

Decentralization in Ukraine: A Danger of Disintegration?

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Abstract

The paper deals with the dangers, which decentralization has for Ukrainian state in terms of national integrity. Ukraine is a heterogeneous society in ethnic, linguistic and religious terms. The pro-Ukrainian and pro-Russian groups, holding different identities, are regionally concentrated. Through the years Ukraine managed to maintain the status of peacefully coexisting society. However, the salience of regional and often ethnicized identities in Ukraine has increased since 2004 - the year when Ukraine experienced a secessionist movement in its eastern territories. It is argued that the ethnic division issue is manipulated by the regional elites in their interests. If the interests of the regional elite are endangered, it can mobilize regional population, using media and public discourse, ethnic and economic rhetoric.

Taking into account the unfinished process of Ukrainian nation-building, the manipulation of the ethnic division issue in the interests of regional elites, and Russian territorial interests in Ukraine, it can be suggested that the political, administrative, and economic resources, provided through decentralization, may be used by the regional elites in Eastern and Southern regions of Ukraine to undermine national cohesion, to intensify ethnic conflict and even to attempt irredentism of the respective regions.

Dedicated to Shri Mataji Nirmala Devi,
the source of love and consolation



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Introduction

Since the inception of transition in 1991, fiscal decentralization in Ukraine has occurred in the broader context of general fiscal reform and the reform of the intergovernmental fiscal system and reached its peak with the legislative adoption of the Budget Code in 2001 and its implementation in the 2002 Budget (Kononets 2002). Currently the country is engaged in the process of considering of implementing more far-reaching decentralization reforms.

These reforms are prompted, on the one hand, by the Party of Regions, Ukraine's largest opposition party, which has been advocating the utmost transfer of the financial and decision-making authority to the local governments for the realization of the regional developmental strategies (Party of Regions Programme. n. d).

On the other hand, the decentralization and local government reforms of the current Government of Ukraine's Programme are consistent with the EU-Ukraine Action plan, as well as with one of the main focuses of the UNDP Ukraine Country Programme Action Plan (2006-2010) (United Nations Development Programme. Ukraine. Democratic Governance. n. d.). The mutual agreement on the urgency to respond to the decentralization and local governance challenges in Ukraine was also stated in the bilateral Memorandum of Understanding, which was signed between UNDP and the Ministry of Regional Development and Construction of Ukraine in January 2009. The main aim of the Memorandum is to ensure support for strengthening decentralized development mechanism through local and regional self-governance and to promote sustainable development of the regions of Ukraine. The Memorandum holds that UNDP and the Ministry will focus their cooperation on building local and regional capacity for decentralized development (United Nations Development Programme. Ukraine. 27.01.2009).

However, there is no certainty that decentralization in Ukraine will bring only advantages for the country. Ethnic tensions in Ukraine are complex, and threaten fragmentation in the country. While Western part of the country is ethnically Ukrainian, eastern and southern parts are ethnically closer to Russia. Centrifugal forces are strongest in the Autonomous Republic of Crimea, where a majority of population is of Russian origin (Martinez-Vazquez et al. 1995, 281).

The pro-Ukrainian and pro-Russian groups, holding different identities, are also regionally concentrated. Western Ukrainian region has a stronger attachment to the Ukrainian state at large, and the region's nationalist discourse emphasizes the unity and strength of the country (Šabić 2004, 227). In contrast, Eastern Ukrainians know they are different from Russians in Russia, however are unsure who they are (D'Anieri et al. 1999, 50-51). In Donbass (part of Eastern Ukraine) and the Crimea regional as opposed to state identity is prevailing, and therefore support for federalism is higher (Salnykova 2007: 8-9).

Through the years Ukraine managed to maintain the status of peacefully coexisting linguistically, religiously and otherwise heterogeneous society. However, the salience of regional, and often ethnicized identities in Ukraine has increased since 2004 - the year when Ukraine experienced a secessionist movement in its eastern territories (the Donetsk, Luhansk and Kharkiv regions). The hidden causes of this ethnopolitical mobilization is a puzzle of my research.

