money" (MindUA 2012). This is one important example of the way in which the *Coal Energy* group was able to exert its influence over the local labor force and put pressure on the central government. This cooperative relationship, and the absence of a conflict of interest between the economic groups and PPVP allowed these economic elites to establish themselves as important players capable of shaping political outcomes and mobilization processes in the region for years to come.

The existence of these key relationships made mobilization of *Pokrovska* mine's workers in 2014 a relatively easy task. Additionally, the mine's director and a long-time business associate of Nusenkis was Leonid Baysarov. Baysarov came from a strong mining and engineering background. He completed his education at the Dnipropetrovsk Mining Institute in Mining Engineering and went on to work in a managerial position in mines in the city of Shakhtarsk in Donetsk. In 1990 he became director of *Pokrovska* mine. In 2002 Baysarov made his relationship with the Party of Regions group official by becoming an MP representing the Party of Regions. He became particularly close to Yanukovych in 2004 when he was preparing to run for president against Yushchenko. Yanukovych was the 'chosen' successor of then president, Leonid Kuchma, who also had a positive relationship with Baysarov. Kuchma presented Baysarov with an award entitled "Hero of Ukraine", which was given to him on the basis of his service to the Ukrainian state in the development of the coal industry (Politeka 2019). Baysarov's service in the coal industry and his close partnership with influential regional political-economic groups have also been rewarding in other ways. For example, in the industry where miners have notoriously gone unpaid for months, Baysarov certainly never struggled to make ends meet. In 2011, for example, he was estimated to own \$745 million USD – this is excluding all the unreported assets hidden away in the off-shore companies (Politeka 2019).

This mutually beneficial relationship continued to keep Baysarov loyal to the same group of elites. For example, when Yanukovych was finally elected president in 2010, Baysarov continued to support him and financial elites associated with this group. His support for Yanukovych was evident

in a couple of ways. First, during the turbulent time of Euromaidan protests throughout December, January and February, Baysarov demonstrated his support for the status quo first by using his power as an MP and voting in favor of what became known as 'dictatorship laws'. The laws were put forward by Yanukovich on the 16 January 2014 to suppress protest activity against him. Second, Baysarov was also simultaneously Nusenkis's business associate and in a position to mobilize support for the anti-Euromaidan forces in Pokrovsk. *Donbas.UA*, a Donbas media source, for example, reported on 25 January 2014 presence of protests in Pokrovsk in support of Yanukovich and a strong rejection of the Euromaidan. The protestors were instead expressing their desire for a closer partnership with Russia. The protest took place on *Shibankov Square* and was made up of the city's leaders, members of the Party of Regions, as well as representatives of *Pokrovska* enterprise, according to the local report (DonbassUA 2014). Furthermore, instead of using his position as a representative of the enterprise and publicly declaring his rejection of separatist tendencies, Baysarov was instead photographed on May 11<sup>th</sup>, 2014 standing next to a ballot-box at *Pokrovska* mine casting a vote – presumably for greater degree of independence from Kyiv. It was precisely this kind of hospitable and permissive environment that allowed the separatist threat to materialize into an actual separatist crisis.

Commenting on the situation and the role of *Pokrovska* mine's leadership in the development of the separatist threat and mobilization was Volynets of the Independent Trade Union of Miners, who spoke to *Odnaku*, a news source, immediately after Pokrovska municipality came under separatist control. He explained how the local forces had been critical in allowing the threat of separatism to reach a tipping point,

“The situation is complicated. For example, in my own mining town Krasnoarmeysk [today Pokrovsk] - on the border with the Dnipropetrovsk region - the buildings of the Ministry of Internal Affairs and the executive committee were seized. This

happened where there has never been and cannot be separatist sentiment. I think this is, first of all, the influence of Leonid Baysarov (Ukrainian entrepreneur, General Director of Pokrovska Mine PAO (previously OJSC Coal Company “Krasnoarmeyskaya-Zapadnaya No. 1 Mine”), MP from the Party of Regions, Hero of Ukraine, who in 2010 took the 12th place in the ranking of the richest people in the country)” (KVPU 2014).

Further supporting evidence of the involvement of this enterprise and its associates in the separatist events stems from an ongoing criminal investigation, which began in 2015. The State Security Service (SBU) of Ukraine opened a case against Nusenkis and his company *Donetskstal*, which includes *PJSC Shakhtoupravlenie Pokrovska*, *PJSC Makeevkoks*, *PJSC Yasinovsky Coke Chemical Plant* and other branches in connection with financing separatists through his ownership of several coal generating enterprises (Interfax 2015). According to SBU’s press service, “The management of these enterprises maintains close relations with the self-proclaimed prime minister of the terrorist organization DPR Zakharchenko. Coke plants were among the first that carried out re-registration and received the certificates of the so called DPR.” Furthermore, MP Yuriy Bereza has been particularly persistent in trying to establish the possible involvement of *Pokrovska* mine administration in the development of separatism. Echoing Volynets’s claims he also highlighted the aforementioned individuals as likely being key actors in the events (Unian 2016) .

#### 5.4.2. Case Two: Regional DUEK Mines – Oligarch Influence over DUEK, Trudivska mine

Donetsk Energy Company (DUEK) is an enterprise that was created by the Ministry of Fuel and Energy of Ukraine in 2004 and encompasses eight mines in Donetsk city. The enterprise was established to accommodate the peculiar needs of the Donbas as a region, which required an

enterprise that was more decentralized and in touch with the local conditions in the region. To that end, within the scope of activities of this enterprise was the responsibility to “maintain business relations with trade unions and other public organizations of the city and region, with state administration bodies and mass media” (Donetskaya Ugolnaya Energeticheskaya Kompaniya (DUEK) 2020). Although the enterprise was technically owned by the state, its structure rendered it vulnerable to the influence of regional business groups, who exercised a great deal of control and *de-facto* ran it through schemes such as long term leases of mines, appointment of directors sympathetic to elites’ business interests, and various financial manipulations.

In particular, DUEK enterprises were connected to Akhmetov’s sphere of influence through his strategic holding company, Donbass Fuel-Energy Company (DTEK) – a monopolist in the energy market. Yanukovich’s presidency in 2010 promised further enrichment to Akhmetov, who since Yanukovich’s ascent to executive power was on track to privatize at least three of the most profitable DUEK mines. *Skochunskogo, Trudivska, Oktyabrskaya* and *Yuzhnodonbasskaya-3* (UkrRudProm 2012) were of particular interest to the oligarch (DonbassInfo 2013). Director of DTEK’s coal division, Andrei Smirnov, confirmed that the holding was looking forward to acquiring 2-3 more DUEK mines, listing them in order of importance: “*Trudivska*”, “*Yuzhnodonbasskaya-3*” and *Skochunskogo* (UkrRudProm 2012). Despite not being their *de-jure* owner, DTEK was able to exert a great deal of informal influence over these enterprises. For example, one way that the company began to influence the mines and their workforce was through its extensive involvement in their production activities, and provision of private financing for the much-needed maintenance of DUEK’s enterprises. *Trudivska* mine, for example, received substantial investments from DTEK in order to increase its production capacity. Given the generally dire state of Ukrainian coal industry, the enterprises were glad to receive the additional funding - regardless of where it came from. Yevgeny Bondarenko then leader of PPVP, the main trade union operating across DUEK’s enterprises, confirmed the involvement of private business in these mines, and how DTEK provided financing in order to help

keep them open. He confirmed, for example, that since 2010 DTEK has been investing in the development of the mines by purchasing mining-equipment as part of private-public partnerships. As part of this scheme, DTEK invested approximately 400 million UHA in the development of these mines (Unian 2011). The leader of the Independent Miners' Trade Union of Donetsk (NPGD), Nikolai Volynko, reflected on the fact that in this way state-ownership became a kind of cover for lobbying and developing the coal business, much of which was *de-facto* controlled by private entities (UkrRudProm 2010).

Another tactic that began the irreversible trend of government relinquishing its ownership over the mines was ensuring a strategic appointment of DUEK's leadership that was sympathetic to the interests of regional political-economic groups and susceptible to their influence. For example, for a substantial amount of time DUEK was under the leadership of a couple of Akhmetov's managers. Take for example Sergey Lozovsky between 2010 – 2013 (Ostrovok 2013). Before assuming a directorial position in Donetsk Energy Company, Lozovsky was in charge of the DTEK's *Komsomolets Donbass* mine (2005-2009) and in 2013 he went on to be the head of another one of Akhmetov's enterprises, *Sverdlovska* mine (Ostrovok 2013). In 2013 Lozovsky was succeeded as director of DUEK by Aleksander Potapenko, who was equally well connected to Akhmetov. Specifically, Potapenko was the director of PJSC *Krasnodonugol* (2006 – 2011), another one of Akhmetov's enterprises (Ostrovok 2013). Potapenko was also linked to the business empire of Yanukovich's son Oleksander and served as the general director of one of his companies, *Prodaks* in 2011 (Kalmuysky 2012). As a result of this web of connections first through provision of much needed financing, and later through influence over the enterprise's leadership this particular economic group was able to become a powerful and influential force in the future political development.

Additionally, as mentioned above, the primary trade union operating across DUEK's mining enterprises was PPVP. The union is reported to have been influential at *Trudivska* mine, which through above-mentioned ways came under DTEK's sphere of influence. Located in Donetsk city, a

municipality that experienced strong separatist activity from the beginning, the mine employed approximately two thousand workers. Local news sources report that workers from this mine were active in the 2014 protest events in support of Yanukovych and that the trade union was active in mobilizing the turnout. Protestors were brought to the regional administrative building on October Square with dozens of workers not only from *Trudivska* mine, but also *Gorkogo*, and *Yuzhno-Donbasskaya No. 3* (Novosti Donbasa 2014). More than 300 workers from *Trudivska* mine are reported to have been transported to the site by busses paid for by the PPVP (Novosti Donbasa 2014), (Segodnya 2014) to take part in the protests outside the regional administration building. The leader of the Independent Trade Union of Donbas Miners (NPGD), Nikolai Volynko confirmed that miners were an important driving force of these protest actions and that mining enterprises were tasked with allocating at least 100 miners to participate in the 'May Day' marches. Volynko also declared that Viktor Turmanov, the leader of PPVP was trusted with mobilizing at least 8,000 coal miners. For example, Volynko told the news-source *Agency for Investigative Journalism* that the protests were organized with the support and the knowledge of the main groups of actors in the region,

“Under the guise of May Day demonstrations of workers, mass actions will be held in support of federalism in the region, which will be turned into large-scale protests threatening to separate Donbas from Ukraine. The organizers of the May Day separatist marches are functionaries of the Party of Regions, operating with the full support of local authorities and big business” (Novosti Donbasa 2014).

Volynko explained that, in general, most miners were likely not supporters of separatism, but rather simply acted on the orders of a handful of powerful elites, who have been using the traditional union to lobby on their behalf since at least 2011, when its members wanted to appoint a new director of *Trudivska* mine. The ambitions of the union, Volynko said were not concerned with

the problems of the enterprise, but rather with the personal ambitions and corporate interests of the functionaries of the trade union, “They have nothing to do with protecting the rights of workers,” he said (Sulma 2011).

### 5.4.3. Case Three: Sverdlovskantrzit and Luhanskvuhillya

An immediate neighbor of Donetsk is Luhansk *oblast*. Part of the Donbas, Luhansk also presents an example of how oligarchs entangled in mining and heavy industry with ties to Yanukovych contributed to the creation of favorable conditions for separatism to take root in 2014. Sverdlovsk municipality is one example of this dynamic. The municipality is home to six mines, all of which are encompassed by *Sverdlovskantrzit*. Collectively the enterprise directly employs approximately 10,569 workers and is also owned by Akhmetov’s company, DTEK. Of the six mines located in Sverdlovsk municipality, the largest is *Krasnuy Partusan*, employing approximately 3,500 workers.

The mine represents another important and interesting case of fusion between powerful economic elites with intimate ties to political circles and local labour collectives. Reports from early January 2013, for example, highlight the exclusive presence of PPVP at the *Krasnuy Partusan* mine (Segodnya 2013). Then chairman of the Sverdlovsk territorial organization of PPVP, Viktor Rogochy, confirmed the exclusive presence of PPVP and accused the Independent Union of representing powerful business and political interests instead of the interests of their members;

“The so-called NPGS never engaged in trade union work as such, and these people act solely on personal self-interest. Their activities have always been provocative and political in nature [...] *Krasnuy Partusan*, according to the Collective Agreement in

effect on the company "DTEK *Sverdlovantratsit*" is exclusively [represented by the] Workers Union of Coal Industry of Ukraine"<sup>45</sup> (Segodnya 2013).

During 2014 Sverdlovsk experienced a great deal of anti-Euromaidan protest activity with miners reported to have played an important role from the beginning. Moreover, when the crisis escalated into full blown separatism, Genadiy Dmytorv, then director of *Dolzhanskaya-Kapitalnaya*, a mining enterprise in Sverdlovsk owned by Akhmetov, went on to be a 'deputy' in the Luhansk People's Republic (LNR) (Antikor 2014). The mine was similar in size and capacity to *Krasnuy Partusan*, employing close to three and a half thousand workers and representing one of the largest privately-owned enterprises in Sverdlovsk.

### ***Luhanskvuhillya***

Another illustrative example comes from mining enterprises under *Luhanskvuhillya*. The structure of *Luhanskvuhillya* is similar to Donetsk's DUEK in the sense that the enterprise is technically state-owned, but *de-facto* comes under the control of the local politico-economic groups through a mixture of financial schemes and the appointment of leadership sympathetic to their interests. A notable figure in relation to *Luhanskvuhillya* is Oleksander Yefremov. An oligarch as well as former governor of Luhansk oblast from the Party of Regions faction, Yefremov also made his fortune in the mid-1990s, when denationalization of the region's industry began. While pursuing his business interests, he also understood the importance of politics in protecting his economic interests. In 1997, for example, he became deputy governor, and continued to govern Luhansk *oblast* from 1998 to 2005. During the 2014 separatist crisis the oligarch's involvement in allowing the separatist protests to escalate, and his ties to the establishment of the Luhansk People's Republic have been formally

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<sup>45</sup> In that particular instance, the controversy surrounded the alleged mass layoffs at DTEK *Sverdlovanthrazit*, which the enterprise assured the press was not the case and that it was simply undergoing the process of merging mines, as a result of which all the miners would remain employed. In this case it appears that PPVP was once again concerned with protecting the reputation of the corporation as opposed to the rights of workers (Segodnya 2013).

investigated. The investigation led to his arrest in connection with his influence over the regional coal mining enterprise, *Luhanskvuhillya*.

The enterprise encompassed eight mines in Luhansk city and was a major employer of the local work-force. As in the previously discussed cases, the businessman forged relationships with multiple actors. Other than understanding the importance of being well-connected politically, Yefremov also established a cooperative relationship with trade union bosses, especially those from the traditional FPU. Their relationship dates back to at least the early 2000s when Yefremov along with PPVP representatives Vasily Hara and Oleksander Stoyan were members of parliament representing the Party of Regions. In 2008, Yefremov worked with the union to organize protests against then President Viktor Yushchenko's government (Obozrevatel 2008). The eventual presidency of Yanukovych was beneficial to Yefremov and he remained a supporter during the 2014 crisis. Unlike most of the other regional elites who preferred to keep their loyalties private during the protests, Yefremov was less discrete about his views. He is documented on numerous occasions expressing his support for greater territorial autonomy. For example, during one of the critical points when the anti-Euromaidan protests were boiling over into separatist take-overs, on 4<sup>th</sup> March 2014 at a meeting of the Council of Luhansk Oblast Organization of the Party of Regions, Yefremov said;

"Today, without abandoning our principled attitude to the need to protect our mother tongue [Russian], the need for decentralization of power and fiscal federalism, we must understand that these and other tasks become feasible at achievement of the main - federative structure of Ukraine" (Pravda 2014).

Yefremov's influence over mining enterprises of *Luhanskvuhillya* stemmed primarily from a number of complicated schemes tied to corruption (Bigmir 2020). According to Volynets, Yefremov effectively controlled the enterprise through his influence over then director of *Luhanskvuhillya* Aleksander Chepurnoy, who in the past lobbied on the oligarch's behalf and was appointed as a

director of the enterprise in 2013 (Liga Novosti 2003, Delovaya Stolitsa 2015). This allowed him to win tenders and profit from the enterprise. Other actors involved in the scheme were Yuriy Ivanushchenko and his business partner Ivan Avramov – both men also had strong connections to the financial interests of Oleksander Yanukovych. Connections between these individuals and Yefremov’s *de-facto* control over the enterprise formally came to light only in 2015 as a result of the earlier mentioned criminal investigation of Yefremov’s connection to the spread of separatism.

As part of the investigation, the Kyiv Pechersk court granted the request of the Prosecutor General’s Office and provided the office with access to the original documents submitted to the Ministry of Economic Development and Trade regarding government procurement in 2011-2015 by state-owned enterprises. As a result of this pre-trial investigation, Yefremov’s involvement in the “unlawful influence” on officials when the enterprises concluded contracts was established (Delovaya Stolitsa 2015). Prosecutor General Yury Lutsenko said at a briefing in Kiev that, Yefremov is accused of “taking possession of *Luhanskvuhillya* property [which was under Aleksander Chepurny’s guidance] through abuse of his official position”, “committing deliberate actions to change the territory of Ukraine, which led to death and other grave consequences”, as well as “organizing organizational and other assistance in creating a terrorist organization LNR” (BBC 2016).

At least one known instance of this enterprise producing separatist leaders exists in the case of *Lutuginskaya* mine, a mine within *Luhanskvuhillya*. The mine is located in the city of Luhansk and employed close to one and a half thousand workers. From this mine Sergey Krokhmalev went on to be one of the leaders in the separatist republic. Krokhmalev was born on April 6, 1975 in the village of Georgiyevka, Lutuginsky District, Lugansk Region. A local new source reports that he spent several years working at the *Lutuginskaya* mine, and in the spring of 2014 became actively involved in the anti-Euromaidan demonstrations, which later turned into the seizure of the buildings of the Security Service of Ukraine and the Regional Administrative building (Delovaya Stolitsa 2015).

