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OLIGARCH'S PRIVATIZE UKRAINE BEFORE ELECTIONS

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On June 14, Ukraine's two largest oligarchic clans undertook what are likely to be one of the first of many insider privatizations before this year's elections in October. Ninety-three percent of shares in Ukraine's largest steel producer Kryvorizhstal were purchased for a staggeringly low sum of only US\$800 million. In an article entitled "Ukraine Gives Foreigners the Finger," the influential Economist magazine on June 11 described the deal as, "rigged so blatantly as to be a joke." In on the deal were Ukrainian President Leonid Kuchma's son-in-law Viktor Pinchuk, who controls the Interpipe Group and is the power behind the Donetsk clan, and Renat Akhmetov of Security Capital Management. Pinchuk and Akhmetov teamed up to create the Industrial-Metallurgical Union (IMS) as the clear favorite in the privatization of Kryvorizhstal. The "tender" was announced on May 12 and potential investors were given only one month to bid. The short tender and the stringent requirements were aimed at blocking the entry of foreign investors into the privatization of Kryvorizhstal. Only two of the six companies, both Ukrainian, which submitted tenders could meet the requirement of having produced at least one million tons of coke and two million tons of rolled steel for the last three years, two of them profitably, inside Ukraine. Besides IMS, the other Ukrainian tender came from the Industrial Group, linked to the Industrial Union of the Donbas (ISD).

Foreign tenders came from the world leader Arcelor, the number two LNM Holdings-US Steel, Russia's Severstal-Evrazkholding, and India's Tata Steel. All offered bids in excess of \$US1 million. Kryvorizhstal produces 20 percent of Ukraine's steel market in a full production cycle. Its annual

Protests at the speed with which the non-transparent privatization of Kryvorizhstal was undertaken reverberated throughout Ukraine's political system. Attempts to block the privatization through the courts failed, showing the degree to which the rule of law is absent. Parliamentary Speaker Volodymyr Lytvyn called for all privatizations to be suspended until after the elections. Lytvyn argued against the continued "embezzlement of the state" by oligarchs (UNIAN, May 4).

Nevertheless, Lytvyn's duplicity could be seen when the People's Agrarian Party, which he heads, did not vote in favor of an opposition resolution to halt the privatization of Kryvorizhstal (Ukrayinska Pravda, June 3). The resolution obtained 218 votes, eight short of a majority. The lack of transparency in the privatization process extended to the inability of parliamentary deputies to attend meetings held by the State Property Fund which oversees tenders. It was unsurprising that the privatization was described by the Socialists as similar to, "thieves entering the building who began to steal the property" (Ukrayinska Pravda, June 14). But, even Viktor Yushchenko's pro-economic reform Our Ukraine bloc demanded that privatizations be suspended in election year. Ironically, on May 25, just three weeks before Kryvorizhstal's rigged privatization, the Industrial Union of Donbas (ISD) filed a lawsuit in Warsaw complaining about the uneven treatment of the ISD when it submitted a bid for the Huta Czestochowa steel plant in Poland (Polish News Bulletin, My 25). Touché?