The main research question is: **Which dangers does decentralization have for Ukrainian state in terms of national integrity?**

Considering significant differences between the Ukrainian regions, polarization of the society, different identities, lack of the consolidated Ukrainian nation, **my hypothesis** is that decentralization will undermine national cohesion, lead to the intensification of the regionalism and favor state disintegration. Though Ukraine is a country, "where serious ethnic conflict did not

develop” (Barrington et al. 2004, 59) yet, devolution of political decision-making to local and regional governments might exacerbate ethnic tensions, might lead to federalization and future disintegration of the country. I argue that ethnic tensions in Ukraine are exacerbated by regional elites who seek to secure and increase their power and wealth. I claim further that decentralization will supply the power elites with political, administrative and economic resources, which they will be able to use for ethnopolitical mobilization of the regional population and for a secessionist activity, in case the elite’s interests are threatened. Russian geopolitical and economic interests in Ukraine also matter for my research. Decentralization offers an opportunity to Russia to back the secessionist regions in Eastern Ukraine and to attempt annexion of these regions.

Though there is a quite extensive body of literature on particularities of the process of nation building in Ukraine, the problems of decentralization in the course of the state building are less thoroughly investigated. This research intends to fill this gap.

I intend to proceed as follows: After covering and evaluating theoretical perspectives on the effects of the decentralization on the reducing or intensification of ethnic conflict in Chapter 1, I specify theoretical framework and conceptualization of my research in Chapter 2. Ukrainian ethnic, linguistic and religious cleavages are dealt with in Chapter 3. Furthermore, I describe the difficulties of the Ukrainian nation building process and the consequences of it for coexistence of the different ethnic groups in Ukraine. Next, I analyze to what extent people of different ethnicities and living in different regions of Ukraine diverge, in particular in their foreign policy preferences. Finally, taking into account the cleavages and the discrepancy in foreign policy preferences I examine the propensity to ethnic conflict in Ukraine in Chapter 3, in order to estimate the positive accommodative effect of decentralization on it.

I report on the current state of the decentralization process in Ukraine in Chapter 4. The concern of Chapter 5 is geopolitical and economic interests of the Russian Federation in Ukraine. Chapter 6 is dedicated to the case study of the Donetsk region. The region is one of the secessionist regions in 2004. Firstly, I will characterize the social capital and civil society of the Donetsk region. Next, I will examine the Donetsk regional elite, their interests and the extent of their power. The last subchapter of Chapter 6 deals with the question, whose interests were behind the secessionist threats in Donetsk in 2004.

Chapter 1: Theoretical Perspectives

In the first subchapter I introduce shortly the general benefits of decentralization. In the second subchapter I highlight the current scholarly debate about the effects of decentralization on ethnic conflict and secession as well as the hypothesis of Daniel Treisman about major determinants of secessionist claims. In the third subchapter I evaluate main arguments with regard to my research question.

1.1 Benefits of Decentralization

States decentralize political and economic decision-making for a variety of reasons.

The most common argument is to attain allocative efficiency in face of different local preferences for local public goods. Devolving power to subnational units makes better use of local knowledge and makes it possible to satisfy citizens' demands for public goods and services more precisely and cost-efficiently. Appropriate assignment of taxes and responsibilities can increase welfare. Interjurisdictional competition may discipline local governments. (Musgrave 1959; Musgrave 1983; Tiebout 1956; Oates 1972). In addition, decentralization enhances electoral accountability. The election of local officials brings governments closer to the people and makes it easier for citizens to hold their representatives accountable. Decentralization can act as a way to insert checks and balances that impede the excessive activity of the government too (Treisman 2002, 4-6). Decentralized local units can also serve as "laboratories" of democracy, hosting a variety of policy experiments for addressing social and economic problems. The policies are tried at first at the local level and later become fixtures of national or federal policy (Oates 1999, 1132). Last but not least, decentralization is believed to be an ethnic conflict prevention or conflict resolution strategy. However, this issue is contended and will be discussed in detail in the following subchapter.

1.2 Effects of Decentralization on Ethnic Conflicts and Secession

Horowitz (2000, 596) distinguishes between two main approaches to dealing with ethnic conflict: distributive and structural. While distributive policies are directed to change “the ethnic balance of economic opportunities and rewards”, structural policies aim to change the political framework in which ethnic conflict occurs and involve to a large extent the reshaping of territorial or electoral arrangements. Decentralization belongs to the most common territorial devices.