### ***Instances of Permissive Elite Behaviour***

As highlighted throughout this chapter and this dissertation more broadly, most economic elites generally did not verbally disclose their political preferences in public. However, as highlighted earlier, this is also not strictly necessary given that there are other means of determining which political forces and policies they support, such as determining which candidates they have supported in the past, for example. Especially with regards to the economic elites in the Donbas, evidence shows that election after election key oligarchs have consistently supported political forces associated with Yanukovich (Lutsevych 2014). Additionally, given their deep reach into their respective regions, it is argued that it was highly unlikely that other local actors such as politicians and workers acted against the position of local oligarchs, who ultimately also shaped the local political and economic landscape. In other words, it is possible that more active mobilization from the oligarchs was taking place behind the scenes but was simply undetectable to outside observers given that possible meetings with key mobilizing actors were likely to have been kept private and unreported. Yet, still, against the backdrop of the outlined politico-economic dimensions within these regions and various risks that separatist mobilization potentially posed to the business of these key actors, the fact that they did not immediately act to prevent is a significant indicator that anti-Euromaidan protests, at the very least, had their implicit support.

For example, Slovyansk, is a small industrial town in northern Donetsk oblast and is located near the Kharkiv border. As with other local protests, at the beginning stages, in Slovyansk these events were mainly composed of local residents as opposed to “Russian tourists” (Nitsova 2021). Similarly, much like in Kharkiv, pro-Yanukovich protests initially had full support of influential local political authorities such as mayor of Slovyansk at the time, Nelya Shtepa, who was present at several of these events and spoke in support of the pro-separatists (LB.Ua 2014).

Additionally, in the beginning of March, during crucial days and weeks of Yanukovych's downfall and the power vacuum in Kyiv, Shtepa even organized meetings with local gun owners and the directors of private security firms, warning them of the threat from the Right Sector, and also actively called on Russia to protect the municipality (LB.Ua 2014) amid efforts to undermine the new interim Kyiv administration (Malyarenko and Wolff 2019). However, it is unlikely that the mayor's efforts were completely separate from those of the region's oligarchs. Moreover, academic research and reporting in the local media sources also indicate that local political and law enforcement authorities likely coordinated their actions with the oligarchs. Shtepa and then governor of Donetsk Andriy Shystatsky, much like mayor Kernes and governor Dobkin in Kharkiv, were close associates. However, unlike in Kharkiv, as described in more detail in chapter 6, oligarchs did not actively speak out against the actions of the local politicians and did not use their influence and personal connections to them to discourage anti-Euromaidan mobilization. For example, Shystatsk openly called on the government in Kyiv in March 2014 for decentralization of power by expanding the powers of local governments in the region (EspressoTV 2014), thus expressing a similar position to top economic elites in the region such as Vadym Novinsky, who is a longtime business partner of Rinat Akhmetov.

More importantly, Shystatsk was a former associate of Akhmetov, having previously worked as a director of Akhmetov's Kharsyzsk Pipe Plant (Kusch 2010). In fact, local media in Ukraine often refer to him as "Akhmetov's man" largely due to his long-time position as a manager at the oligarch's SCM's enterprises (UkraiinskaPravda 2011), which further underlines that key local political elites were closely connected to the economic elites through the latter's vast control of economic resources and are highly likely to have had a notable conflict of interest. As such, connections such as these suggest that the highest oligarchs in Donetsk were highly likely to have

been kept informed, or at the very least were aware, of the real-time protest developments on the ground. However, as mentioned earlier, first-hand evidence for their individual actions is difficult to obtain.<sup>46</sup> However, unlike in the case of Kharkiv, Dnipropetrovsk or even a part of Luhansk as described in chapter 6, across the Donbas more generally, behavior of economic elites demonstrates that they were either openly supportive, such as Oleksander Yefremov, or that they instead operated through secondary actors such as trade unions or occasionally local political elites, who acted as vessels of mobilization with permission, so-to-speak, from the key local oligarchs.

## 5.5. Mobilizational Capacity

As mentioned at various points throughout this dissertation, one of the key, and relatively underexplored, tools that oligarchs had at their disposal when defending or advancing their interests was their control over the local populations, many of whom were directly employed by them. This is argued to have mattered because a higher concentration of oligarch-owned enterprises and employment meant that there were more individuals available for mobilization who were susceptible to the influence of these actors. As such, this ultimately contributed to and increased the likelihood of a separatist rebellion occurring earlier on during the crisis period in these areas.

Other regional studies have also defined regional oligarchic dominance by the share of employment that oligarchs hold from the total employment in the region, and found that levels of inequality in regions with higher presence of oligarchs is higher (Fidrmuc and Gundacker 2017), thus also highlighting the disproportionate dominance that these actors hold compared to average

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<sup>46</sup> Other relevant evidence from investigative sources in Ukraine indicates that the first self-proclaimed governor of the Donetsk People's Republic Pavlo Hubarev, who maintained close connections to Donetsk oligarchs such as Akhmetov and Mykola Levchenko (Tkach 2014).

individuals. Their disproportionate influence in a given region's economic landscape, is argued here, especially in the context of protest activity, is important as it translates into a relatively direct influence over and access to peoplepower. Furthermore, this concentration of employment, particularly of those who are relatively young and able to join demonstrations, also facilitated protests to emerge (Nikolayenko 2007). In terms of mining employees, available statistics from the Ministry of Energy and Coal Industry (2019) indicate that 47% of miners are no more than 40 years old, thus indicating that this group was in a position to protest. Moreover, as also mentioned at various points, concentration of ownership in this particular sector was also important given that large concentration of workers in labor intensive industrial zones paired with mobilization by political and labor activists is found to facilitate protest action (Lwin 2014). Also, particularly in the post-Soviet context, the current argument about concentration of ownership and mobilizational capacity is in line with that of Frye, Reuter, and Szakonyi (2014), who also find that when few large enterprises control economic production, mobilization of workers is made much easier due to the dependency of the labor force on employment and provision of social benefits.

This relationship is demonstrated in chapter 4, which found that there appears to be a connection between concentration of employment ownership by oligarchs and the timing of rebellions. Specifically, greater concentration of oligarchs in the heavy industry chain is argued to be associated with these municipalities coming under separatist control earlier because there was a greater number of individuals under direct control of economic elite interest groups that were available for mobilization in support of their interests. For example, the first municipalities where anti-Euromaidan protesters succeeded in establishing separatist control within a month of Yanukovich fleeing Ukraine were Mariupol, Luhansk, Donetsk, and Yenakieve, very closely followed by Horlivka and Pokrovsk, which fell to separatism within a week later, as visually illustrated in Chapter 1, section 1.4.3 by Graph 1. Additionally, a more in-depth discussion of these municipalities and mobilizational forces has been examined earlier in Chapter 5, detailing how elites in key

municipalities such as Pokrovsk, which is associated with Viktor Nusenkis, Luhansk and Donetsk both of which are mainly associated with Oleksandr Yefremov and Rinat Akhmetov used their influence and their control over the local enterprises to not only get extraordinarily rich, but to also mobilize in support of their preferred political outcomes.

In addition to the described separatist protests and concertation of oligarchic employment in case studies in chapter 5, we can see in the above graph that Mariupol was among the leaders in oligarch-dominated employment and the first municipality to experience a separatist rebellion. The city is representative of a typical company town, which “in Eastern Ukraine have extremely oligarchic socio-political structures”, given that it is dominated by a small handful of large-scale enterprises that provide significant portion of employment and social benefits to the locals (K. Matsuzato 2018). In Mariupol, the Azov and Ilyich Steelworks was by far the leading enterprise defining the local economic and political landscape, and because of their influence over local society “the directors of these corporations are influential and in the past they have essentially determined the mayorship and the City Council” (K. Matsuzato 2018). As such, this reinforces the point that the city was under the strong control of the preferences and resources of the economic elites. For example, the metallurgical enterprises in Mariupol have traditionally supported the long-time mayor Yuriy Kholubei, who was in power until 2015. As early as 2 March 2014, the City Council Secretary Andriy Fedai, proposed to Ukraine’s parliament to restore a law guaranteeing regional official use of Russian language as well as allow for greater decentralization for the regions from the center. Mayor Yuriy Khotlubei supported this resolution, who throughout March and April negotiated with separatist activists and permitted separatist activism (K. Matsuzato 2018).

Additionally, in show of solidarity with pro DPR protesters, on 9 May, directors of metallurgical factories in Mariupol cooperated with DPR paramilitaries and organized volunteer battalions against the Azov Battalion and the Ukrainian Internal Army after the latter two disrupted the anniversary of the victory of the Great Patriotic War (WWII) on 9<sup>th</sup> May (K. Matsuzato 2018).

Moreover, unlike in Kharkiv, where local oligarchs acted immediately to decisively stem the spread of separatism, in Mariupol, Akhmetov's stronghold, on 11<sup>th</sup> April the oligarch is reported to have taken part in a meeting between the region's leadership and Acting Prime Minister Arseniy Yatsenyuk, urging him to engage in dialogue with the invaders of administrative buildings (Savitsky 2014). As such, given that one of the characteristic features of Donbas is the high level of concentration of ownership and monopoly of power in the hands of a very small group of economic elites, and the giant plants of Azostal and the Mariupol Metallurgical Plant being located in Mariupol, it is argued that without the permission of key economic elites mass riots are unlikely to have occurred in the first place (Savitsky 2014). This further supports other scholarship on the topic that has also found that separatist activists in the regions are unlikely to have been driven by external forces such as Russia and were predominantly indigenous and therefore served as a useful, though risky, bargaining chip in the regional elites' negotiations with Kyiv (K. Matsuzato 2017).

Indeed, it was not until around 20 May 2014, after the separatist referendum was held, that Akhmetov issued a public statement in which he began to criticize the DPR, after which local political leaders in Mariupol also abandoned their appeasement towards the DPR (K. Matsuzato 2017). Although obtaining first hand evidence of the oligarchs' possible involvement in the events was not possible within the parameters of this study, an interview given to a media outlet Deutsche Welle by one of the outlet's interlocutors in 2014 from one of Akhmetov's companies asserted that the crisis was actively supported by the oligarch's companies such as DTEK and SCM "financially, organizationally, as well as with the participation of private security units of these structures" and that the instability was used as a means of putting pressure on Kyiv to "maintain control over the region and the current conditions for doing business and exploiting the local population" (Savitsky 2014).

## 5.6. Summary and Conclusion

As recent academic research on the role of oligarchs in the regions during Euromaidan crisis also pointed out, following the fall of Yanukovich's government in February 2014, local oligarchs were key power brokers that were in a position to help prevent the protests from spiraling out of control through their networks (Nitsova 2021). Tellingly, the new authorities in Kyiv turned to the oligarchs in Ukraine's eastern regions in March 2014 asking them to take up posts of governors in a bid to stem the spread of unrest, further highlighting the well-known fact that oligarchs are hugely influential within their regions and exercised control over thousands of workers, politicians and to some extent regional law enforcement. However, unlike Ihor Kolomoisky in Dnipropetrovsk, economic elites in Donbas were generally more cautious about cooperating with the new Kyiv authorities, as demonstrated by Akhmetov's decline of an offer to become Donetsk governor, despite being the first individual approached by the new authorities (Harding 2014). Furthermore, as also demonstrated at various points throughout this dissertation, certain oligarchs in the Donbas blatantly did not use their resources to stem separatist mobilization. Instead, some of these actors either openly supported anti-Euromaidan protests, or are demonstrated to have essentially allowed the movement to continue gaining momentum. As mentioned previously, given the clandestine nature of this topic, direct or 'smoking gun' evidence of oligarchs actively mobilizing separatist protests is difficult to obtain. Nevertheless, demonstrated evidence presented in this study strongly points in this direction. Additionally, post-Euromaidan investigations by Kyiv authorities and academic research on the topic underline that there are strong indications that in the Donbas, economic elites generally directly supported pro-Russian protests in order to use them as a credible threat and a bargaining chip with Kyiv to pressure the new authorities for concessions (Nitsova 2021, Wilson 2014, Wilson 2016).

Additionally, as has been demonstrated in the course of this discussion, elites do not usually publicly disclose their views on controversial political events, nor do they normally singlehandedly

engage in acts of mobilization. Instead, they are more likely to use various tools available to them such as their vast span of influence over a variety of local groups from political elites to employees of their enterprises. Given the sensitivity of the topic, finding first-hand information directly from this group of actors, which details their involvement in is extremely difficult. Fortunately, however, well-documented events by local sources, as well as formal criminal investigations of the business groups referenced in this study jointly help to paint a clearer picture of how these actors were able to steer the course of events during the crucial moments of the crisis. As such, the above sub-sections of this chapter demonstrate how trade union leaders were involved in the protest events. Specifically, how the traditional trade union, PPVP was connected to various political-economic business groups and has engaged in acts of miner mobilization on behalf of these groups even before the 2014 events. Thus, whilst investigating how various mining enterprises were connected to separatist mobilization it was helpful to uncover which trade union was either exclusively present at the enterprise or was the dominant force. This information was vital in gaining a more holistic understanding of the relationship between the trade union leaders and specific political-economic groups, and how the former is used to protect the interests of the elites and put pressure on the central authorities.

The business elites did not cease to use their control over trade unions and miners after Yanukovich's departure. Many of them had to adapt to the new conditions and work with the new set of political elites. A document made public by Mustafa Nayyem in 2015, an Afghan-born Ukrainian investigative journalist, highlighted how Rinat Akhmetov's company DTEK used trade unions and miners to retain their influence in Ukraine's energy market following Yanukovich's removal. Specifically, the document highlighted how the company was connected to organizing and financing sectoral protests, interfering in the activities of state authorities, and attempts to exert illegal influence on officials to protect commercial interests. The screenshot of the document made public by Nayyem is entitled *Fortress*. It was developed by DTEK directors under the leadership of Maxim Timchenko, the company's general director and contained a detailed description of all the activities

planned by the company to preserve their position in the market. Using the standard practice of delivering miners to Kyiv by bus, workers demanded the resignation of the energy minister, Vladim Demchishin (RBK Ukraina 2018, Unian 2015). Furthermore, the document highlights that the company tapped into its control of miners and trade union leadership to exert pressure on the government. For example, two of the stated goals in the document are “To detonate a social explosion (at least at the level of a reliable picture) as a consequence of betrayal of national interests and non-professionalism of the Minister of Energy”, and second to “Create reputation risks for the President due to actions/inactions of the energy minister”. To achieve these goals, the document highlights several action points in a subsection entitled “communication action plan over the next two – three weeks” and specifically highlights that “miners and trade unions” are to be “involved in the campaign” (Unian 2015).

As has been demonstrated on several occasions, trade unions are an important tool available to various political-economic groups when demonstrating their influence to the authorities in Kyiv. At various points in time during acts of mass protests the two trade unions discussed here have been aligned to a specific group and have generally acted in accordance with their interests. For example, as we have seen, in 2004, the Independent Trade Unions of Ukraine publicly positioned itself in opposition to the group of elites connected to Yanukovich. For NPGU’s leader, Volynets, the 2004 Orange Revolution represented a protest against corruption and “orientation of Ukraine towards the West and a move towards European integration, as well as the withdrawal of the national economy from under the oligarchic system” (Zakon i Bizness 2005). The position of the union did not seem to have changed in 2014 and the leadership stood in solidarity with the pro-Euromaidan protestors in 2014. The leader of NPGD, a regional branch of the Independent Miners’ Union, Volunko expressed his support for the activists and condemned the regime’s use of violence in an interview with *Dny*, a news source;

“We absolutely stand in solidarity with the demands of the Euromaidan, in particular, with the resignation of the current government and the president. Already more than 100 members of our union are on Euromaidan in Kiev, they are on the side of the people. Representatives of our organization come to Euromaidan in Donetsk. There are many like us: yesterday, the Confederation of Free Trade Unions of Ukraine also joined the general strike” (Den 2013).

Volunko then went on to accuse the other trade union of instead acting in support of Yanukovych, stating in the same interview, that according to his sources he is aware that,

“on the 4<sup>th</sup> December miners will be forced to hold a rally in support of Viktor Yanukovych in Donetsk city, and the state trade union will take part in this. Our organization will not participate in this action” (Den 2013).

The NPGU leadership has, therefore, been adamant in denying any involvement of their members in the separatist activities, placing the responsibility of the mobilization of miners in support of Yanukovych solely on the members of the PPVP. NPGU’s leadership specified that miners were mobilized, and some were paid a few hundred to five thousand *hryvnias* to participate in the actions in the early spring of 2014 with full knowledge and support from the PPVP leadership. This is in stark contrast, he argued, to the measures taken by the Independent Union to protect their mines from separatist forces. To that end, he announced that NPGU organized a 24/7 watch over the mines in Donetsk, Luhansk, and Dnipropetrovsk to not let the separatists in (Deutsche Welle 2014).

But the Independent Miners’ Union’s anti-separatist position, seems to have been effective in places where local business groups also took equally as strong stances on the issue. For example, as mentioned earlier, Ihor Kolomoisky in particular took an aggressive approach to putting an end to any separatist threat from unfolding in his region of Dnipropetrovsk, which initially was also one of the regions that experienced large pro-Yanukovych protests. On the other hand, the few members of

the Independent Union that were present in the Donbas and operated across the mines that were under the influence of DUEK, appear to have been more limited in their ability to maintain the same position if the local economic elites did not throw their support behind them. For example, in a local news source one of the representatives of the Independent Miners' Trade Union of Donbas, Myhaylo Krylov, was more supportive of the pro-Yanukovych protests in a mine which came under DUEK's umbrella in the city of Donetsk, October Mine. On 25<sup>th</sup> April, 2014 in an interview with *Vesti*, Myhaylo Krylov revealed that although the majority of the miners taking part in the separatist activities were from the traditional union, there were also some that joined even if they were officially registered as members of the Independent Union;

“I know that many guys are not only from our union, but in general, from different mines, spend day and night in the White House (the building of the Donetsk Regional State Administration). Our union also helped them – miners gave them as many helmets as they could, found people with money to help with finances and products” (Chergina 2014).

Furthermore, answering the question of with whom the Donbas miners sympathize more, Krylov said that many miners from Donetsk, Selidovo, Krasnoarmeysk, Rodinsky, Makeyevka, Gorlovka, Torez and the cities of Luhansk region would prefer to deal with Russia, rather than with Kyiv (Chergina 2014). When asked whether miners can generally be said to be more sympathetic towards Russia, his answer was a confident yes,

“Of course. Of course, with complete confidence, here I can only speak for myself and my family. But I know that very many miners from Donetsk, Selidovo, Krasnoarmeysk, my native Rodinsky, Makeyevka, Gorlovka, Torez, and the cities of Luhansk region would prefer to deal with Russia, rather than with Kiev. With Kiev, we do not want to live, he has no faith in anything” (Izmaylov 2014).