As Cohen and Peterson (1996, 4) mention, the output of publications on the decentralization topic with reference to its effect on sub-national ethnic conflict accelerated from the early 1990s. The literature demonstrates the divergence in the opinions of the scholars. The bulk of the scholarly community holds that decentralization¹ is a proper institutional response by the central state to the demands of groups with secession potential in heterogeneous societies. However, the opposite view is also argued by a number of other scholars – that decentralization increases ethnic conflict and secessionism. In the next two parts of this subchapter I will review the main arguments of both sides. In the third part I will present the bargaining hypothesis of Daniel Treisman whose major concern is the cause of secessionist claims.

1.2.1 Positive Effects

A number of scholars (Hechter 2000 and Hechter 1975; Brass 1992; Horowitz 2000 and Horowitz 1991; Gurr 2000a, 209 and 278 and Gurr 2000b; Lijphart 1977 and Lijphart 1990; Brass 1992; Lustick et al. 2004) argue that political and institutional arrangements of decentralization are deemed capable to accommodate the demands of disgruntled secessionist minorities and therefore prevent secession and protect the integrity of the existing territorial

¹ Some of the scholars mean political decentralization, while others mean federalism.

states. These scholars reason that decentralization brings the government closer to the people, increases participation and representation opportunities, gives minority groups control over political, social, and economic affairs, and provides minorities with a more optimal mix of public goods.

Horowitz argues that the benefits of federalism as a strategy of bridging the cleavages and fostering conciliation are stipulated by its three functions. Firstly, federalism provides support for an accommodative electoral formula. The ability of the electoral system to perform its accommodative function depends on the territorial units of a state. Federalism rearranges the subnational units, making and unmaking legislative majorities. It also encourages party proliferation that accommodates ethnic cleavages by improved representation of different groups and the creation of accommodative coalitions (Horowitz 1991, 217-218).

The second function, emphasized by Horowitz, is that of “political socialization” (Horowitz 1991, 220). Federal units foster constructive intergroup political relations by bringing politicians of different ethnic groups together to govern at the state level, before they meet to govern at the national level. The third substantial function of the devolution to territorial units, Horowitz writes about, is discouraging of hegemony by any one group over the entire country, which otherwise would have suppressed minorities and provoked conflict (Horowitz 1991, 222-226).

Another defender of the view that that decentralization mitigates ethnopolitical conflict is Ted Robert Gurr. He observes the general trends in the 1990s: toward decline in new ethnic wars, toward the settlement of many old armed conflicts as well as toward endeavors of countries and international organizations to recognize and to protect minority peoples’ rights and to manage the secessionist threats by the mechanisms of power sharing. Indeed, the data of Minorities at Risk

Project² show that the number of ethnic groups using violence declined from 115 to 95 in the 1990s. 23 armed ethnic conflicts were de-escalating, 29 remained constant, and only 7 conflicts were escalating out of the 59 armed ethnic conflicts in early 1999 (Minorities at Risk Project. n. d.) The number of wars of self-determination has been halved between 1993 and 2000 (Gurr 2000b, 54). The protagonists of such kind of wars demand unification with their “kin-state” across national borders or make demands to their own communally based zones of the minority regions.

Furthermore, Gurr reports the shift toward preventing separatist armed conflicts by accommodating ethnic demands through formal recognition and guarantee of the political and cultural rights to the minorities (Gurr 2000b, 54). The shift is documented by the diminishing of discrimination for more than a third of the minority groups monitored between 1990 and 1998 by the Minorities at Risk Project.

It is interesting that Gurr ascribes the global strategy to contain ethnic conflict (or in Gurr’s words “a new regime governing minority-majority relations” (Gurr 2000b, 55) in mixed societies) to the shift of emphasis from individual rights to the collective rights of national minorities, which occurred in Western democracies. Consider the new standards, adopted by the Council of Europe and the Organization for Security and Cooperation in Europe in 1990-1995. The standards appreciate the legitimacy of minority claims for international discussion as well approve the autonomy option for minorities within existing countries (Gurr 2000b, 55). But not only this paradigmatical shift in the West has favored the development of the new strategy for managing ethnic heterogeneity. Gurr (2000b, 57) also points to the cost factor. Prolonged conflicts are usually more costly both for nationalists and for central governments than the

² Minorities at Risk Project tracked the development of 284 politically active ethnic and religious organizations and groups over half a century.

accommodation of ethnic claims. Therefore it is cheaper for the central authorities to grant minority groups resources via regional and cultural autonomy and to redistribute some funds, than to fight endless secessionism.