Krylov's views, which are much more radical than those of his fellow NPGU members, is indicative of the dependence of unions on business groups. He shared close ties to with Efim Zvyagiskiy an influential figure within Donetsk's business community with connections to Yanukovych. According to a few sources, Krylov is a former strike chair committee member of *Zasaydko* mine, an enterprise belonging to Efim Zasyadko. Located in the city of Donetsk, the mine is one of the largest and employed over six thousand miners. Workers from this mine have been known to support their boss, Zasyadko, and the Yanukovych regime since the onset of the 2014 crisis. For example, speaking to *Hromadske TV*, a news source, then director of the mine Pavlo Filimonov expressed the view that the enterprise would prefer to deal with the Customs Union as opposed to the European Union (Girnyk 2014).

It is important to recognize that the influence of oligarchs is very much known in the general population. Citizens recognized the ability of the ultra-rich to shape the trajectory of political outcomes especially during crucial moments before the crisis escalated, and they appealed directly to Akhmetov. As early as 25<sup>th</sup> January as the protests were heating up and before Yanukovych formally lost power, members of the public stood outside Rinat Akhmetov's home in Donetsk and called on him to take a concrete position on the issue and to channel his resources to prevent separatism and violence. The demonstrators held Ukrainian and European Union flags and called on him to talk about Ukraine's future. The activists described Akhmetov as "the most authoritative person in Donbas" adding that he could convince Yanukovych to stop further bloodshed and schedule early presidential elections. The oligarch, however, remained out of the public eye and refrained from taking a concrete stance on the issue in these critical moments when the course of events could still have been steered in a different direction. This hesitation to take decisive action during this critical period and join the struggle of the pro-Euromaidan protestors is in harmony with a branch of literature which suggests that under more-or-less competitive authoritarian conditions, the economic elites that profit are usually tied to the regime and work with it in order to avoid being

driven out of business. Moments of dilemmas for the regime are, therefore, also moments of crisis for many regime supporting economic elites, “they face more complicated calculations of self-interest punctuated by deep uncertainty about the future and the best means to preserve their position” (Gould and Hetman 2008, 5). As such, some elites might not decide to switch allegiances until it is arguably too late by which point a conflict moves into the next phase and its dynamics change, often taking on a life of their own. This makes any intervention much less likely to be effective as demonstrated by the Donbas case.

Yet, under political crisis conditions, other economic groups might welcome an opposition promising greater transparency, though this will “only apply to those elites whose firms have the potential to produce a product that will sell profitably on a competitive market” (Gould and Hetman 2008, 5). Such groups are less to be concerned about surviving in a competitive marketplace (Frye 2006). One of the most prominent examples of what powerful business elites can do in order to credibly demonstrate their commitment to combating separatism in the early stages comes from Ihor Kolomoisky, a Dnipropetrovsk based oligarch, and at the time of the beginning of the crisis, Ukraine’s fourth-richest man. Involved primarily in the banking and media sector Kolomoisky, was temporarily appointed as governor of the region by the interim government in Kyiv after Yanukovych fled the country. With an estimated net-worth of about \$1.8 billion according to Forbes, Kolomoisky offered his financial backing to Petro Poroshenko, the new president. When separatists captured local organs of power in parts of Donetsk and Luhansk in early April 2014, Kolomoisky was determined to prevent his region from following down the same path. Never a strong supporter of Yanukovych and having remained largely outside of his club of beneficiaries, Kolomoisky offered his millions to help fight the separatists. For example, the banking tycoon offered up to \$10,000 for the capture of the movement’s leaders and \$1,000 for each rebel Kalashnikov. He has also publicly financed the organization of paramilitary groups such as the *Dniper-1* battalion to fight against the separatists, and paid for the gasoline to fuel Ukrainian military vehicles to fight the separatists (Ayres 2014).

Another prominent group of business elites that stood against separatism were the businessmen in the neighbouring Kharkiv *oblast*, especially those whose business was concentrated in the agricultural sector. Despite the fact that the separatist threat was also very strong in this region, the oblast saw a very strong move from the public and the business community against this threat. The discussion now turns to this group.

## **Chapter 6: Agricultural Elites: Interests of Agricultural Tycoons in Kharkiv**

Bordering both Donetsk and Luhansk and sharing a border with Russia is Kharkiv *oblast*. The region has a total population of nearly 2.7 million and its capital, Kharkiv city, is the second largest city in Ukraine. Despite its currently peaceful state, in 2014 the situation in the region closely mirrored that of the neighboring Donetsk and Luhansk. Indeed, during the turbulent months between Yanukovich losing power and the referendum taking place, Kharkiv nearly became a separatist enclave. As will be described in greater detail in this chapter, the region's characteristics created initial hospitable conditions for the development of separatism, and therefore required proactive counter action from local economic elites to prevent the threat from materializing. As discussed in the introductory chapter, there were several key features of the *oblast*, which made it well positioned for the separatist sentiment to spread. The first is simply Kharkiv's geographical location. The fact that the *oblast* shares a border with Donbas and Russia - the region's capital Kharkiv being only 40 kilometers away from the Russian border - already makes the region more vulnerable to interference from its neighbors. In particular, Iziium municipality in Kharkiv borders Slovyansk municipality in Donetsk, which experienced a great deal of separatist unrest in the early days of the crisis. The two municipalities are connected by an important highway, which provides convenient access into Kharkiv *oblast* from the neighboring *oblasts*.

Yet despite this proximity, as this chapter will demonstrate, Iziium remained uncorrupted by the separatist forces despite several attempts to ravage the city. A similar case that will be discussed is Svatove in Luhansk, which, although located in one of the *oblasts* that partly fell under separatist control, the municipality has maintained its pro-Ukrainian position since the beginning of the crisis. As will be explained in the following sub-sections of the chapter, there was nothing about these municipalities that predetermined the outcomes within them. Instead, the key difference between

them and those that succumbed to separatist control was the presence of powerful local economic elites, who had strong economic incentives to preserve stability in the region and cooperate with the new authorities in Kyiv.

The links between Kharkiv and Russia also span beyond mere geographic proximity. Until 2014, the region's economy was also very closely connected to the Russian market. Kharkiv's close physical proximity to Russia made it a profitable source of cross-border trade and strong interpersonal ties that have been severely damaged by the conflict. It is necessary to highlight the importance of economic links between Kharkiv and Russia as one might easily be forgiven for thinking that, unlike in the Donbas, these ties were extremely weak and, therefore, not taken into account by the local businessmen. On the contrary, as will be discussed in the later sections, the opposite is the case. Like other industrial regions of southeastern Ukraine, Kharkiv also experienced an immediate economic downturn largely due to the loss of the Russian market. The effects of this downturn were very much felt by the region's business elites.

Beyond geographical and economic links between Kharkiv and its neighbors, the *oblast* also shares historical connections, a receptive political environment, similar patterns of protest activity, and public opinion which resembled that of the Donbas. Between 1919 and 1934, Kharkiv city was the capital of the Ukrainian Soviet Socialist Republic, and the identity of the city retains a close historical connection to Russia. The anti-Euromaidan protest activity in the first months of 2014 was also extremely similar to that in parts of Donetsk and Luhansk. Kharkiv city in particular experienced mass anti-Euromaidan protests and several attempts by pro-Yanukovich sympathizers to seize the regional administrative building. Accounts from regional news-sources reveal that the vast majority of protest activity was mainly concentrated in Kharkiv city, which at that time was home to approximately 1.4 million people. In the winter of 2013-2014 the majority of protests were in support of then-President Yanukovich, but local press sources also reported daily pro-Euromaidan gatherings of about 200 activists at the monument of the poet Taras Shevchenko. The fact that the

public was deeply divided on the issue of European integration and their support for Yanukovych did not help in preventing the crisis from growing. As revealed by an *oblast*-wide opinion poll from April 2014, 47 percent believed that the Euromaidan was a protest against corruption and dictatorship, while 42 percent stated that it was a coup against Yanukovych (Dzerkalo Tyzhnia 2014). Given such a clear split, it is easy to see how the separatist forces could have persevered if public attitude alone was the decisive factor. Furthermore, upon fleeing Kyiv in February, Yanukovych went straight to Kharkiv where he sought to convene a congress of deputies of southern and eastern regions of Ukraine on 22<sup>nd</sup> February.

The public were not the only ones to demonstrate their support for then president; local political elites also played an important part in drumming up support for the deposed president. The city's mayor Hennadiy Kernes and regional governor Mykhailo Dobkin (known locally as 'Dopa and Hepa') were famous for their iron-tight grip on Kharkiv. Both were seen as pro-Russian and corrupt figures (Atlantic Council 2015), who mobilized support for Yanukovych and welcomed him upon his arrival in February. The plans to hold the regional meeting, however, ultimately failed and Yanukovych left for Russia. At this stage other powerful forces became proactively involved in pressuring the local political elites to cease encouraging separatist sentiments. As will be discussed in the following sections, mayor Kernes came under the sphere of influence of Kolomoisky, who not only fought against separatism in his region, but also supported the efforts of Kharkiv's businessmen to defend their *oblast* from the same threat (Konończuk 2015). Following the close involvement and hands-on approach by the local economic elites to rooting out separatist activity, the local political forces in the region had no choice but to begin cooperating with the region's oligarchs and the new authorities in Kyiv.

As in the other two *oblasts*, tensions in Kharkiv were especially high during March and mid-April. In fact, the city's administrative organs were nearly captured by separatists on March 2<sup>nd</sup> when pro-Yanukovych supporters briefly broke into and hung up a Russian flag from Kharkiv's regional

state administration building. A similar incident took place again on 6<sup>th</sup> April 2014 when a group of pro-Russian activists proclaimed a short-lived Kharkiv People's Republic, just a few hours after their counterparts in Donetsk established a people's republic that remains intact today. Given these conditions it is indeed puzzling and rather remarkable that the city and its surrounding municipalities remained uncaptured by the separatist forces.

As the discussion so far has already hinted at and as the remainder of this chapter will demonstrate, the ultimate lack of separatism within Kharkiv's borders was far from predetermined. Instead, the chapter makes a case that the failure of this movement to take root was heavily dependent on the decisive actions of local economic elites from the very inception of the crisis. During a crucial time when there was a clear political power-vacuum in Kyiv and uncertainty in the regions, powerful local businessmen had the most opportunity to fill that space and shape the outcomes of the protests in their respective milieus. In Kharkiv, as well as in other eastern *oblasts*, there was a small group of regional businessmen who occupied a different pocket of the economy to those in the Donbas. These men were also much more removed from Yanukovych and his Party than those in Donetsk and Luhansk. In other words, as the chapter will demonstrate, one of the crucial differentiating variables between municipalities in Kharkiv and those in the Donbas were the local political-economic elites and the extent to which they took decisive action against separatism at the onset of the crisis. In Kharkiv, unlike in Donetsk and Luhansk, the oligarchs decided immediately that they would cooperate with the incoming administration and not allow separatism to flourish. To that end, they instantly pooled together resources and influenced the development of the protests before they materialized into separatist takeovers.

The remaining parts of this chapter will discuss how the actions of powerful financial elites in the region steered Kharkiv away from the trajectory taken by their neighbors in the Donbas. While pro-Yanukovych protests were allowed to exist and to grow unchecked in various parts of the Donbas, oligarchs in Kharkiv prevented it from spiraling out of control. Due to the earlier described

similarities between municipalities in Kharkiv and those in the neighboring regions one is, therefore, presented with an enlightening case-study which demonstrates the importance of business elite interests in counteracting separatist protest activity and shaping political trajectories in the early stages of a crisis. The following sections of this chapter will first, outline the economic composition of Kharkiv and introduce the major business groups located in this region, and discuss in greater detail their political connections and demonstrate why they stood to benefit more after Yanukovich's departure. Second, the chapter will examine the case of border municipalities in Kharkiv and map the development of separatism there and demonstrate how effective actions by Kharkiv's oligarchs saved this particular municipality from separatism. Lastly, the chapter will examine some cases of large state-owned enterprises and the role of trade unions in shaping how mobilization played out there compared to the Donbas.

## 6.1. Economic Landscape and Business Networks in Kharkiv

Kharkiv *oblast* is made up of seven municipalities and borders Donetsk and Luhansk *oblasts* (see Map 1).

Map 1: Map of Kharkiv



Back in the Soviet days, Kharkiv city was not only the first capital of Soviet Ukraine, but also a major centre of Soviet industry, and has remained extensively integrated with supply networks in Russia and the Donbas. These networks survived the Soviet collapse and in 2013 Kharkiv continued to boast one of the major producers and exporters of machinery and agriculture, both of which are the most prominent economic activities in the region (Yesmukhanova and Ackles 2016). The city was also a Soviet center for high-tech industry and science, the signs of which can still be seen today. Kharkiv universities continue to train thousands of IT professionals, although many are leaving the city in search of a better life elsewhere.

Overall, Kharkiv is Ukraine's fifth-largest industrial region, accounting for 5.6% of the country's GDP in 2013. Manufacturing and agriculture are two sectors that contribute the most to the regional GDP. Even though negative effects of the 2014 conflict can be felt across all economic sectors, oligarchs occupying the agriculture-food sector seem to have been the least affected – despite being essentially shut out of the Russian market. In 2015, for example, they represented the largest share of the region's overall output, contributing 26.3% in total (Yesmukhanova and Ackles 2016). Unlike those in the Donbas, major players in the agricultural sector in Kharkiv were more optimistic about their future prospects post Yanukovich. In fact, a survey by Case Ukraine found that large businesses in Kharkiv's two main economic sectors were the only ones optimistic about their economic future and potential for growth. Representatives from the machinery sector, for example, said that they were confident that they could recover given the high quality of the specialized equipment they produce. Meanwhile, representatives from the agricultural sector said that they expected growth to return following agricultural reforms which would be undertaken by the new administration (Yesmukhanova and Ackles 2016).

Despite the fact that at the time of writing one can see that the importance of the agricultural sector has been growing, at the beginning of the crisis, local businesses were still nevertheless

severely impacted. Kharkiv's *Barabashovo* Market, for example, has become a symbol of a city for which trade has always been the basis of its historical identity. Founded in 1995 as a district market, the *Barabashovo* Market was the epitome of post-Soviet transformation as it provided many Soviet engineers and builders with the opportunity to start a new life. With an area of 75 hectares, the market employs around 55,000 people (Serova 2017), making it one of the largest wholesale markets in Eastern Europe. The owner of the market is Oleksander Feldman, also the founder of AVEK group, which unites around 50 companies, many of which are located in his native region, Kharkiv. Feldman's track record shows that the businessman is a political opportunist and has traditionally switched political allegiances to serve his needs. The oligarch was on Yanukovich's side during the 2004 Orange Revolution, but then switched his allegiance to Yanukovich's nemesis, former Prime Minister Yulia Tymoshenko (Kyiv Post 2010). Although there is virtually no mention of this enterprise in the local media, which could help in painting a clearer picture of how the enterprise's employees behaved during the protests in 2014, there are other available clues, which demonstrate that Feldman was more interested in protecting his business interests and fending off separatists than in protecting the deposed president. Speaking on the topic of separatism to the local media, the businessman clearly stated that he did not want *Barabashovo's* space be used as a political arena, and especially not an arena for stirring up separatist sentiments;

"The Barabashovo Public Security Service, together with law enforcement agencies, will continue to suppress any manifestations of outright separatism and attempts at provocations on inter-ethnic and inter-faith grounds. Anyone who today aggravates the situation around Barabashovo will fail. I want to say the following to representatives of all political forces: focus on creation, not on destruction, on unification, and not on pitting people against each other. Kharkiv is a city of smart people and radicals have no chance" (Glavnoe 2018).

When the war broke out in Donbass, the market lost most of its customers, including traders from Donetsk and Luhansk as well as buyers from neighboring Russian regions. Nevertheless, as will be described in the following sections, in spite of the disruptions to the Russian market, local businessmen continued to remain committed to cooperating with the new government in Kyiv. The region's economy, for the most part, reoriented itself and adapted to the new realities. Although initially the economic costs of the loss of the Russian market to local economic elites could have given them a reason to be less proactive, they hedged their bets on the future and chose to fight against closer integration with Russia, which Yanukovych was proposing.

Economic tycoons in Kharkiv occupied a different economic sector compared to those in the Donbas, so they also had a different set of preferences that shaped their behavior. Regional economic differences existed since the 1990s when Kharkiv's industrial production was in decline and instead the agriculture-food, finance, and services sectors began to grow rapidly. As a result, the changing composition of the regional economy played a vital role in shaping the interests of the local business interests, whose financial future was considerably more independent from politics than their colleagues in the Donbas. Instead of relying on Yanukovych for protection, business tycoons in Kharkiv calculated that they would be better served by a change in the leadership in Kyiv. Their vision of influencing Kyiv was, therefore, not about trying to "conquer" it, but rather about trying to become a part of it. To that end, they behaved very differently in the critical period investigated here. The short timeframe between Yanukovych losing power and the holding of a separatist referendum was a crucial moment for the powerful regionally based elite groups to make an impact. To shape the course of action, they reoriented themselves towards the new government, and used their influence over their mobilization networks to demonstrate their regional influence to the new authorities in Kyiv.

A comparison of municipalities within Donetsk, Luhansk, and Kharkiv, therefore, allows for a better illustration of the critical role that local economic elites played in the two crucial months after the regime change. Where oligarchs acted from the beginning to prevent the spread of separatism, pro-Yanukovych protests were moderated, and a separatist insurgency never developed. On the other hand, where the elites were either sympathetic towards the former regime and did not take concrete actions during the critical stages of the conflict, protests spiraled out of control and transformed into a separatist insurgency. The following sub-sections of this chapter will focus on specific businessmen who were mainly connected to the agriculture and food sector to explore in greater detail the mechanisms by which they were able to shape the development of separatist activity in the region.

### 6.1.1. Vsevolod Kozhemyako: Agrotrade Group

Perhaps the most notable of Kharkiv's oligarchs, the majority of whose wealth is concentrated in the agriculture-food sector, is Vsevolod Kozhemyako, the owner of *Agrotrade Group*. Also known as the "agrarian king", with a strong civic stance, Kozhemyako is included in the top hundred richest Ukrainians according to *Forbes* magazine. The oligarch lives in Kharkiv, where he was born and graduated from the University. Since the early days of the conflict, Kozhemyako established himself as a leader in spearheading anti-separatist activity. As will be demonstrated throughout this section, he took a number of swift and decisive actions, which created unfavorable conditions for separatism to take root.

*Agrotrade Group* is one of Ukraine's major agricultural enterprises with businesses located across Kharkiv and other parts of Ukraine. The enterprise was founded in 1998 and is a leader in crop, seed, and livestock farming, as well as grain export in Ukraine. The company grew rapidly before Yanukovych became president. For example, between 2002 and 2005 Kozhemyako acquired a number of new enterprises: six grain elevators and grain products factories in Kharkiv (Kolomatsk,

Zachepilovsk and Vodyan grain-receiving enterprises), Sumy (Vorozhbyan grain-receiving enterprise and Vorozhbyan bread-producing plant) and Luhansk (Lutuginsky grain combine) (UBR 2020). As is the case with other major businesses in Ukraine, *Agrotrade Group* is a vertically integrated holding of a complete agro-industrial cycle: production, processing, storage and trade in agricultural products. In 2007, Kozhemyako's company further established its presence in Kharkiv and acquired stakes in four enterprises in the region – the Kupyansky and Bliznyukovsky bread-producing plants, as well as the Dvorichansky and Samoylovsky elevators.