Paul R. Brass (1992) advocates that decentralizing policies appease elites in separatist regions and maintain the effective political control of the center over the regions. I will present his study and discuss the argumentation in more detail in subchapter 1.3.

Hechter (2000, 134-150) supports the hypothesis about the positive link between decentralization and containing ethnic conflicts and secessionism in multinational states by highlighting several advantages. The first one is accountability. According to Hechter, minority groups demand sovereignty in order to enact a governance structure more accountable to them. Thus if the center creates institutions which increase local self-governance and bring government closer to the people, it will reduce ethnic conflict and demands for sovereignty.

The second advantage is more optimal provision of public goods. In line with the “decentralization theorem” of Oates (1972), Hechter argues that goods and services the consumption of which is limited to the respective jurisdiction, must be provided locally, by decentralized levels of government (Hechter 2000, 143). Such a provision, tailored effectively to the local needs, contributes to the reducing of the secessionist demands. I find both arguments of Hechter plausible.

Arend Lijphart (1977 and 1990) proposes the approach of power-sharing or “consociational democracy”. This approach is considered to be “the best-developed blueprint for civic peace in multiethnic states” (Kaufmann 1996, 155). Lijphart supports autonomy on ethnic issues for ethnic elites (which may be achieved by regional federation, in case minority groups are concentrated territorially) (Lijphart 1990, 492). The segmental autonomy, which entails “rule

by the minority over itself in the area of the minority's exclusive concern" (Lijphart (1977, 41), encourages potentially secessionist minorities to feel confident of representation and protection for their vital concerns. Furthermore, the leaders of each nation (ethnic group) are empowered with veto powers over government decision-making. Elections and allocation of collective goods are guided by the principle of proportionality. However, as Hechter (2000, 137) points out, entitlement of each ethnic group with veto powers leads to governmental inaction. Furthermore, a high degree of self-governance may encourage the autonomous regional leaders to attempt secession.

One more argument Lijphart (1977, 88) presents in favour of federalism is that boundaries between the subnational federal units limit close contacts between different people and groups in ethnically heterogeneous societies and thus prevent strain and hostility. This argument is questioned by Snyder (2000), who reasons the opposite. Snyder argues: "Such separation measures might serve to lock in divisive national identities, unnecessarily heightening distrust between groups" (Snyder 2000, 33).

The empirical evidence of the positive effect of decentralization on averting secession has been provided by the study of Lustick, Miodownik and Eidelson (Lustick et al. 2004). The scholars tested the most popular theoretical understandings of secessionism (whether power-sharing prevents or encourages it). They created a virtual state using the PS-I simulation platform. The designed state bore strong resemblances to multiethnic countries relatively predisposed to secessionism. A number of simulation experiments were conducted, focusing on changing aspects of authority structure in the secessionist region of the virtual state. The obtained findings demonstrate that devolving power to potentially secessionist groups (either through

power-sharing³ or by building semiautonomous institutions, designed to provide representation, resources, expression, and symbolic satisfaction to members of the minority group) has a two-fold effect: Firstly, it leads to broader and noisier ethnopolitical mobilization. Secondly, it significantly reduces secessionist activity in the long run.

Notwithstanding the results of the empirical study, I think that any kind of generalization should be made with restraint. It should be rather stated that the success of appeasing restive regions with help of decentralization is highly sensitive to context, which scholars agree on. For example, Horowitz (2000, 603) cautions against an undifferentiated and unprudential federal judgement, despite his acceptance of the conflict-reducing possibilities of federalism. He reasons that applying federalism method hinges on the number of subnational units in federation, and on their boundaries, their homogeneous or heterogeneous ethnic composition (Horowitz 2000, 619). Brancati (2006, 660) gives the examples of Sri Lanka, Madagascar, and Uganda, which are unwilling to decentralize, despite strong ethnic and regional cleavages, fearing the negative consequences on conflict and secessionism.

1.2.2 Negative Effects

The bulk of scholarly community (Kymlicka 1998; Brancati 2006; Roeder 1991) argue that devolution of state power through decentralization and federalism increases ethnic conflict and threats of secessionism. They offer various reasons for this causality. Kymlicka claims that federalism reinforces regionally concentrated ethnic identities. He writes: “The more federalism succeeds in meeting the desire for self-government, the more it recognizes and affirms the sense of national identity among the minority group, and strengthens their political confidence”

³ Joint exercise of governmental power, including representatives of the minority group.