Other than his impressive agricultural business empire, Kozhemyako also became famous for actively using his status to defend Kharkiv from the separatist threat. Unlike the businessmen in the Donbas, many of whom relied on close, personal connections to the old political elite to preserve their dominance in the market, Kozhemyako and his enterprises were largely independent of such ties. Furthermore, Kozhemyako's products had more options for diversification, which allowed the oligarch to continue to remain in operation, even when the conflict in the east significantly restricted the region's access to the Russian market. The business was able to refocus its activities more on the cultivation of wheat, corn and soybeans, and Kozhemyako was confident that the company would continue to thrive stating that, "Within three years, we will almost double our land bank up to 120,000 ha" (InVenture 2020).

When the threat of separatism was growing in Kharkiv and the likelihood of the conflict spilling over to municipalities bordering conflict areas in the neighboring *oblasts* was increasing, the oligarch took swift action. First, he used the most obvious and expedient resource at his disposal, money. To that end he very openly described in the press how he financed counter-separatist activities in the region from the inception of the conflict. In an interview with a Ukrainian news-source, *Novosti Ukrainy*, Kozhemyako discussed his and the business community's role in preserving regional stability and combating the separatist crisis. As a result of the conflict, he became known as a man who used his financial position to mobilize and support Ukrainian volunteer battalions, which

were not only instrumental in defending Kharkiv, but also went on to fight separatists in the occupied Donbas. In addition to uniforms, special protection equipment and body armor, he supplied the fighters with medicines and food. Kozhemyako even personally visited the ATO zone on several occasions to better assess and understand the situation. The businessman is known to have at one point brought a bag of UAH 1.5 million in cash for the needs of the army. When asked about this in an interview, Kozhemyako said that;

“When the riots began in March and the Russian flag was raised in Kharkiv, I met with the businessmen and the authorities and told them: ‘everything is starting badly.’ I was afraid to even imagine how it would end. A few days later a group of businessmen gathered, we conferred and decided to pool together money” (Pashover 2014).

Kozhemyako further elaborated that during those first crucial weeks, the local police forces needed to not only be awakened from their passive state but were also in need of actual equipment and supplies to defend the city. He highlighted that it was important for the business community to take charge and fill the void initially as the local defence and political forces were not fulfilling this role and the Ukrainian army was not yet deployed to the region;

“We bought helmets for policemen who were supposed to stand in the cordon of the regional administration. The risk that it will be captured increased every weekend. I continued to meet with businessmen - Valery Demin, Sergey Polituchy (President of the *Factor Group*) and Mikhail Isak. In Kharkiv, they are quite famous people. We pooled together money, bought the equipment for the police. But it was still necessary to feed the people, barricade the administrations

in the municipalities bordering the Lugansk and Donetsk regions. As such, battalions were created. I realized that I needed to continue to collect money, and in May 2014 I created the Peace and Order Foundation” (Pashover 2014).

Kozhemyako’s initial commitment to combating the spread of separatism led him to swiftly create a framework through which he could mobilize people to prevent separatism from spreading. The Peace and Order Foundation made the process more streamlined and worked as a platform through which regional businessmen in the agriculture-food sector could pool together their resources and incentivize the region’s citizens to join in their cause of defending the territorial integrity of Ukraine. The businessman highlighted the importance of his fellow colleagues in their efforts to stabilize the situation during the turbulent spring;

“I remember March, April, May 2014, when we were going to the newly-freed administration, then we, the businessmen, were needed. The governor was instructed to physically receive money from us and hand it over to the police for the purchase of helmets and body armour. So, I personally brought him my savings from home in a package. The situation was difficult then. It was necessary to organize the defence of Kharkiv, we had a full city of separatists. Decisions were made quickly. So, volunteer battalions came into existence. I was close to the army, the National Guard, I participated actively in the processes of assistance and many times I have been to and lived in the ATO zone. I saw how it all happened, how it all began. People did not know what to do, where to run” (O. Bohdanova 2016).

Kozhemyako's statements reinforce the overarching message in this dissertation, which argues that swift and decisive action from powerful local economic elites in the early days of the conflict can have a great impact on shaping the trajectory of the conflict. In the case of Kharkiv, elites in the agriculture-food sector were less dependent on the former regime and, therefore, less interested in protecting it. As a result, the region's business community took a strong stance in its fight against separatism in the crucial months of the crisis before the conflict entered a different stage. The oligarch's statements also demonstrate how economic elites can influence the behavior of local and regional political actors. In this particular case, big business pressured local authorities to work against the separatist movement. This comes in stark contrast to what we have seen in the case of Donbas where the local power structures were also permissive of the separatist sentiment, but where the oligarchs preferred to stay silent while the protests escalated and transformed during this crucial time-frame. As will be further demonstrated below, Kharkiv elites' sectoral interests were better served under a different administration, which gave them a big incentive to be fully committed to combating separatism in their region from the start (Pashover 2014).

Kozhemyako's business interests suffered under Yanukovich. The oligarch openly expressed how Yanukovich and his team actively sought to disrupt his business activities and extract bribes to allow for continued business operations of his companies. For example, in an interview with a local news-source, the businessman said that during Yanukovich's presidency his companies began experiencing difficulties shipping their products (Unian 2015). Kozhemyako and his associates were asked to pay bribes if they wanted to see their products leave the port. The businessman said:

“When Yanukovich came to power, Mykola Prysyzhnyuk became the Minister of Agrarian Policy. Together with Yanukovich's team, they would randomly stop the shipping of products. They would tell us to pay them if we wanted a ship to leave the port” (Unian 2015).

Other than disruptions to the operations of their businesses, Kharkiv's agriculture sector elites also had other reasons to lean closer to Europe and support a different set of political actors. As mentioned in the earlier parts of the dissertation, the region's businesses were – and continue to remain – recipients of various development investments from the European Bank for Reconstruction and Development (EBRD). In fact, the region has been in close cooperation with EBRD since before the conflict, which has been beneficial to the interests of the oligarchs. For example, by 2012 the EBRD had already completed a project where it provided a loan of close to 30 million USD to Kozhemyako's *Agrotrade Group* to finance its working capital and investments in grain handling and storage infrastructure, as well as processing in Ukraine (European Bank for Reconstruction and Development 2012). As a result of the successful partnership, Kozhemyako has always been very open to the press about the benefits that orientation towards Europe and closer partnership with western institutions such as EBRD would have for the agriculture-food business community. For example, the businessman noted in an interview that despite the crisis in the Donbas, the capital of his company nevertheless increased after Yanukovich was removed from power. He partly attributes this to close cooperation with the said European counterparts:

“We started several investment projects together with EBRD before the Maidan. To say that the company is developing as planned and as desired, at a time when there is a crisis in the country, is not entirely true. The devaluation of the hryvnia, the annexation of Crimea, the aggression of Russia - as a result, the banks reduced the limits on Ukraine and there was a lack of working capital in the company. But, in spite of everything, thanks to the support of the EBRD, we have implemented investment projects” (O. Bohdanova 2016).

One can distil from the above statement that despite the inevitable negative effects of the conflict on the company's revenue in the short term, there exists a level of trust and a working partnership between the agricultural sector businesses and certain western institutions. Furthermore, unlike other pockets of the economy, the agricultural elites believe that the ultimate growth of this sector in Ukraine is inevitable and that the success of their businesses is independent of politics:

“Our agri-business has been developing for 20 years, despite all the obstacles created by [former] officials. It is impossible to stop this process, however. It can be slowed down, which in principle ‘thanks to’ the efforts of ministries sometimes works, but even they cannot stop this progress. The domestic competition in the agricultural sector in Ukraine is very high. The prospects of this sector are great” (O. Bohdanova 2016).

Thus, unlike the business empires of the elites in the Donbas, which were concentrated in the extractive and heavy industry and relied on personal connections to the old regime, the agricultural sector in Kharkiv was more removed from these pressures.

Furthermore, as has been demonstrated so far, the origins of wealth of those in the Donbas were heavily dependent on the manipulation of privatization auctions and constant political protection from the old government. In Kharkiv *oblast*, in contrast, businessmen had either little or no ties to the former authorities and were not only able to survive on their own, but had greater prospects to thrive under a different political leadership. Elites in the agricultural sector, such as Kozhemyako appear to have built their business more-or-less without abusing personal connections to political actors, unlike the majority of those in the Donbas and in the post-Soviet region more broadly. In fact, Kozhemyako explicitly discussed in an interview how he first chose the agricultural

sector and why and how it differed from other ones that were also undergoing the wave of privatization in the 1990s (Hordeichuk 2016). The businessman mainly emphasized that he wanted to build a company that could survive in a competitive environment (Hordeichuk 2016). At the same time, he did not underestimate the power of political allies in ensuring the success of a business in Ukraine. To that end, he has openly financed and supported pro-western political parties such as *Samopomich*, which promotes European values.

Given that Kharkiv is at the center of Kozhemyako's business interests, ensuring the city's and surrounding municipalities' stability was of utmost importance to his interests. The second section of this chapter will further elaborate on the role the oligarch played in ensuring the stability of Iziium, which borders Slovyansk. As the discussion so far has already demonstrated, Kozhemyako used his position as a powerful businessman to mobilize battalions and create a framework which would drive forward his interests. There were also other private businessmen in the region who used their status to counter the spread of separatism. One of these influential individuals was Oleksiy Vadaturskyy.

### 6.1.2. Oleksiy Vadaturskyy: Nebulon

Given the refined level of inquiry with which this dissertation deals, detailed information about the protestors in Kharkiv and their role in defending the *oblast* is difficult to obtain. Nevertheless, the research identified some invaluable electronic archives of a local newspaper, *AgroProfi*, which highlighted the importance of agricultural tycoons and the agricultural community more broadly in rising up against separatism across Kharkiv.

A close partner of *AgroProfi* is Oleksiy Vadaturskyy's company, *Nebulon*, a large private agricultural enterprise (Agroprofi 2014). The company was founded by Vadaturskyy in 1991 and is one of Ukraine's largest agricultural producers and exporters of grain. Vadaturskyy has been one of the most publicly outspoken supporters of Euromaidan and as will be demonstrated in this sub-

section, one of the harshest critics of separatism from the very beginning. Like other oligarchs in the sector, Vadatursky used his business empire as a platform from which he could direct the course of events in Kharkiv. For example, he handed out monetary rewards to anyone who helped in detaining pro-Russian separatists. He also equipped the “people’s militia” of a nearby Mykolayiv *oblast*, as well as the checkpoints at the entrances to the city (Euromaidan Press 2014). *AgroProfi* consistently highlighted the importance of agricultural workers and the July 2014 issue in particular highlighted a strong sense of solidarity that the agrarian community shared when it came to defending the territorial unity of Ukraine during the initial period of crisis. Making an indirect comparison to the workers in Donbas, the news article highlighted a unique sense of pride that the agricultural community feels towards the Ukrainian land:

“The work of peasants knows no holidays or weekends because farmers do not work with soulless metal, but rather with living nature that cannot be turned off and set aside for later” (AgroProfi 2014).

The article not only highlighted the farmers’ devotion to their land, but also thanked them for their efforts in defending it. As described earlier in the theory section of the dissertation, even though workers in this particular economic sector are likely to be more difficult to mobilize and organize, they still made important contributions to the efforts of businessmen in defending the region. The article above expressed the view that even though Ukrainians in general and farmers in particular are peace-loving, they can still be mobilized for action. Referring to the protests throughout February and early spring of 2014, the article highlighted that

“Ukrainians have always been a peace-loving nation, but in case of a threat every bread-maker was ready to take the horse out of the plow and saddle it up to fight. The same is the case today - hands that are used to holding harvesting equipment,

are ready to handle tanks. Because no one knows the price of his land, like the one that waters it with their sweat, and now even their blood” (AgroProfi 2014).

Furthermore, as highlighted earlier, the mobilization needs of the business community in Kharkiv differed from those in the Donbas given the fact that they had to respond to a growing separatist threat and stop it from spreading further. To that end, workers in the agricultural sector were not necessarily the best positioned forces to take on the role of fighters. Oligarchs, therefore, also needed to create battalions to serve as protectors of the region. Nevertheless, even though not every farmer could act as a fighter, the community still worked alongside members of the battalions and contributed to the cause:

“We [agricultural workers] sincerely bow to the bravery of volunteer battalions. Their contribution to deterring aggression is invaluable. Similarly, invaluable are also the contributions of unknown volunteers [referring to the workers] who helped the fighters by providing them with medicines and clothing, food and water” (AgroProfi 2014).

In the same issue of *AgroProfi*, Vadaturskyy made his personal position on the matter of separatism even more explicitly clear and called upon the citizens to defend the territorial integrity of Ukraine. *Nebulon's* website, for example, was adorned with slogans calling for the country's unity and the need of the agricultural community to defend the land (US-Ukraine Business Council 2014). Much like the *AgroTrade Group*, *Nebulon* also had a number of links with western funders and institutions. The enterprise, for example, is a member of U.S. - Ukraine Business Council and on March 20<sup>th</sup>, 2014 at a joint conference, Vadaturskyy issued a statement reaffirming his commitment to protecting his homeland stating:

"Today we must be honest, selfless and reasonable. Our Motherland is in danger; it needs to be protected. We have no right to lose. The history will not forgive us!"  
(US-Ukraine Business Council 2014).

### 6.1.3. Oleksander Yaroslavsky: DCH Group

Another influential Kharkiv businessman and a supporter of Ukraine's territorial integrity is Oleksander Yaroslavsky. Like Kozhemyako and his colleagues in the agricultural sector, Yaroslavsky also had his fair share of grievances against Yanukovich and the Party of Regions. Furthermore, the tycoon also tried to keep his business as separate from politics as possible.

Yaroslavsky's financial empire is primarily managed through his ownership of DCH Group, which has assets in a variety of industries ranging from finance to machine building and production of agricultural equipment. Before Viktor Yanukovich came to power in 2010, Yaroslavsky's business is reported to have been thriving, but his economic interests quickly came under threat during Yanukovich's presidency. He was, for example, essentially forced to sell his beloved football club, *Metalist* to another businessman close to Yanukovich, Sergiy Kurchenko. Given this and numerous other feuds with the old administration, Yaroslavsky resolutely joined the pro-Euromaidan side of the protests. Throughout January when the protests were heating up in the city, Yaroslavsky openly spoke out in favor of the Euromaidan and used his influence over *Metalist* football club fans to encourage them to go out onto the streets and defend the Euromaidan movement against potential provocations from the pro-Yanukovich supporters. As mentioned above, up until 2013 the oligarch was the president of Kharkiv *Metalist* football club. Although there is a lack of information regarding his direct involvement in the process, a brief report in a local media outlet reported that the tycoon used his position to appeal to the loyal fans of the football club to promote the Euromaidan movement

and to stop the separatist threat from growing larger. Appealing to *Metalist* fans, the oligarch stated in a sports news outlet:

“When it comes to deciding the future of the country, *Metalist* fans have the full right to defend the principles of a fair game not only in sports, but also in real life” (SpyFootball 2014).

The statement was issued in the very early days of the Euromaidan protests with the intention of encouraging *Metalist* fans on January 25<sup>th</sup> to protect pro-Euromaidan protests taking place in Kharkiv city from possible provocations by the anti-Maidan groups (SpyFootball 2014). *Metalist* fans remained an important component of defending the Euromaidan movement in Kharkiv and protecting the territorial integrity of Ukraine (Lukov 2014). As mentioned above, relations between Yaroslavsky and Yanukovych were tepid at the best of times. In an interview with a Ukrainian news-source, the oligarch was asked about the business environment during Yanukovych’s presidency, namely regarding the pressures that were put on him by that administration to sell some of his businesses. Always a diplomat, Yaroslavsky confirmed that his economic interests were not served well under the old regime, and that Yanukovych

“[...] simply created a situation in the country that made getting rid of business better. Corruption, collapse of industry and the economy as a whole. From that moment on assets have not risen in price” (UkrMedia 2014).

Despite his lack of support for Yanukovych, Yaroslavsky emphasized that while the incoming administration was much better, it did not mean that he had personal ties to the political elites and

insisted that he will carry on with his habit of not becoming too friendly with the country's presidents:

"I have never been friends with the presidents, nor with their teams. It is true, however, that we are cooperating, and working to solve the issues of the region. But this is not facilitated by friendship, and instead by the need to develop the region, including the Kharkiv Tractor Plant, where thousands of people work and tens of thousands of people depend on the stability of their work" (UkrMedia 2014).

Indeed, in the immediate aftermath of Yanukovych's departure from power, Yaroslavsky was in a much better position to begin acquiring new assets. One of these assets was the Kharkiv Tractor Plant (UkrMedia 2014), which was undergoing the process of closure during late 2013 (Kommersant 2013). Furthermore, in the post-Yanukovych period, the oligarch acquired a number of other new enterprises, including two coal mines in Kryvyi Rig *oblast*. The enterprises initially belonged to Russian investors, but due to the conflict between the two countries, they were sold to Yaroslavsky's DCH group. The Independent Miner's Union is the main trade union operating across both enterprises (Pan-European Regional Council 2017). Unfortunately, there is no mention in the local media about mobilization at these enterprises during the Maidan or subsequent protests. However, under Yaroslavsky's ownership the direction of his companies has always been westward. For example, upon acquiring *Suha Balka* which encompasses two mines *Yuveliyna* and *Frunze*, Yaroslavsky turned to western investors in search of capital for their development. The oligarch also acquired the aforementioned Kharkiv Tractor Plant, which prior to privatization was on a verge of bankruptcy. Like other oligarchs in Kharkiv, Yaroslavsky also mentioned the EBRD as an investor of interest from whom he wanted to attract co-financing for the implementation of new projects. The

oligarch said in an interview with *Interfax*, a news source, that he was discussing such an opportunity with both commercial banks and international financial organizations, in particular with representatives of the European Bank for Reconstruction and Development:

"At the Kharkiv Tractor Plant, 45,000 people worked at one time, and the plant produced 50,000 tractors, and now only 3,000 work there, and it produces 1,000 tractors. There is spare capacity for other industries. I want to attract partners" (Interfax 2018).