(Kymlicka 1998, 139). Political mobilization of regionally based groups makes secession more likely.

Dawn Brancati (2006) hypothesizes that the negative effect of political decentralization on ethnic conflict and secessionism operates through regional parties. Based on the large-N statistical analysis of thirty democracies around the world from 1985 to 2000, he provides evidence for the following causal mechanism: Decentralization promotes regional parties in a way that it provides these parties with opportunities to win elections in regional legislatures and to influence policy. (The “number of seats constraint” is smaller at the regional level than at the national level). Regional parties may then reinforce regionally based ethnic identities⁴, competing for electorate. They may also produce legislation at the regional governmental level, which favors the interests of the minorities they represent. These policies, however, discriminate other regional minorities. Finally, decentralization supplies regional parties with resources, such as regional legislatures, regional media and police, which they may use for mobilizing groups to engage in ethnic conflict and secessionism.

The strength of regional parties in Brancati’s analysis is measured with the data set of constituency-level election results. The data of Minorities at Risk Project are used for the measurement of the intensity of ethnic conflict and secessionism in the case countries. The independent variable “political decentralization” is measured with the four-point index, based on whether or not regional legislatures are elected and the types of issues over which regional legislatures have independent decision-making power (Brancati 2006, 665-668). The results of the analysis demonstrate that regional party vote increases ethnic conflict (antiregime rebellion) in decentralized systems of government.

⁴ “Regional parties reinforce ethnic identities only when ethnic and regional boundaries coincide” (Brancati 2006, 658).

Philip Roeder (1991) reasons that decentralization provides minority groups at the regional level of government with the resources enabling them to engage in ethnic conflict and secessionism. He suggests that creating devolved institutions of self-government or self-administration distributes mobilizational resources such as entrepreneurial skills and means of communication. Empowered political entrepreneurs in ethnic communities mobilize nationalist movements against central authorities in order to expand the autonomy and to enlarge the resources within their control.

Having reviewed the scholarly work on the negative link between decentralization and ethnic conflict, I come to the conclusion that the scholars argue in two ways: institutionally and rationally. According to the institutionalist argument, decentralization promotes developing of the institutions such as regional parties, regional legislatures, regional media and police. These institutions facilitate mobilization along ethnic lines. According to the rationalist argument, regional leaders act as rational actors, mobilize the available institutional resources, and engage minority population in making separatist demands for the purpose of extorting more resources from the center and enlargement of their power.

The inconclusiveness of the current scholarly debate on the effect of decentralization on exacerbation or mitigation of ethnic conflict and on secessionism does not allow making generalizations whether countries prone to ethnic conflict are advised to decentralize or not. Thus, in my opinion, separate studies should be undertaken for every case country. Ukraine as a heterogeneous country, currently undergoing fiscal decentralization reforms, is one of such countries. The case of Ukraine has not been investigated in this perspective. Thus I believe it deserves my attention and effort to fill this gap.

1.2.3 The bargaining hypothesis

Daniel Treisman (1997, 221 and 230) finds that the bargaining power of local elites is major factor in making secessionist claims by the respective region. He makes the following hypothesis: Higher regional administrative status endows regional leaders with greater institutional resources and enhances their bargaining power vis-à-vis the center. The regional leaders of ethnic regions with more bargaining power are more vigorous in pressing claims for greater autonomy. The regions with the most power are the most capable of making the most credible separatist demands.

In his study Treisman focuses on the behavior of regional leaders in the post-Soviet Russia, and tests his hypothesis by conducting statistical analysis⁵ of Russia's thirty-two ethnic regions (autonomous republics, autonomous oblasts, and autonomous okrugs) in the years 1990-1994. The results of the analysis show that republics are more likely to press separatist claims than non-republics (oblasts and okrugs). Treisman offers the following explanation for the results: Republics enjoyed stronger rights and more representation at the center in the past, than did oblasts and okrugs. The leaders of republics had therefore more bargaining power and could develop the skill of the republican leaderships. However, as Treisman emphasizes, regional leaders may initially pursue other goals than secession, by engaging in separatist actions. The expected benefits from the separatist activism are extortion of economic concessions such as subsidies and other resource transfers from the center in return for a retreat (Treisman 1997, 221).