Yaroslavsky's influential position in the region also made him a favorite for the gubernatorial position after Yanukovych fled and the interim Kyiv government began replacing the heads of regional administrations. The oligarch, however, kept out of the government spotlight and declined the position. He nevertheless made his dedication to support and cooperate with the new government clear and when on March 3<sup>rd</sup> Igor Baluta was appointed as the head of Kharkiv Regional State Administration, Yaroslavsky said:

"Dear countrymen, thank you for your kind words and your kind thoughts about me. I am deeply moved by this trust and appreciate it [referring to the offer for gubernatorial seat]. It is painful for me to see what is happening in our country and our hometown right now. I am for a united and indivisible prosperous Ukraine. This is my unambiguous and unchanging civic position" (Tyzhden 2014).

When the new governor, Igor Baluta was appointed, the next day Yaroslavsky was quick to express his full willingness to collaborate with the new head of the regional state administration:

“The new head of Kharkiv region from his first working day has my phone number and I am open to dialogue. And although I do not make loud statements and do not try to hold high positions, in my place I do everything possible to prevent the split and humiliation of Ukraine” (Tyzhden 2014).

Yaroslavsky's statements and new business acquisitions after Yanukovich lost power further highlight that he stood to gain from a change in administration. Like other businessmen in the region, Yaroslavsky did not have a positive relationship with Yanukovich's political machine. Tensions between these forces played out publicly on numerous occasions. As described earlier, both Kernes and Dobkin have encouraged protests in support of Yanukovich and instilled separatist ideas into the minds of the locals. The two men had also been in conflict with Yaroslavsky since Yanukovich became president. One of the sources of conflict was Yaroslavsky's reluctance to “share revenue” from the *Metalist* football stadium before he was effectively forced to sell it (UkrMedia 2014). The fans have, nevertheless, remained loyal to Yaroslavsky and expressed their hope that the oligarch would return to being the club's owner now that Yanukovich was no longer in a position of power (SportAnalytic 2014). In turn, Yaroslavsky was able to use the fans' loyalty to encourage them to protect the pro-Euromaidan protestors and prevent the escalation of the separatist threat in the early days of the crisis.

#### 6.1.4. Ihor Kolomoisky: Privat Bank

Although not originally from Kharkiv, Ihor Kolomoisky is another influential oligarch worth briefly mentioning. Originally from the neighbouring Dnipropetrovsk *oblast*, Kolomoisky used his economic power to steer the course of separatism not only in his region of Dnipropetrovsk, but also in Kharkiv.

The oligarch is mostly known for his business activities in the banking sector, but he is also an important player in the agriculture-food business. Several of his companies are located in Kharkiv and owned by his group *Privat*. *Privat-AgroHolding*, for example, is a group of companies engaged in agriculture and food sector (e.g. growing crops, dairy and meat livestock). Cumulatively, the enterprise spans over approximately one-hundred thousand hectares and employs around 4,000 people across the country. The company was founded in January 2005 in Dnipropetrovsk, and by 2009 it had expanded to other parts of Ukraine (Latafundist 2020). One of its subsidiaries, *Nasinnevoe* is located near Pervomaisk municipality in Kharkiv and is the largest milk and meat farm in the region (Privat-AgroKholding 2020, YouControl 2020). Also, *Shchedro TM* represents the food segment of the enterprise and operates across Lviv, Kharkiv, and Zaporizhia (Hromadske 2019). Given that a lot of his business activity is located in Kharkiv, and the oligarch was from a rival political-economic group to Yanukovich, he also had an interest in channeling his efforts towards stabilizing the situation in the region.

Like many other businessmen outside of the Donbas, Yanukovich's time in office was not the best for Kolomoisky. In fact, throughout Yanukovich's presidency the oligarch mainly lived in Switzerland. A change in the executive leadership was a welcomed event for Kolomoisky and to that end the oligarch and his team actively supported the Euromaidan protests since their inception, and in the immediate aftermath of Yanukovich's departure Kolomoisky returned to Ukraine (Klotcho 2015). Upon his return, the oligarch took one of the most active roles in suppressing separatism not only in his home region, but also in Kharkiv.

Both Kharkiv and Dnipropetrovsk were a part of the "Novorossiia" project and were on track to follow similar experiences of Donetsk and Luhansk, and therefore required a strong internal force to prevent them from spiraling into chaos. Upon his return to Ukraine in late February, Kolomoisky found Dnipropetrovsk was a site of separatist protests, which he quickly worked to put an end to. Much like the oligarchs in Kharkiv, the oligarch and his team pressured the local defense forces to

put a stop to any public activity supporting Yanukovych or any alternative territorial structure. Due to the rapidly changing nature of the conflict and the lack of any structure capable of responding swiftly, the oligarch created one. First, just like Kozhemyako he used his personal wealth as a way to motivate anti-separatist activity. He announced, for example, a monetary reward for every captured separatist and their weapons. In a public statement Kolomoisky's deputy, Borys Filatov said:

“To our Russian-speaking brothers from the Donbass [...] we have a proposal. For every returned weapon there will be a reward of \$1,000 USD for a machine gun, \$1,500 for a grenade launcher, and for every separatist [...] a reward of \$10,000 USD. For emancipation of regional and local administration buildings protected by our special forces battalion ‘Dnepr’ – a reward of \$200,000 USD” (Klotcho 2015).

These monetary incentives were also used to rapidly create battalions. As mentioned in the previous sub-sections of the chapter, the mobilization strategies of oligarchs in these regions greatly relied on financial incentives as the main mechanism to mobilize individuals to fight against separatism. As will be further demonstrate in the next section, a swift response was especially crucial given that municipalities on the border such as Iziium were often in immediate danger of a separatist take-over once the neighboring ones were taken by separatists. In the case of Iziium, the local defense forces were not prepared to protect Ukraine's territorial integrity on their own and desperately needed reinforcements. This is where powerful local economic elites stepped in to fill the void. Among the first battalions created by Kolomoisky were “Dnipro” and “Donbas”. The battalions were created for the same purpose as those in Kharkiv by Kozhemyako. They were deployed to Kharkiv to reinforce the efforts of the local battalions there. The businessmen also sent these battalions to Donetsk, but elites there were reported to have been opposed to putting such structures in place.

According to Semen Semenchenko, one of the battalion's commanders in April 2014, said that when the region needed reinforcement the most, local power structures were not supportive of the creation of volunteer battalions:

“We were faced with serious opposition in our *oblast* [Donbas]. The elites in the region did nothing. Only in the neighboring *oblasts* we were able to form battalions, thanks to Kolomoisky and his deputies Filatov and Korban. As a result, ‘Donbas’ battalion was formed with the status of a structural unit of the regiment of territorial protection of Dnipropetrovsk *oblast* “Dnipro -1”, which provided the barracks and food for their colleagues” (Klotcho 2015).

Kolomoisky was also able to exert his influence over the mayor of Kharkiv. Immediately after Yanukovich's escape from Kyiv to Kharkiv, to convene a separatist meeting under the auspices of Mayor Kernes, Kolomoisky immediately addressed Kernes - with whom he had a long-standing relationship. Unlike most businessmen in the Donbas, those in neighboring *oblasts* did not avoid the topic during the crucial moments of inception. Instead, they issued swift, strong, and clear messages to local political and coercive forces warning them to use their authority to stop the spread of separatism instead of permitting its development. On February 22<sup>nd</sup>, Kolomoisky warned Kernes to stop encouraging separatist sentiment and use his authority to stop it while it was still possible to shape the trajectory of protest activity before it became irreversible. Issuing a warning, which could almost be viewed as a threat, Kolomoisky said:

“I specifically want to appeal to one person – the mayor of Kharkiv, Genadiiy Kernes. [...] You can only make separatist statements when you send your own son not on excursions to the Maldives, but to the battle-field [...] maybe this will

sober your hot head. Ukraine will never give up even an inch of its land. So, Mr. Kernes, if you begin to play with the destinies of millions of people, you can very seriously complicate your own. Think about it” (Glavred 2014).

A mixture of pressure on the local power structures and financing the formation of battalions created a local climate that was much less receptive to the development of separatist sentiment. The efforts of Kozhemyako and Kolomoisky seem to have served as a catalyst in waking up the previously passive local security forces, who eventually stepped in and began defending Kharkiv city from separatists and cracking down on anti-Euromaidan protests. For example, after the first brief break-in into Kharkiv city’s regional administration building on March 1<sup>st</sup> local law enforcement stepped in to guard state facilities (Reuters 2014). Propped up by the earlier described support from the local business community, the local administration began to take decisive action against separatism such as arresting organizers of pro-Russian protest actions and attempted seizures of administrative buildings (Pravda 2014). Although separatist protests continued through mid-April, the strong and decisive stance by the elites in the crucial stages prevented them from growing and spiraling out of control.

As a result, even though Yanukovych and the Party of Regions were the dominant political choice among the voters, the number of protestors who actively came out to support him and the party remained moderate, with only very committed activists daring to go out onto the streets. The region therefore makes for a good case study of how pressure from powerful business elites can shape the behavior of local power structures and shape the outcome of political trajectories in their region.

## 6.2. Border towns: Iziium, Kharkiv

As mentioned previously, the *oblast's* proximity to Donetsk and Luhansk elevated the possibility that the conflict might spill over to Kharkiv's bordering municipalities. A closer examination of these municipalities during the crisis period, therefore, provides another way to observe the effect of economic elites in shaping the direction of separatism. Bordering municipalities in Kharkiv offer a particularly illuminating example of how early intervention by powerful local elites can shape the direction of outcomes despite the odds. As will be describe below, Iziium, is a particularly important case to examine in this regard.

Located in Kharkiv, Iziium lies only 30 miles south of Slovyansk, a well-known case of separatism in Donetsk in the beginning of April 2014. Whilst the protests and attempts to capture Kharkiv city were ongoing, Iziium was also reported to have been a site of sporadic fighting. The city was of particular importance because it connects Luhansk-Slovyansk-Kharkiv, three significant cities during the crisis, through route E40. As such, control of the highway was instrumental as it was the fastest access route into Slovyansk, as well as a path through which separatism could expand into Kharkiv. The Slovyansk-Iziium highway was, therefore, referred to as the "highway of death" by locals during the summer of 2014. The importance of this municipality did not escape the Kharkiv business elites, who assertively channeled their resources towards preventing the crisis from spilling over to Iziium from nearby Slovyansk.

The previously mentioned agricultural tycoon, Kozhemyako, was once again the main leader in pioneering effective action in the early stages of the crisis. The oligarch recognized the importance of this municipality to the overall stability of the region and the immediate need to insulate it from the separatist threat. To that end, he was among the first to physically travel to the border in the early days of the conflict to better understand what was needed in order to strengthen security in the area and to prevent the conflict from spilling over (KharkivToday 2016). Speaking to a local newspaper,

*Kharkiv Today*, the businessman highlighted that the E40 passing through Iziium connected the region to the Donbas and was extremely dangerous. The local security forces in Iziium needed reinforcements and motivation in order to prevent the region from falling prey to the same fate as parts of the neighboring Donbas. The reinforcements were provided – and the existing void was therefore filled – by Kozhemyako and his colleagues.

Having used his financial position to mobilize volunteer battalions such as *Kharkiv-1* and *Slobozhanshchina*, the oligarch ensured that the fighters were equipped with the necessary gear to perform counter separatist operations before being promptly dispatched to Iziium. The battalions were provided with binoculars with rangefinders, body armor, gasoline generators, raincoats, rucksacks, and about twenty other items of equipment purchased by Kozhemyako’s Peace and Order foundation.<sup>47</sup> Highlighting the important role of the business community in the fight against separatism in Iziium, the oligarch said:

“These are mainly donations from businessmen, owners of large and medium-sized businesses. Of course, a charitable foundation accepts donations of any size: hundreds of people want to help the army with anything. But, of course, the most significant help comes from business. Today is a time when business cannot stand aside from what is happening. Therefore, we will be happy for everyone to join our common cause and will help maintain peace and order in the Kharkiv region” (Vostochnuy Door 2014).

When Baluta assumed his role as the new governor of the *oblast*, the separatist threat was essentially already under control due to effective measures taken by those with financial means.

Speaking in the immediate aftermath of the referendum on 22<sup>nd</sup> May 2014, the new governor himself highlighted the crucial role that the businessmen played in preserving the region's stability and stopping the conflict from escalating in the midst of the political power vacuum (Vedernikova 2014). Speaking to a local news source about forces that kept and are keeping the region from descending into chaos, he explicitly mentioned the business community;

“[Political] power - business - law enforcement, which is part of the mechanism that now holds the city and the region together” (Vedernikova 2014).

Baluta also highlighted the fact that the interests of Kharkiv oligarchs differed from those in the Donbas, hinting at the prospect that those in the neighboring region were partly responsible for the outcomes in their regions and could have done more to prevent it:

“Kharkiv does not have such serious oligarchs as Donetsk. We have a slightly different level of businessmen, and, fortunately, reason has not abandoned them as clearly as it did those in Donetsk” (Vedernikova 2014).

The governor's comparison of the role of Kharkiv's business community with the one in the Donbas is important. The statement reflects a crucial point argued for in this dissertation, namely that economic elites were an important explanatory factor that played a critical part in shaping the trajectory of protests in the early days. Kharkiv's oligarchs, for example, were extremely decisive and efficient from the inception of the conflict when it was still possible to steer the situation into a different direction. In contrast, the oligarchs in the Donbas were either actively encouraging the Yanukovich movement, or were passive in preventing it from spiraling out of control. Specifically, referring to the actions of Akhmetov, whom the previous chapter has described in great detail, Baluta notes that he was instrumental to the development of the events in Donetsk. Although the oligarch

eventually publicly declared that he was against separatism, the declaration unfortunately came much too late and was not supported by concrete actions from the beginning. Reflecting on this, the governor said:

“Akhmetov, after the arrival of Prime Minister Yatsenyuk in Donetsk on April 11, publicly announced his position. He was not bargaining [with the center] at that time. But at the same time, it was too late. As you can see, it was too late ‘to slam on the breaks of a car’ the engine of which was launched immediately after the Maidan revolution” (Vedernikova 2014).

Baluta also highlighted that he worked alongside the businessmen in Kharkiv, which according to him differed significantly from the neighboring regions;

“We regularly talk with the businessmen. Vsevolod Kozhemyako became the coordinator of our contacts. As a result, with their help, the issues of material support of power units both in the region and those participating in the ATO in the Donetsk and Luhansk oblasts are solved. After all, today the forces of ATO are concentrated not only in Iziium. We have a fairly large length of boundaries with other conflict areas” (Vedernikova 2014).

Kozhemyako’s efforts in protecting this particular municipality and promoting a pro-European direction paid off. His position was also supplemented by the local protest activity. Although it is difficult to get a full account of details at such a micro level, there are nevertheless some local sources that document some protest activity in Iziium. As early as 7<sup>th</sup> December, for example, despite the fact that the courts forbade anti-Yanukovych protest gatherings, there were some local

activists that came out in support of the Euromaidan anyway (Den 2019). Similarly, on 16 – 17<sup>th</sup> April when Slovyansk was already occupied, alongside Kozhemyako's mission to counter separatism, citizens of Iziium came out in support of the territorial integrity of Ukraine (YouTube 2014).

Lastly, another brief anecdotal example deals with the municipality of Kupyansk, which, like Kharkiv city, is also located in close proximity to the Russian border and the population is approximately 26% ethnic Russians. According to the latest available statistics from 2010, out of a total of 7,351 registered enterprises, the majority of them (56%) are private - the total of which is reported to be 4,119. Boasting several large agriculture and food processing enterprises, Kupyansk is home to grain processing facilities owned by the previously mentioned Vadaturskyy and his company *Nebulo* (Nibulon 2020). The businessman is reported to also have had a business presence in Iziium (AgroReview 2012). Although there were no explicit reports of protest activity in these municipalities which could be directly connected to Vadaturskyy, the strong presence of these regional businessmen in the municipalities in which separatist movement ultimately failed adds further confidence to the argument that their involvement was likely one of the crucial driving factors that explains the variation in outcomes of the events in Kharkiv.

### 6.3. Svatove: Luhansk

Another example of a town within reach of the separatist conflict is Svatove in Luhansk. The town is located in the north-west part of Luhansk, in close proximity to the Russian border and approximately 100 kilometers from Slovyansk. Despite being located in close to proximity to the conflict and within a region parts of which fell to separatist insurgents, the town managed to weather the storm and fight off attempts at separatist capture. Closer examination of the town and the district surrounding it demonstrates that the economic composition likely played a key role in allowing this town to remain proudly Ukrainian, while also coexisting with its legacy of the Soviet past. As the

discussion below will demonstrate, its vibrant agricultural community, and the early actions of local agricultural business owners to protect it from insurgency played an integral part in the ultimate outcome in this part of Luhansk.

Svatove is made up of approximately 17,000 people and the district's economy is almost exclusively dominated by agriculture such as the production of cereals, industrial crops, meat, and milk as well as the food processing sector. The district's industry is represented by enterprises for processing agricultural products, servicing agricultural production, metal processing, light and the printing industry. Svatove has been recognized for its excellence in agriculture-food business and has been the winner of the best district for production of livestock products. It is home to a total of 170 agricultural enterprises of various forms of ownership, operating across 79,203 hectares of land (Svatove City 2018). Approximately 4,600 people are reported to be employed in the agriculture sector, which also falls under interests of large private businesses. For example, Svatove is a site for interests of large agro-businesses from Kharkiv, namely the aforementioned *Nebulon*, which belongs to Vadatursky, who in 2019 built a fuel storage complex for *Nebulon's* use in the town (Czaryov 2019). Furthermore, *Nebulon* is the grain trader that has shaped the market in the region. The enterprise owns the largest elevator in the district with a capacity of 100 thousand tons (Ekonomichna Pravda 2014).

Svatove was not immune from the turbulent separatist events in the nearby municipalities and required local elites to push back. Indeed, authorities and businessmen described in a local news source that there were attempts to capture the town. The separatist movement, however, did not find support among the local farmer community. In May, for example, terrorists tried to seize the town. Reportedly, about 50-60 armed militants tried to enter the city by electric train, but the Ukrainian military – which by that time had arrived in the region - residents, and private battalions prevented the train from reaching the town (Ekonomichna Pravda 2014). One of the influential figures in the fight against separatism, was local businessman and leader of the Agrarian Union of Svatove, Sergiy

Kovalev. Kovalev is the owner of the *Prolisok* Farm, which cultivates more than 10,000 hectares of arable land in the Svatove district. When separatist riots began in Luhansk, Kovalev and his business colleagues from other areas created local self-defense units, which included residents of the area. Speaking to a local press source, Kovalev described the important part that the agricultural community played in defending the territorial integrity of the town:

"They [farmers] stand for a united Ukraine and are ready to vote for it. They do not recognize the separatism and federalism that Luhansk is supposed to stand for" (Vikna Novyny 2014).