Furthermore, the results of the analysis demonstrate a strong correlation between the economic bargaining power of an ethnic region and its degree of separatist activism. The ethnic regions with large populations and high industrial output, valuable natural resources and export potential, were on average more separatist (Treisman 1997, 239-242). Treisman suggests "a

⁵ Bivariate and regression analyses

strong element of rational calculation in the incidence of separatist action among Russia's regions" (Treisman 1997, 239).

Treisman tested also whether regional separatist activism in Russia depends on other variables than the bargaining power of the regions vis-à-vis the center. These variables are "the extent and intensity of minority ethnic, cultural, linguistic, and religious *self-identifications* among members of the population" (Treisman 1997, 215); economic or occupational cleavages created by modernization, which reinforce ethnic divisions; conflicts over border issues, traumatizing events of repression in the past, which nurture ethnic suspiciousness for decades⁶; existence of active ethnic organizations, size of minority population within the region (Treisman 1997, 215-221). He did not find evidence, showing that separatism in Russia's ethnic regions was shaped by these variables, with the exception of the "existence of active ethnic organizations" (Treisman 1997, 223-238).

Treisman's bargaining hypothesis is confirmed by the empirical study of Hale (2000). The analysis⁷ includes forty-five ethnically designated administrative regions of the former Soviet Union and three levels of autonomy (union republic, autonomous republic and autonomous region), and reveals a strong correlation between a region's prior degree of autonomy in the former Soviet Union and its propensity to make separatist claims. The ethnic regions already possessing the largest levels of autonomy tend to use this power in order to claim for more autonomy and institutional resources (Hale 2000, 44).

⁶ An example of traumatizing event is deportation of ethnic groups from their homelands by Stalin in the 1940s (Treisman 1997, 219).

⁷ Hale (2000, 41) applies the statistical duration model called "Weibull distribution", which estimates a time-dependence parameter and "allows to access the degree to which the passage of time itself made a sovereignty declaration more likely".

1.3 Evaluation of the Arguments in Ukrainian Perspective

1.3.1 Arguments in favor of decentralization⁸

The opinion that federalism has a conciliatory potential in divided societies is shared among others by Donald L. Horowitz (1991). The object of his study is South Africa, a country, which had large cleavages along racial and ethnic lines⁹ as well polarization along ideological lines within and across racial groups in the 1980s. Horowitz outlines three functions of federalism, which he believes to have a conciliatory effect on accommodation of ethnic conflict. These functions are accommodative electoral formula, the function of “political socialization” and discouraging of hegemony by any one group over the entire country. Although Ukrainian society is not multiethnic and polarized as South African society was in the 1980s, I think that the mentioned functions of federalism would have been an acceptable solution for accommodating ethnic tensions in Ukraine, if any.

The next argument about the positive effect of decentralizing policies on the reduction of ethnic conflict is presented by Brass (1992). In the comparative study of the Soviet Union and India he claims that during the rules of Leonid Brezhnev from 1964 to 1981 in the Soviet Union and in the period of Nehru’s leadership from 1947 to 1964, a balance in center-periphery

⁸ The arguments in favor or against decentralization are considered from the point of view of the ultimate goal of national sovereignty and territorial integrity.

⁹ In the 1980s South African society was divided into four racial groups (Whites, Coloureds, Indians, and Africans) which in their turn were divided into a number of distinct ethnic groups (Horowitz 1991, 3-4). South African society was characterized by fundamental struggle between White (or Afrikaner) and Black (or African) nationalism with incompatible interests (Horowitz 1991, 7). African groups struggled against Afrikaner majorities’ “colonial oppression in the form of racially based capitalism” (Horowitz 1991, 5). However, the political situation in South Africa has changed in the course of 1990s. Previously banned African National Congress (ANC) party and Pan-African Congress party were legalized; almost all apartheid-related legislation was abolished. Since the first multiracial national elections held in 1994, ANC has dominated the political landscape in South Africa (Freedom House Country Report 2007). There is no strong polarization along ethnic and ideological lines in the state any more. According to the assessment of Minority at Risk Project, none of the five minorities living in South Africa at the present time - Asians, Coloreds, Europeans, Xhosa and Zulus – are repressed or restricted by South African democratic regime, and face a middle or high risk of rebellion and protest (Minorities at Risk Project. Minority Groups Assessment for Sub-Saharan Africa).

relations was achieved under which regional elites in the Soviet republics/Indian states acquired “significant autonomy” (Brass 1992, 124).