From the moment the protestors at the Maidan in Kyiv were attacked by the regime in late January 2014, Svatove and the owners of agrarian enterprises located within it became active in supporting the families of the victims. The Agrarian Union of Svatove, headed by Kovalev, held a public gathering honoring the victims of the Maidan shooting. Immediately after the tragedy, the Agrarian Union of Svatove – a local branch of the Agrarian Union of Ukraine, an entity which was founded by farmers (Agrarian Union 2016) - collected and transferred approximately 10 thousand UAH to the families of the Heavenly Hundred, as the Maidan victims came to be known (Agrarian Union of Ukraine 2014). Kovalev appealed to the farmers asking them to contribute to the cause. The participants of the gathering in Svatove also adopted a resolution outlining their position which unconditionally supported Ukraine's territorial unity:

"Together we must not allow the country to split, we must preserve the territorial integrity of the country. Ukraine must be one. We cannot allow an inter-religious war" (Agrarian Union of Ukraine 2014).

Thus, the local community was preparing to defend their district from anti-Euromaidan forces from late January. The locals began setting up roadblocks and enrolling into battalions created by the economic elite. One of the local activists, Leonid Pruvatov, recognized the importance of taking preemptive measures to defending the town before the crisis reached the town and while the events in the municipality were still relatively quiet;

“We need to quickly resolve the separatist question, decide it while the town is still quiet instead of try to get it [the town] back when it is already drowning”  
(Vikna Novyny 2014).

Kharkiv’s influential agrarian tycoon, Kozhemyako also remarked on the stable situation in Svatove and highlighted that the district, and others that are dominated by the agricultural sector are stable because these areas come under the influence of the businessmen in this sector;

“There [the agricultural sector] people are different. At the top of Luhansk *oblast* that borders Russia- Straboleysk, Svatove (agrarian sector) – they are under our control. Even near Mariupol there are agrarian zones, and they are peaceful [...]”  
(Novosti Ukrainy 2014).

The following section will examine in greater detail the mobilization tools used by the local economic elites to create a framework capable of defending the region from separatist insurgency.

#### 6.4. Mechanisms of Mobilization: Trade Unions in Kharkiv

The above discussion illustrates how private economic elites channeled their resources towards establishing a mobilization framework through which they could shape political outcomes in

Kharkiv. Unlike in the neighboring Donbas, the local business elite in Kharkiv were often in conflict with the Party of Regions political machine and had to use their personal resources to create a counterforce to the pro-Yanukovych mobilization. To that end, mechanisms of mobilization differed between Kharkiv and Donbas, as will be described in greater detail in this section. For example, whereas it was not only expedient but also economically efficient for the Donbas elites to use their influence over trade unions operating at their enterprises to usher workers to take part in pro-Yanukovych protests, the businessmen in Kharkiv had to rely on other types of mobilization mechanisms.

One of the possible reasons for the relative absence of the relationship between the oligarchs and trade unions in Kharkiv is the difference in the union's organizational structure in these regions. For example, unlike in Donetsk and Luhansk, trade unions in Kharkiv were not divided by sectors. Instead, various sectoral unions were members of one overarching regional organization, the Kharkiv Regional Association of Trade Unions (OPHO). The OPHO is a territorial voluntary association of member organizations, which was established to represent the interests of regional trade union members, defend their rights and coordinate collective action (United Federation of Trade Unions of Kharkiv 2020). The Association is a member organization of the Federation of Trade Unions of Ukraine (FPU) and unites 44 sectoral trade union organizations and consists of almost 549,000 members. Although a disaggregated list of membership is not publicly accessible, the organization's website reports that nearly half of its members are under 35 years of age. Out of a total of over 216,000 members, nearly 124,000 are students and over 93,000 are young working professionals (United Federation of Trade Unions of Kharkiv 2020). The OPHO is headed by Sergiy Teslenko, who, alongside his duties as the leader of the union, was also elected to Kharkiv's Regional Council, which was dominated by the Party of Regions. Teslenko was reported not technically to have been affiliated with a specific political party, but reports from local media sources suggest that during the Euromaidan Teslenko was among Yanukovych's sympathizers (Obyektiv Media 2020). This is most

clearly demonstrated by his attendance at a pro-Yanukovich rally in Kharkiv in December 2013 during which Teslenko joined mayor Kernes in expressing his support for the then president (Segodnya 2013). He then reinforced his anti-European position with a statement on Kharkiv Regional Administration's website stating:

"We [the trade union] believe that European integration under the conditions put forward at this stage is a disaster for the country and its citizens [...] We have to be prepared for European standards, to minimize the effects of the projected transition risk has on the workers [...] It takes time. But it is better to be mentally and financially ready than to make hasty decisions. That is why the trade unions of Kharkiv region unambiguously support the position of the President [Yanukovich]" (Kharkiv Obrada 2013).

Given that the loyalty of the trade union lay with Yanukovich, and in the absence of any reports of alternative trade unions present in Kharkiv, we can conclude that the oligarchs there were not able to use OPHO as a mobilizational force. Moreover, as hinted at already, the unions were not likely to be the most effective vessel of mobilization for regional economic elites in the first place given that they had different goals. Specifically, they needed to create a framework, which would require participants to take a much greater risk than simply joining a rally. In other words, they also needed to create a group that would be ready to fight against the spread of separatism. Thus, instead of trying to stir up protest activity, the oligarchs were more focused on preventing mass mobilization, which could have sparked violence. While they openly supported the Euromaidan and encouraged pro-Euromaidan activity where they could, such as in the case of Yaroslavskuy and *Metalist* football fans, there was still the need to create a more robust defense framework. The agriculture and food sector of the economy which they mainly occupied was also not naturally predisposed to being easily

mobilized for combative action, thus further heightening the need of the business elites to put an alternative structure in place. Thus, instead of coercing or threatening their employees, it was more effective for the business elites to incentivize people to protect the region and create their own opposition forces by funding the creation of battalions. Although little research currently exists on these battalions, some attempts to understand how they were formed has recently been published. For example, as has been described already, oligarchs were able to support the formation of battalions by ensuring that the fighters not only received training, but also had other necessary supplies such as food and equipment. This support was crucial to the survival of many battalions, especially in the initial stages. Fighters expressed the view that unlike the regular Ukrainian army, many of the oligarch-created battalions often had better supplies, food and guns. As described by one of the fighters in the Azov battalion:

“One of the reasons why I came to Azov was because [...] I knew in this battalion [...] all money [is used for] soldiers. You see this really. When you go to [Azov], you have a gym, you have good food, you can choose what you want [to eat]. It’s not like an army. We have enough, we have vegetables, we have good armor. We have very good clothes. [...] Volunteers send to us some money, [...] maybe they send to some food. [...] And at that time in army it was a big problem. With guns, with everything” (Veldt 2018).

Thus, the donations volunteer battalions received allowed them to sometimes be better equipped than the regular army. Other important sources of income include financial support from oligarchs. As has been discussed earlier, one of the most well-known examples is Igor Kolomoisky, who was very active in the creation and support of several volunteer battalions in the very beginning of the war, such as Dnipro 1, Dnipro 2, DUK, Azov, and others. The pattern of specific oligarchs

engaging in creating and funding battalions to fend off the threat of separatism also confirms other studies that have explored the topic (Minakov 2014). As the evidence above suggests, battalions were highly dependent on the economic capital provided by the powerful financial groups who had the capacity to mobilize support and use these organizations to protect their interests.

As such, there was a difference in the usefulness of trade unions as a mobilization tool for oligarchs in Kharkiv compared to those in the Donbas. Furthermore, there were no reports of alternative trade unions operating in the region or partaking in the protests, which means that the majority of members belonged to the traditional union. The only piece of anecdotal evidence which suggests that oligarchs could have used the alternative trade union as a way to mobilize supporters comes from an incident on 8<sup>th</sup> April 2014 involving the Independent Media Union of Ukraine (NMPU), which was active in voicing its outrage during an incident in Kharkiv in the aftermath of an attack on ATN, a news channel. The NMPU were outraged and mobilized in response to Kharkiv police's inaction after nearly one hundred pro-separatist protestors broke into ATN and destroyed its studio space after being denied a live broadcast (Detektor Media 2014). Further research into ATN's ownership structure revealed that the company is owned by Inna Avakova, wife of Arsen Avakov, an influential Kharkiv businessman and a post-Euromaidan statesman notorious for his fight against separatism (Politically Exposed Persons 2020).

As was the case with other influential businessmen of Kharkiv region, Avakov had a difficult relationship with mayor Kernes as well as governor Dobkin. After losing a dirty election campaign to Kernes in 2010 Avakov fled to Italy after the Yanukovich regime accused him of abusing power. Avakov returned in 2012 from the self-imposed exile when he was elected to parliament as part of Tymoshenko's *Batkivshchyna* party. After the Euromaidan, he became Minister of the Interior and one of Ukraine's most influential figures. Much like the other businessmen, Avakov got his start in the early 1990s and founded one of the first joint-stock companies in Ukraine *Investor JSC*, which operated in the sphere of finance, gas extraction, production and processing of agricultural products,

production of food, distribution, and media business. Among the largest enterprises founded by the corporation are a bakery plant *Saltiv*, tea factory *Ahmad Tea, Heat and Power-3*, and a network of supermarkets *Vostorg*. The previously mentioned TV channel ATN is also part of the oligarch's media assets holdings (Politically Exposed Persons 2020). The incident, although minor, nevertheless provides some anecdotal evidence about the connection between the independent trade union and Avakov.

## 6.5. State-Owned Enterprises and Trade Unions

As demonstrated above, trade unions were not the best vessel of mobilization for the business elites in Kharkiv. Instead, they primarily relied on their personal wealth to prop up existing law enforcement by supplying them with appropriate equipment and created battalions which were then deployed to fight separatists. Furthermore, given that the region's trade union did not fall under the local oligarchs' sphere of influence, it is plausible to assume that its leadership represented a different set of interests and mobilized individuals in support of Yanukovich. As will be demonstrated below, before Yanukovich lost control and fled Ukraine directors of some large state-owned enterprises, who were appointed by then president, engaged in pro-Yanukovich mobilization at their enterprises.

*Turboatom*, the main energy engineering company in Ukraine, is one example of the above-mentioned dynamic. Demonstrations in support of Yanukovich, for example, were occurring at the enterprise in January whilst he was still in power. Consistent with the discussion in the previous chapter, the subordinate position of workers made them particularly susceptible to the instructions handed down by the management. Job security was an important concern for the enterprise's workers as highlighted by director General of the plant, Viktor Subotin, who said that for "the workers of the company the most important thing is stability" (Noskov 2014). Indeed, it was precisely the threat of being dismissed or unpaid that workers were told by the senior management would be the consequence should they support pro-Euromaidan activists. Reports in the local media

sources state that *Turboatom's* employees participated in support of Yanukovich in January, when the conflict was quickly approaching a boiling point (Radio Svoboda 2014). In an interview with *Radio Svoboda*, a news-source, a worker at *Turboatom* confirmed that employees abide by the instructions of their superiors when asked to join pro-Yanukovich demonstrations, even if they did not necessarily believe in the cause themselves:

"Well, if the plant asks you to go there [a rally] and say something, maybe I will go. Otherwise, no" (Noskov 2014).

Using employees for mobilization purposes was also evident in other instances. Local political authorities such as Kernes and Dobkin mobilized state-workers in January to join demonstrations for Yanukovich's support. Throughout the month, Kharkiv deputies of regional and city councils held extraordinary meetings around the key issue of clashes between the "radical-minded" Euromaidan supporters and Berkut special police forces. The purpose of these gatherings was to portray the pro-Euromaidan protestors as a radical and nationalist force, and ultimately to instill fear into the local populations. Instead of condemning the law enforcement for engaging in violence against the protestors, the local political elites instead thanked them for protecting Kharkiv's government quarter:

"I - as the deputy of regional council - strongly want to protect my fellow police officers, who have taken the blow of this aggressive, marginalized, animalistic gang which has lost all consciousness and reason. I understand, if it were not for my fellow police officers, it would not be long before the offices of our high-ranking government officials would be attacked just as those in the Kyiv City," said the former police chief, Oleksander Bandurka (Noskov 2014).

Before the economic elites such as Kolomoisky directly called on Kernes to cease fanning the separatist flames, the mayor openly used his position to mobilize support for Yanukovych. Furthermore, he called on congressional delegates from 20 regions of Ukraine (namely, the heads of councils and deputies of local self-government bodies) to express their support for the five laws passed on January 16 by Yanukovych. According to Kernes, these laws, which came to be widely criticized and labeled as draconian, in no way curtailed democracy, freedom of speech in the country; on the contrary, he stated:

"Those laws that increase responsibility for defamation, extremism, and so on, they are timely. These laws make it possible for everyone to be held accountable for actions that take place on the Maidan" (Noskov 2014).

The political elite's control over the regional law enforcement and trade union further added to the favorable climate for the development of separatism. As such, Kharkiv was in need of a counter force capable of reshaping the dangerous direction in which the protests were heading. To that end, as has been demonstrated in this chapter, the region's economic elites were a critical factor in preventing Kharkiv from becoming another enclave.

## 6.6. Summary and Conclusion

Similarly to the Donbas, the local political apparatus in Kharkiv also had close ties to Yanukovych and the Party of Regions. As described earlier, and as will be highlighted in other parts of this chapter, protest developments across many parts of Kharkiv at the onset of the crisis appeared similar to the Donbas, with local law enforcement and security forces failing to act to stop the spread of separatism. One of the crucial differences, however, was that their behavior notably changed, and they were

eventually mobilized into action after local oligarchs applied pressure and got directly involved, as described in this chapter. As such, as argued here and as also argued in other academic research on the topic, oligarchs were a crucial component in shaping the trajectory of separatist developments (Jarabik 2015; Portnov 2016). As also explained throughout this chapter, economic elites in general played an important role in mobilization and contributed to the shaping of separatist protests in the regions. Unlike in the Donbas, however, oligarchs in Kharkiv had different mobilizational needs, namely that they sought to stem the pro-Russian protests and therefore are demonstrated to have deployed a mixture of mechanisms to achieve this outcome. For example, as discussed in this chapter in sub-section 6.1.1 oligarchs such as Vsevolod Kozhemyako publicly committed to pooling together money with other local economic elites to mobilize the local police forces into action in order to prevent the separatist protests from growing. Additionally, the oligarch, along with others such as Ihor Kolomoisky, also channeled his financial resources towards creating defense battalions/private militias that would actively fight and defend against the spread of separatism. Additionally, others, such as Oleksiy Vadaturskyy also used a combination of means to fight against separatism as described in sub-section 6.1.2; for example, Vadaturskyy also channeled his resources into creating militia's which were then deployed to defend against separatists. The oligarch also however highlighted the importance of his workers in contributing to defending against separatists and highlighting that the top management of his companies undertook checks to ensure that there were no separatist sympathizers amongst workers in his enterprises. This demonstrates that there was potentially a mixture of inducement and threat with regards to the means by which oligarchs shaped the mobilization of their workers. As such, this also represents a potential difference in terms of the way in which elites in Kharkiv went about mobilizing action for their cause, namely that they appear to have relied more on incentives such as their financial wealth and positions as important employers and influencers in the region to put in place defense frameworks that either did not previously exist or that were not responding to the unfolding events on the ground. To that end, funding of pro-

Ukraine militias was an important supplement used by oligarchs in Kharkiv and Dnipropetrovsk (Wilson 2016, Troost 2018) where the nature of the local economy was less conducive to largescale mobilization of workers.

As the chapter has also demonstrated, the business elites in Kharkiv that occupied the agro-food pocket of economy also had different mobilization needs. This is primarily driven by the fact that they had different economic interests than those in the Donbas, which made them less dependent on the former president. As a result, they responded a lot differently to the separatist development from the inception of the crisis. These early differences between the preferences of oligarchs in the three regions were argued here to have been an important factor in shaping the direction of the conflict.

Unlike in the Donbas, the oligarchs in Kharkiv were largely concentrated either directly in agriculture and food sector, or in production of machinery for agricultural products. Furthermore, the extent of private monopolies that were connected to the former regime in Kharkiv were not as vast as those in the Donbas. The fact that this set of business elites were less reliant on political protection than those in the Donbas, partly has to do with the way in which the agricultural sector was structured after the collapse of communism. Unlike with the murky auctions of enterprises in the Donbas, which greatly relied on personal connections to the regime, buying and selling the country's *chornozem*, rich black soil, has not been allowed for the fear that the wealthy would monopolize it (Wesolowsky 2019). Although in the late 1990s then President Leonid Kuchma signed a decree formally handing over agricultural land to approximately 7 million rural Ukrainians, the new owners were not allowed to formally sell the land. This was because of a land moratorium introduced by the government two years later. In a way the moratorium succeeded in protecting the farmers from the same scale of the formal monopolies that were established in the Donbas. On the other hand, however, the land still *de-facto* came under control of large agricultural enterprises under favorable terms in lease agreements - in some cases running up to 49 years. The large-scale agricultural

enterprises were a natural extension of the collective farms of the Soviet times. Farmers continued to see themselves as subsidiaries to the newly established agricultural enterprises. The arrangement has also been beneficial for large agri-businesses, who paid very little for the leased land and were able to establish their vast business empires. At the same time, the arrangement also naturally made them less dependent on the political elites in Kyiv for protection as the land was leased directly from the farmers.

Additionally, as has also been discussed, the mobilizational needs of elites in Kharkiv and Dnipropetrovsk also differed in that instead of actively seeking to push people onto the streets, they were more concerned with getting pro-separatists off the streets and are argued here to have therefore relied on additional mechanisms to achieve this outcome. As such, through actively seeking to activate and put in place a defense framework, local oligarchs served as crucial pillars of stability during the crucial time of a power vacuum in the center, which ultimately helped the state to establish control. The preferences of the local oligarchs shaped by the local economic differences have, therefore, been argued to be an important reason why separatism ultimately failed in Kharkiv. The failure of separatism to take root came in spite of the fact that throughout the early days of 2014 anti-Euromaidan sentiment underpinned the protest activity in Kharkiv and created a hospitable set of conditions for the protests to boil over into separatist crisis. To that end, oligarchs proved a useful catalyst for either encouraging protest activity or fighting against the insurgents. Through their control over local employment networks as well as their vast financial resources, oligarchs were a crucial factor in shaping the direction in which events unfolded in their areas of influence. A focus on oligarchs as an important missing variable in the development of the conflict provides a number of lessons that can be incorporated into a broader discussion about possible ways to think about the origins and the development of local protests. The recent literature on the importance of oligarchs in the ultimate failure of separatism in other eastern *oblasts* in Ukraine is also confirmed in this chapter (Buckholz 2019).

As the chapters so far have demonstrated, a well-established private sector in the case of east Ukraine essentially had two effects. In one scenario, it was a force that wanted to show its authority to the incoming political regime and potentially extract concessions. To that end, mobilization of their employees was a useful strategy used to show just how much power these individuals yielded within their regions. On the other hand, as the case of Kharkiv has clearly demonstrated, private sector actors can also act as a strong defense force. In this instance the business elites were not concerned with challenging the incoming government, but instead were looking for ways to cooperate with it. Given that their business interests were not as intimately connected to the former political elites and their products were more transferable to markets outside of Russia and the CIS, naturally allowed them to commit from the start to protecting Kharkiv's territorial integrity.

Furthermore, the chapter has also demonstrated that the role of the trade unions differed between the Donbas and Kharkiv. While in the Donbas the existing elites were able to use their influence over the trade unions and encourage, or at least turn a blind eye on, physical mobilization of employees in support of Yanukovych, the opposite was the case in Kharkiv. As discussed, Kharkiv oligarchs occupied a different economic sector and had a different relationship with the trade union leadership, which made this particular entity a less effective vehicle of mobilization. Mobilization of the defenders of territorial integrity in the region, however, was still nevertheless top down. Those in the position of economic power created a framework through which they could direct their agenda. Given the different economic conditions and mobilization needs in Kharkiv, the business elites had to generate extra incentives in order to get people to fight as opposed to simply go out to protest. Evidence in the chapter also broadly fits with recent academic findings that patriotic appeals to the agricultural community by some of the oligarchs were one mechanism of mobilization due to the attachment that farmers feel towards their land (Mamonova 2018). Nevertheless, workers in agriculture-food sector are traditionally harder to mobilize or engage in contentious action. As such, the economic elites had to simply create a framework and collectively design strategies to prevent

separatist mobilization. To that end, local business elites not only openly pressured local authorities to stamp out pro-Russia protests, they also financed battalion groups and the Ukrainian army with their own resources. As such the focus was not so much on trying to increase pro-Euromaidan protests – which were nevertheless encouraged – but rather on preventing anti-Euromaidan rallies from spiraling into separatism. To that end, it was more effective for the oligarchs to channel their resources into mobilizing anti-separatist activity using public appeals and their own cash to finance the creation of battalions, as opposed to coercing workers, to fight for the cause. This was most clearly demonstrated in the earlier-mentioned case of Kozhemyako and his approach to combating the spread of separatism. Strong and decisive stance on the issue and alignment with the new authorities early on in the crisis period, therefore, set the tone for how the crisis could develop across their region.

Regarding the role of battalions, which regional economic elites financed, at present, little academic research exists on these entities. Those who have studied these organizations found that many of the joiners did so because of ideas, political-social norms and emotions which served as powerful mobilizational factors (Karagiannis 2016). The findings in this chapter also fall in line with other recent academic conclusions that highlight the importance of oligarchs to both the formation and continued existence of these organizations. For example, as other scholars have found, many of these battalions were created and equipped almost exclusively through civil society organizations' donations or the financial support of local business (Puglisi 2015). Furthermore, some have also highlighted the potential connection between battalions and oligarchic interests and the former's potential role as their sponsors' private army (Aliyev 2016). The Ukrainian media have reported and criticized their occasional engagement in the settlement of oligarchs' business and political disputes (InfoResist 2015).

In contrast, as the discussion has set out, the Donetsk Maidan was weaker in part likely because it reflected the voices of the elites in the region who used their dominance to lobby for

personal interests. The region's workers also understood that any protest against Yanukovich and the Party of Regions was a protest against the existing regional oligarchic structure, which was headed most notably by Ukraine's richest man, Rinat Akhmetov. As described in the previous chapter, System Capital Management is the largest privately-owned company in the region and controls essentially all spheres of life employing about 300,000 individuals predominantly concentrated in the mining and metallurgical sphere. The oligarchs in Donbas did not have strong personal connections to the incoming administration, which at the time was that of Poroshenko, who himself had ties in the agriculture-food sector, mainly concentrated in *Roshen* Corporation. To the faction of the presidential bloc of Petro Poroshenko, belongs Andriy Vadatursky, son of the previously mentioned Oleksiy Vadatursky, owner of *Nibulon*, who was placed on Russia's sanctions list for his firm stance against Kremlin's support of the separatists (BNE Intellinews 2018). A change in executive leadership, therefore, brought with it a promise for a more prosperous future for the businessmen in the agricultural sector, which likely greatly influenced their commitment to cooperate with the incoming leadership and to invest personal resources into defending territorial unity of Ukraine from day one of the crisis.

## Chapter 7: Conclusion

This thesis argues that the structure of local economic power in Ukraine in 2014 was crucial in determining the timing and outcome of regional mobilization for secession in three regions: Donetsk, Luhansk, and Kharkiv. More specifically, the dissertation explores the previously understudied role of economic elites or oligarchs in this specific context. It explores the connection between variation in the timing and the outcome of the separatist rebellion at the municipal level and the sectoral interests of powerful regional financial elites. The findings ultimately support the main explanatory variable argued for in this dissertation: that the sectoral interests of powerful local oligarchs mattered. The dissertation has furthermore emphasized and demonstrated that in the post-Soviet context in particular, oligarchs are a crucial part of shaping the political trajectories and frequently ally themselves with or against the regime depending on how such a move benefits their economic interests. As such, findings in this dissertation complement other studies on the topic which found that the role of private capital in determining regimes' survival or demise is important (Radnitz 2010), as is its role in shaping the outcome of mass mobilization. It is also accepted and explained in this dissertation that oligarchs inevitably vary in terms of their net worth. For example, those closest to the ruling regime and Ukraine's energy and heavy industry sectors, typically rank higher in terms of actual financial wealth than those in other sectors of the economy. Nevertheless, regardless of where on the economic spectrum they fall, these economic elites are nevertheless disproportionately richer than an average business person in Ukraine and have at their disposal enough capital and control over the public and political elites that ultimately allows them to shape the nature and the timing of mobilization. Indeed, as discussed throughout this dissertation, given how deeply rooted these oligarchs were within their respective regions, their preferences at the onset of a political crisis are argued to have likely served as an important indicator of how the local political and security

forces will behave, as well as a segment of the local population employed in the particular economic sector occupied by regional economic elites.

Moreover, the dissertation has empathized and demonstrated throughout the chapters that despite the crucial role of Russia in sustaining the ongoing – at the time of writing – crisis in the east, the variation in the initial timing of rebellions as well as their successes and failures in various regions can be explained by examining key economic resource holders, who either threw their weight behind the incoming regime or the outgoing one based on their own calculations as opposed to due to external pressure either from Russia or the West. Indeed, as has also been argued by Mateeva(2016), by focusing too much on the role of Moscow, especially during the critical inception period of the conflict, risks obscuring the role of powerful internal actors whose main modus operandi has always been to extract economic benefits whilst minimizing commitments to either Russia or the West (Dragneva and Wolczuk 2016). To that end, the dissertation has argued that despite separatist mobilization taking place in Kharkiv the movement ultimately failed to gain momentum there because local economic elite mobilized resources and bolstered the weak structures of the Ukrainian state, thus successfully maintaining order by asserting control over security services and creating volunteer battalions, for example. By contrast, separatists across parts of the Donbas were successful in ceasing control during the crucial time of a power vacuum in large part because the local elites exacerbated the problem by either allowing or actively facilitating the pro-Russian mobilization. Meanwhile, the role of the oligarchs in Kharkiv in neutralizing the separatist threat was critical in stemming the rebellion. Moreover, unlike in Donetsk and Luhansk, where, as has been discussed, the main oligarchs generally avoided taking a clear and vocal public position on the separatist issue – preferring instead to operate through intermediaries such as trade unions – in Kharkiv and also in Dnipropetrovsk, the regions' economic elites stepped in during the power vacuum in Kyiv and expressed a clear position to support the unity of Ukraine. As such, the

clear and proactive actions from oligarchs here allowed for an effective channeling of resources to subsequently undermine and stem the separatist threat.

Moreover, in contrast to Zhukov's (2016) argument which emphasizes the role of workers, without mentioning the role of oligarchs, the primary argument in this dissertation takes into the account the more nuanced approach and accounts for unavoidable regional dynamics such as the discussed presence of oligarchs. As described throughout this dissertation, powerful economic elites, particularly in Eastern Ukraine were instrumental to the socio-political developments within these regions due to their vast controls of economic resources through which they essentially put into positions of power local – and eventually national level – political elites. As demonstrated throughout the chapters in this dissertation, national and local elections were essentially a competition between different oligarchic forces, usually concentrated in a specific sector within a specific region in the country. As such, these actors are demonstrated to have been very influential and instrumental in shaping the developments in their respective regions. As also demonstrated throughout this dissertation many political elites have at one point or another been either directly employed by a particular oligarch or been connected to them in a different way, which essentially made them at the very least susceptible to their interests. Additionally, this dissertation positions itself in the camp of literature that emphasizes the relative and historic passivity of labor in the post-Soviet space. The study has argued that the collapse of communism and privatization did not lead to a change in this dynamic and that trade unions instead of being champions of workers' rights instead continued to be an extension of the more powerful forces such as the state and, after the privatization, the oligarchs.

To that end, given that workers, particularly in areas that were characterized by a high concentration of employment by a particular oligarch, are argued to have been among the earliest to experience a separatist rebellion following the collapse of the Yanukovich regime. As the research in this dissertation has demonstrated, it is highly unlikely that notable political developments could have taken place without the knowledge or involvement of the region's oligarchs and in many of these

instances these actors are demonstrated to have also been active in mobilizing these events. The dissertation has also highlighted previous instances before and after the Euromaidan in which oligarchs are known to have used their control over people to bring them out onto the streets in protest of specific policies that threatened their economic interests, for example. As such, this demonstrates in a more empirical and systematic manner that there is an established and continuous history and pattern of top down worker mobilization by powerful economic elites, which are known and accepted to wield vast amount of influence.

Additionally, whilst Zhukov (2016) notes in his analysis that pre-war employment and trade exposure shocks to Russia explain the variation in violence across the Donbas region, his study also does not take into account that trade between Kharkiv and Russia was also very high, and as demonstrated in this dissertation the loss of the Russian market yielded a huge blow to Kharkiv's agriculture-food as well as machinery production industries, indicating that it was not only the Donbas that was uniquely exposed to such negative trade shocks. Moreover, as highlighted in other academic research on the topic, economic reliance and importance of the Russian market was also equally as important in Dnipropetrovsk (Buckholz 2019, Nitsova 2021). Thus it is argued in this dissertation that whilst Zhukov's emphasis on regional economies and local roots of separatism are indeed important and in line with the line of thought in this dissertation, his analysis nevertheless does not account for or acknowledge the importance of actions by Ukraine's regionally-based oligarchs and their role in shaping the trajectory of the conflict despite their importance in essentially all other aspects of regional and local political dynamics, especially given that historically the most powerful economic groups were rooted in Kyiv, Kharkiv, Dnipropetrovsk and the Donbas (Nitsova 2021, Kuzio 2020)

Furthermore, as has also been described throughout this thesis, those whose interests were tied to the coal mining and heavy industry were well-positioned to mobilize large numbers of people in support of the old regime, often using their influence over trade unions to do so. Meanwhile,

oligarchs in the agriculture-food sector whose interests were tied to Europeanisation of the economy and were less dependent on the Yanukovych regime, backed the uprising in Kyiv. Although they employed less people, they also pooled together financial resources to fund various anti-separatist projects – in addition to using their employees to proactively work to prevent separatist mobilization from unfolding in their region.

In order to establish these connections, the thesis built on and added to the existing data in Orbis, establishing a sectoral ownership list on a local level, which allowed for links to be established between particular oligarchs and specific enterprises in a given municipality. Given the multi-layered and non-transparent ownership structure of Ukrainian companies – a great deal of which are registered offshore in places such as Cyprus, Bermuda, and the British Virgin Islands, amongst others – compiling a list of the companies owned by oligarchs was time-consuming and often challenging. Nevertheless, fortunately, the verification of and establishment of information was made possible due to a number of proprietary databases, such as Spark, Capital IQ, Market Intelligence Research, and Factiva, along with credible open-source sources with a strong record of investigative journalism such as *Nashi Groshi* (Our Money), *Economichna Pravda* (Economic Truth), and the Anti-corruption Centre. The process, although time-consuming, was ultimately rewarding and illuminating as it put into a more tangible perspective the actual extent of the oligarchs' influence, and the scope of their influence not only over political direction of the country, but also over the local populations through employment, particularly in places where the government failed to provide either jobs or various social programs. To that end, the thesis has demonstrated that recognizing the importance of powerful domestic actors i.e. the oligarchs and their preferences is crucial. In this case, as has been demonstrated throughout the thesis, the outcome of a separatist rebellion was not inevitable within any one of these regions all of which are broadly similar in their demographic composition, political preferences, and geographic positioning, variables for which this study accounts. Additionally, while the study recognizes the important contribution of other branches of literature discussed at length

in the second chapter, the main contribution of this thesis is that it sheds light on a previously less explored factor, the preferences of economic elites and their ability to translate control over local economies into mobilization to either protect or advance their economic interests. To that end, the dissertation presented several key findings in the fourth, fifth and sixth chapters, which will be summarized in this section and connected to the broader theoretical framework set out in the second chapter. As such, there are several broader themes and theories that the findings in this dissertation reinforces.

The findings of the empirical analysis place the dissertation within the framework of the *employment mobilization* theory presented by Mares and Zhu (2015). In their original argument, the authors highlight the importance of *economic concentration* or *economic monopoly* by one or a couple of owners in explaining electoral irregularities. According to the argument and the authors' findings, in those municipalities where the local economy was highly monopolized the costs of repression to the employers was low, and as consequence electoral irregularities were more likely to occur.

The employment mobilization theory is particularly relevant in the post-Soviet context. The importance of the workplace to the average Soviet citizen continues to have an effect on labor in post-Soviet societies. As chapter 5 has demonstrated, elements of the Soviet working culture such as the influence of enterprise directors at the workplace left a legacy of power hierarchy between laborers and enterprise owners. The underpinning assumption in this dissertation has therefore been that workers are vulnerable to political manipulation by their employers. As such, the research positions itself among classic works on industrial administration in the Soviet Union that describe the relationship between worker and director as one of mainly dependence (Berliner 2013, Puffer and Braithwaite 2016). Additionally, the thesis has explored and demonstrated various tools of mobilization that the elites in these regions used to achieve their preferred outcomes. At various points in time during acts of mass protests trade unions were aligned to a specific group of elites and generally acted in accordance with their interests. This is largely due to the aforementioned Soviet

legacy of cooperation whereby "traditional Soviet-legacy labor unions follow the ideology of 'social partnership,' stressing the commonality of interests among employees and employers" (I. Olimpieva 2011, 2). As demonstrated, this relationship proved especially vital for groups in the coal mining and heavy industry sector. Meanwhile, oligarchs in the agriculture and food sector are demonstrated in this study to have relied on additional tools to shape the outcome of the events in their preferred direction. Unlike in the Donbas, the extent of private monopolies that were connected to the former regime in Kharkiv were not as vast, and due to the economic sector that the elites occupied, their relationship with the trade union leaders was therefore much weaker, which made this particular entity a less effective vehicle of mobilization. This essentially forced the oligarchs in Kharkiv to create a framework through which they could direct their agenda and prevent separatist mobilization. To that end, local business elites not only openly pressured local authorities to stamp out pro-Russia protests, but they also financed battalion groups and the Ukrainian army with their own resources. As such, the focus was not so much on trying to increase pro-Euromaidan protests – which were nevertheless encouraged - but rather on preventing anti-Euromaidan rallies from spiraling into separatism.

By bringing together comparative theories of employment mobilization and labor relations in the Soviet Union, the thesis seeks to better understand how the lasting Soviet legacy made workers in post-Soviet Ukraine susceptible to mobilization by their employers. As the discussions in the earlier chapters have demonstrated, the remnants of the Soviet legacy still reverberate in the local economies of the regions, particularly in parts of Donetsk and Luhansk. Workers' dependency on their employers was particularly acute in areas that resembled company towns (McFaul 1995), where local populations are dominated by a single employer. Despite the fact that Ukraine has been an independent country for nearly three decades, and has experienced privatization on a large scale, the fundamental dynamics of the relationship between employees and employers is largely

unchanged. In fact, the privatization process itself was one that enabled economic elites to consolidate their influence through the acquisition of lucrative assets in non-transparent auctions.

The dissertation also contributes to the body of literature on the links between private property and democratic development. It demonstrates that the process of privatization did not really change the relationship between workers and employers. As large chunks of the regional economy were essentially captured by powerful local forces, local democratic development was inhibited. As such, while most scholars have generally argued that private property is an important key to market democracy and liberal order (Rose 1999, Goldsmith 1995), arguments put forward in this thesis demonstrate that at times, privatization can actually work against democracy. Instead, the process of economic transformation has led to 'state-capture' by financially powerful groups (Hellman, Jones and Kaufmann 2000). As some recent research on the topic has shown, in the post-Soviet context the process of privatization gave rise to a group of extremely powerful actors, the oligarchs, who became the real winners after independence (Eppinger 2015, Radnitz 2010). In certain parts of eastern Ukraine, economic change did not create western style entrepreneurs. Nor did it empower the workers. Rather it replaced large state-enterprises with private ones that continued to operate in their self-interest and grew powerful enough to influence political and social dynamics in their regions, and sometimes the national political arena as well. In other words, this dissertation contributes to the discussion in the post-Soviet context, and the impact that the opaque privatization process on the long-term political implications of states that allowed for a concentration of power in the hands of small number of opportunistic individuals whose relationship with the regime was often complicated and shaped by the economic sector that they occupied. As such, the examination of oligarchs is crucial in explaining various political outcomes, including mass mobilization and rebellion in the post-Soviet context given that these individuals established control over vast resources, which they then used to defend their personal economic interests.

As mentioned earlier, throughout the process the study accounted for alternative hypotheses and ultimately also rejected other explanations such as the role of the media and prior history of mobilization as both factors were determined to not hold sufficient explanatory power over the local level variation and the timing of the rebellion. As such, the thesis demonstrated that whilst the accounted for factors could provide a base for separatist rebellions, they should not be considered without the effect of the local oligarchs and their economic interests. To that end, in the fourth, fifth and sixth chapters, the thesis contends that economic sectors mattered and ultimately shaped the political preferences of the local economic elites that dominated them. For example, those that came to dominate the extractive and heavy industry sector were particularly incentivized to support specific political candidates from their region. This ultimately led to political alliances developing between certain businessmen and specific political forces. During moments of regime change these alliances were particularly important, especially in the heavy industry and mining sectors. The findings in this dissertation confirm and support other bodies of literature on Ukrainian politics that emphasize the powerful relations between the Donetsk political “machine” and Donetsk economic interests (Portnov 2016, D'Anieri 2005, 240, Wilson 2016). The pocket of the economy that they occupied also made this group particularly well-positioned to tap into their mobilization networks and impact the likelihood of a protest activity occurring (Robertson 2007). Furthermore, as has been described in greater detail in the fourth and fifth chapters, they had an effect not only on whether or not the protest activity occurred but were also able to shape its timing and its content.

These findings chime with the comparative analysis of Jeffrey Frieden. His work emphasizes the structure of the economy and the resulting organization of economic interests in explaining particular political outcomes (Frieden 1992). Like Mancur Olson, Frieden seeks to explain the links between economic interests, political behavior, and political outcomes. The author argues that the patterns of socioeconomic interest group cohesion and conflict determine both economic policy as well as shifts to democracy or authoritarianism. The author furthermore identifies *asset specificity*

and *concentration* as two key factors in explaining the abilities of economic groups to organize and exert pressure on government. The policy stakes for an economic group are higher if the group's assets are specific for one particular use, making members of the group lobby harder for particular outcomes that are favorable to the preservation of the value of their assets. Further, as in Ukraine's regions, Frieden notes that sectoral concentration, because fewer economic agents are involved, makes political mobilization easier and therefore more likely (Frieden 1992, Rogowski 1989). The findings in the dissertation are in harmony with these theories as they relate to the local economic structures in Ukraine. The fourth chapter in particular established that given both the specificity and the concentration of their assets, elites in the mining sector were well positioned to tap into their mobilizational networks and show the incoming administration in Kyiv that they were a force to be reckoned with. Given that their economic interests were more closely aligned to the old regime, it was in their interest to preserve at least some of the status quo following Yanukovych's removal.

Moreover, the elites in this particular economic sector were also especially well positioned to influence the timing of the protests given that they commanded an already organized workforce which depended on them for direct employment and a variety of other social functions that they came to provide. Given the mobilizational resources that they had available, it was fairly straightforward for this sectoral group to influence when the protests would take place. Similarly, the oligarchs in the agricultural sector, which, despite not having traditionally been associated with many instances of mobilization, were still nevertheless able to use their enterprises as a way to push forward their interests at specific times, as demonstrated in chapter six. Ultimately, the power vacuum in the immediate aftermath of Yanukovych's removal allowed these groups to step in and fill the void. However, as chapter six has also demonstrated, the mobilizational mechanisms which oligarchs in different sectors used sometimes varied. For example, as has been described in detail in the fifth chapter, the oligarchs that dominated the mining sector were able to use their influence over the trade unions to help mobilize workers, whilst tycoons concentrated primarily in the agricultural

sector used their financial resources to establish a framework capable of preventing separatist mobilization.

Trade unions, I have argued, were well integrated into the power structures of the wealthy. This finding is consistent with other scholarship that has found unions to be an extension of business interests rather than a champion of workers' rights (Stewart and Dollbaum 2017). At the same time, trade unions were the perfect mechanism to help regional elites in achieving mobilization. Unions were a 'free' option and they were instantly deployable. Previous chapters have established that the relationship between trade unions and management at the factory level is critical for the study of post-communist labor relations. These organizations operate and have their roots in political economies that have placed them under the control of management. This aspect of the relationship proved to be particularly important in the case of Donbas where trade unions were often used as a vessel for mobilization from above. In large part, due to this legacy, the role of trade unions since the collapse of the Soviet Union has remained largely unchanged. In other words, trade unions have remained a tool of control over the workforce as opposed to an organization that represents workers' interests. Some studies of post-communist literature do indeed pay attention to the problematic relationship between unions and members, concluding for instance that there has been very little move towards representing workers' rights (Ashwin and Clarke, 2003) and Ukraine (Varga, 2011). Furthermore, the discussion here has also established that during communism much of what unions did was driven by the goal of raising worker productivity and mobilizing them on behalf of the higher authorities. Establishing some autonomy from management in post-communist Europe has proved a complex and difficult task for unions, and researchers remain skeptical of union autonomy in the former Soviet countries of Russia and Ukraine (Ashwin and Clarke, 2003; Kubicek, 2004). As the previous chapter has shown, these legacies are still very much alive in the Donbas where unions, especially the FPU, are closely connected to the region's political-financial groups. However, I also find that this relationship between trade unions and oligarchs was much weaker in Kharkiv. In the

event, economic elites in the region had to use other vessels through which they could mobilize and organize groups to counter the growing separatist threat. Whilst many relied on their workers to support the anti-separatist movement as described on several occasions throughout this thesis, elites in the agri-food supply chain were also adamant about preventing the spread of separatism by ensuring that security around border checkpoints was enhanced.

Ultimately, the findings are consistent with the general perception of oligarchs in Ukraine as being extremely influential forces, with the thesis also demonstrating some of the main means that the oligarchs use to further their agenda. Nevertheless, the study and future areas of research would also potentially benefit from expanding the geographic scope to include other oblasts in the eastern part of the country such as Sumy that not only shared a sizable border with Russia, but was also a site of anti-Euromaidan protests. Moreover, the previously mentioned southeastern Mykolayiv oblast, where agriculture is a critical sector of the local economy, also experienced anti-Euromaidan and pro-Yanukovych protests, but was also home to oligarch Oleksiy Vadaturskyy and his agricultural conglomerate, Nebulon. Vadaturskyy has been one of the most publicly outspoken supporters of Euromaidan and one of the harshest critics of separatism from the very beginning and played an active part in stemming the spread of separatism in Kharkiv. It would therefore be interesting to also explore his role in Mykolayiv, as well as the role of other business elites there. As such, broadening the scope of the study to include other regions could further add to the findings in this thesis and to the discussion on tools of mobilization of the economic elites across various regions. Further afield, it would also be interesting to apply and test the theory presented in this thesis in other post-Soviet countries such as Moldova where powerful economic elites often challenge the state apparatus and dictate the direction of political outcomes (Trefz 2019). Moreover, similarly to Ukraine, Moldova's breakaway territory of Transnistria is an industrial area and a site to heavy industry such as metal production, with the main local oligarch Viktor Gusan maintaining a strong economic grip over the region (Popsoi 2017). Gusan is furthermore known to essentially be the de facto leader of

Transnistria given his extensive influence over the region's politics through his vast wealth (Popsoi 2017). As such, it would be interesting to explore in detail the mechanisms that are used by the local elites to shape the direction of their preferred outcomes at various points in time, and to draw out similarities and differences between the elites in countries that are essentially captured states. Additionally, further research could also explore in greater detail the relationship between changing political trajectories and oligarchs in countries such as Kazakhstan, where the long-time ruler Nursultan Nazarbayev served as a mediator between oligarchic groups and was the key figure in maintaining the balance of the system (Peyrouse 2012).

Lastly, it is important to highlight that this thesis does not suggest that oligarchs in Kharkiv were “good” and those in the Donbas “bad.” Rather, it simply argues that given the differences in their economic interests, which were shaped by the sectors that they dominated, they were incentivized to support different political paths. It also follows then that the tycoons in the Donbas were not necessarily separatists and those in Kharkiv Ukrainian patriots. Instead, the argument is that given that the elites in Donetsk and Luhansk were less politically flexible, and more in danger of expropriation of their wealth by the victors of the Euromaidan in 2014, they preferred the status quo during the early stages of the conflict. They had both the capacity and the motive to demonstrate their power to the incoming administration, and mass-scale mobilization and the threat of separatism was an ideal way to achieve that goal. Meanwhile, the agricultural food chain in Kharkiv allowed elites more political flexibility as their product was not only more diverse, but its production and continued success did not necessarily depend on a specific political structure. These arguments fall in line with the broader set of literature, which also found that a threat to secede may be used strategically by elites who might not actually seek outright independence, but rather use it to preserve their advantage in the existing state order or increase their autonomy within it (Mittra 1995). As such, the dissertation has explored in detail the role of oligarchs in Ukraine and the powerful position that these unofficial individuals occupy in their regions. Through their ownership

of certain pockets of the economy and influence over the public in certain regions, these actors can shape the political and social development of the country.

## Note on Transliteration

There is no one correct way of transliterating Russian or Ukrainian, and numerous schemes exist. In this thesis the following scheme is used.

Cyrillic	Latin Alphabet
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а	a
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б	b
---	---

В	v
---	---

Г	g
---	---

д	d
---	---

е	e
---	---

ё	e
---	---

ж	zh
---	----

з	z
---	---

и	i
---	---

й	i
---	---

к	k
---	---

л l

М m

Н n

о o

П p

р r

с s

Т t

у u

ф f

х kh

ц ts

ч ch

ш sh

щ shch

ъ “

ы y

ь ‘

э е

ю уи

я уа

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# Appendices

## Appendix 1: An example of SCM Corporate Structure and some of the companies owned by Akhmetov

[-]	System Capital Management Ltd (Cyprus)   Industrial Conglomerates
[-]	DTEK Energy B.V. (Ukraine)   Majority (Subsidiary) - 100.00% owned   Electric Utilities
[-]	Public Joint Stock Company 'DTEK Zakhidenergo' (Ukraine)   Majority (Subsidiary) - 72.24% owned   Electric Utilities
	DTEK Zahidenergo PJSC (Ukraine)   Majority (Subsidiary) - 70.91% owned   Electric Utilities
	TAAS-Yuryakh Neftegazodobycha LLC (Russia)   Majority (Subsidiary) - 60.00% owned   Oil and Gas Exploration and Production
[-]	Public Joint-Stock Company Kyivenergo (Ukraine)   Majority (Subsidiary) - 54.09% owned   Electric Utilities
	Public Joint Stock Company Kyivgaz (Ukraine)   Majority (Subsidiary) - 60.00% owned   Gas Utilities
	Joint Stock Company 'DTEK Dnipro Grids' (Ukraine)   Majority (Subsidiary) - 51.55% owned   Electric Utilities
[-]	DTEK Energy LLC (Ukraine)   Majority (Subsidiary)   Coal and Consumable Fuels
	Public Joint Stock Company DTEK Mine Komsomolets Donbassa (Ukraine)   Majority (Subsidiary)   Coal and Consumable Fuels
	DTEK Trading SA (Switzerland)   Majority (Subsidiary) - 100.00% owned   Trading Companies and Distributors
	Zhovtneva (Ukraine)   Majority (Subsidiary) - 60.85% owned   Coal and Consumable Fuels
	Skhidenergo Ltd. (Ukraine)   Majority (Subsidiary)   Electric Utilities
	DTEK Power Grid LLC (Ukraine)   Majority (Subsidiary) - 100.00% owned   Electric Utilities
	LLC CORUM DRUZHKOVA MACHINE-BUILDING PLANT (Ukraine)   Majority (Subsidiary) - 100.00% owned   Machinery: Construction and Heavy Trucks
	Kharkiv Machine Building Plant Svitlo Shakhtarya OJSC (Ukraine)   Majority (Subsidiary) - 61.17% owned   Machinery: Industrial
	Public Joint Stock Company DTEK Krymenergo (Russia)   Majority (Subsidiary) - 57.49% owned   Electric Utilities
[-]	PES-Energougol OJSC (Ukraine)   Majority (Subsidiary) - 67.40% owned   Electric Utilities
	Artyomovskaya Gold Ore Mining Company (Russia)   Majority (Subsidiary) - 51.00% owned   Diversified Metals and Mining
[-]	Donetssteel - Private Iron and Steel Joint Stock Company (Ukraine)   Majority (Subsidiary) - 70.54% owned   Steel
	Yasynivka Cokery Plant, PJSC (Ukraine)   Majority (Subsidiary) - 89.49% owned   Steel
	Makyivka By-Product Coke Plant, Public Joint-Stock Company (Ukraine)   Majority (Subsidiary) - 73.37% owned   Coal and Consumable Fuels
	DTEK Finance PLC (United Kingdom)   Majority (Subsidiary) - 100.00% owned   Specialty Finance: Commercial Focused
	Bilozirska Coal Mine (Ukraine)   Majority (Subsidiary) - 95.40% owned   Coal and Consumable Fuels
	Elektronaladka Ltd. (Ukraine)   Majority (Subsidiary) - 99.00% owned   Electrical Components and Equipment: Light
	DTEK Naftogaz, TOV (Ukraine)   Majority (Subsidiary)   Oil and Gas Exploration and Production
	DTEK Finance B.V. (Netherlands)   Majority (Subsidiary)   Electric Utilities
	DTEK Power Trade LLC (Ukraine)   Majority (Subsidiary)   Electric Utilities
[-]	Media Group Ukraine (Ukraine)   Majority (Subsidiary)   Broadcasting
	BTV Company (Ukraine)   Majority (Subsidiary) - 100.00% owned   Broadcasting
	Donetskkoks JSC (Ukraine)   Majority (Subsidiary) - 69.81% owned   Coal and Consumable Fuels
[-]	Espv Ltd. (Cyprus)   Majority (Subsidiary) - 100.00% owned
	Esta Holdings Ltd (Ukraine)   Majority (Subsidiary) - 100.00% owned   Real Estate Operating and Management
[-]	Parallel Nafta LTD (Cyprus)   Majority (Subsidiary)
	Parallel-M Ltd (Ukraine)   Majority (Subsidiary)   Automotive Retail

<input type="checkbox"/>	Metinvest Holding (Ukraine)   Steel
<input type="checkbox"/>	Inguletsky GOK (Ukraine)   Majority (Subsidiary) - 82.50% owned   Steel
<input type="checkbox"/>	ZARS Ltd Liability Company (Ukraine)   Majority (Subsidiary)   Other Distributors
<input type="checkbox"/>	Public Joint Stock Company 'Enakievo Metallurgical Plant' (Ukraine)   Majority (Subsidiary)   Steel
<input type="checkbox"/>	Metinvest Ukraine Ltd (Ukraine)   Majority (Subsidiary)   Trading Companies and Distributors
<input type="checkbox"/>	Metalen Ukrainian-Swiss Joint Venture Ltd Liability Company (Ukraine)   Majority (Subsidiary) - 100.00% owned   Steel
<input type="checkbox"/>	Bahleikoks By-Product Coke Plant (Ukraine)   Majority (Subsidiary)   Steel
<input type="checkbox"/>	Inkor & Co. (Ukraine)   Majority (Subsidiary) - 100.00% owned   Commodity Chemicals
<input type="checkbox"/>	Makeevka Metallurgical Intergrated Plant Open Joint Stock Company (Ukraine)   Majority (Subsidiary) - 90.18% owned   Diversified Metals and Mining
<input type="checkbox"/>	Metinvest-Shipping LLC (Ukraine)   Majority (Subsidiary)   Marine
<input type="checkbox"/>	OOO MMK im Ilyicha (Ukraine)   Majority (Subsidiary) - 99.32% owned   Steel
<input type="checkbox"/>	Dniprodzerzhynsk By-Product Coke Plant, Open Joint Stock Company (Ukraine)   Majority (Subsidiary)   Steel
<input type="checkbox"/>	Metinvest Trametal SPA (Italy)   Majority (Subsidiary) - 100.00% owned   Steel
<input type="checkbox"/>	ASG Superconductors SpA (Italy)   Majority (Subsidiary)   Electrical Components and Equipment: Light
<input type="checkbox"/>	Promet Steel JSC (Bulgaria)   Majority (Subsidiary)   Steel
<input type="checkbox"/>	Spartan UK Ltd. (United Kingdom)   Majority (Subsidiary)   Steel
<input type="checkbox"/>	Metinvest Eurasia, LLC (Russia)   Majority (Subsidiary)   Trading Companies and Distributors
<input type="checkbox"/>	BelgorodmetalloSnab CJSC (Russia)   Majority (Subsidiary) - 85.21% owned   Diversified Support Services

Source: Market Intelligence Research

## Appendix 2: An example of UkrLandFarming Corporate Structure and companies owned

Ukrlandfarming PLC - Ukraine   Agricultural Products	
---	'Romny-Invest' Ltd Liability Company - Ukraine   Majority (Subsidiary)   Agricultural Products
---	'Zhovten' Ltd Liability Company - Ukraine   Majority (Subsidiary)   Agricultural Products
---	Agro-Elite Ltd. - Ukraine   Majority (Subsidiary)   Agricultural Products
^	AvangardCo Investments Public Ltd - Cyprus   Majority (Subsidiary) - 62.99% owned   Packaged Foods and Meats Producers
---	Avangard - Ukraine   Majority (Subsidiary) - 99.36% owned   Packaged Foods and Meats Producers
---	LLC 'Agroholding Avangard' - Ukraine   Majority (Subsidiary)   Packaged Foods and Meats Producers
---	PJSC Kirovskiyi - Ukraine   Majority (Subsidiary) - 99.83% owned   Packaged Foods and Meats Producers
---	Volnovakha Bakery Products Complex, PubJSC - Ukraine   Majority (Subsidiary) - 72.44% owned   Packaged Foods and Meats Producers
---	Vuhlehirsk Experimental Fodder Plant - Ukraine   Majority (Subsidiary)   Agricultural Products
---	Bon-Eksim LLC - Ukraine   Majority (Subsidiary)   Other Distributors
---	Dakor Agro Holding - Ukraine   Majority (Subsidiary)   Agricultural Products
---	LLC AF Olimpeks-Agro - Ukraine   Majority (Subsidiary)   Agricultural Products
---	LLC Batkivshyna - Ukraine   Majority (Subsidiary) - 100.00% owned   Agricultural Products
^	LLC Tekhnosurs - Ukraine   Majority (Subsidiary)
---	Mosizdatinvest ZAO - Russia   Majority (Subsidiary) - 100.00% owned   Publishing
---	OOD Yurok Plus - Ukraine   Majority (Subsidiary)   Textiles Producers
---	PJSC Agro Resource - Ukraine   Majority (Subsidiary)   Agricultural Products
^	PJSC Company Rise - Ukraine   Majority (Subsidiary) - 99.46% owned   Trading Companies and Distributors
---	Rise-Agro Scientific and Production Enterprise - Ukraine   Majority (Subsidiary)   Environmental and Facilities Services
---	Prodkontrakt Food Contract Corp. Open Joint-Stock Company - Ukraine   Majority (Subsidiary)   Other Distributors
---	Yugtranzitservis-Agroprodukt Ltd Liability - Ukraine   Majority (Subsidiary)   Agricultural Products

Source: Market Intelligence Research