I do not agree that we can speak about granting autonomy or about federalism or about any decentralizing policies in the former USSR during the Brezhnev period. There was no transferring of political and financial powers to the Soviet republics, including the right to choose the official language and language of instruction in the schools as well as providing representation opportunity at the center level to the regions. Rather the Soviet politics under Brezhnev’s rule were characterized by centralization of economic and political resources and pursuing assimilationist Russification policies in all Soviet republics. Bunce (1999, 46) makes a right remark, writing that “*all*¹⁰ powers [in the former USSR] were in practice shared between the center and the regions”. So we cannot consider the former Soviet Union as a typical federation wherein usually powers over some issues are shared between the center and the regions, while powers over other issues are either in the competence of the center or of the regions. Although the Soviets labeled their ethnopolitics as socialist federalism, they were aware of the radical difference between the socialist federation and the “bourgeois federation” (Big Soviet Encyclopedia 1977, 255). The socialist federation was formed “for solving the national question...[and was] based on the national-territorial principle” (Big Soviet Encyclopedia 1977, 255).

Making a reference to “devolution of power to the republics” (Brass 1992, 121), Brass writes about the policy of the entrenchment of regional elites in republic Communist Party apparatus, which occurred in the period of Brezhnev’s leadership. According to the party cadre policy, personnel from indigenous nationalities were recruited for the position of the first secretary of the Communist Party in respective Soviet republic as well as for other party

¹⁰ Emphasis added

positions¹¹. This policy was conceived to accommodate language-based and nationality conflicts by means of gaining collaborative elites from the regions, which would exercise effective ethnic political control in line with the central policies (Brass 1992, 116-117). However, I will name this kind of policy systematic cooptation of local elites rather than a decentralizing policy.

The example of India under Nehru is more convincing. Brass states that apart from pluralist language policies¹², the nationality policies of that time encompassed granting political autonomy to state leaders in the form of “bargaining federalism” (Brass 1992, 114). State leaders were permitted to bargain with the center about the extraction of resources and favors. Thus federalism (especially if accompanied by the high tolerance of regional language issues) has the potential to mitigate ethnic conflict and avert demands for regional autonomy or secession in a multinational country, for example in India. I do not think that the argument would hold in the Ukrainian case. Ukrainian society is not as multiethnic and as highly culturally diversified as the societies of India or of the former Soviet Union. Federalism might be a viable alternative for the centralized state to maintain control over ethnic issues. But Ukraine is not centralized to the extent the two case countries in the study of Brass were. And it is not going to be in the future: The reforms of fiscal decentralization are on the way of being implementing.

I find the arguments of Hechter (2000) and Lijphart (1977 and 1990) plausible. Accountability of government structure and more optimal provision of public goods by local institutions of self-governance may dampen ethnic tensions in the Ukrainian case, if any. Since minorities in Ukraine are concentrated territorially, decentralization would also endow minority groups with more representation and protection of their interests. However, a high degree of self-

¹¹ Russians were appointed as second secretaries (Brass 1992, 116).

¹² Pluralist language policies linguistic reorganization of states with adoption of a single regional language as the sole official language of each such state. All fourteen major regional languages were recognized as legitimate media of examination for entry into the highest ranks of the administrative services (Brass 1992, 111-113).

governance harbors a huge risk to be used by regional leaders for the state disintegrative purposes.

My conclusion is that decentralization has a conciliatory potential in heterogeneous states, especially if they are ethnically divided to a large extent (for example, South Africa in the 1980s, and India). Although Ukraine is a country with pronounced “ethnic dualism” and generally good interethnic relations, the positive effects of the decentralization for the country should not be overlooked.

1.3.2 Arguments against decentralization, and the bargaining hypothesis

I find all arguments convincing and applicable to the Ukrainian case. I will discuss the arguments of Treisman (1997) and Roeder (1991), because I choose them for my own conceptualization. Concerning the study of Treisman, it should be noted, that the significance of the estimates in the regression analysis is low, but this is normal with so many independent variables for such a small number of cases (thirty-two cases). Applied to Ukraine, it shows that decentralization will enhance the bargaining power of the regions. According to Treisman, the extent of the bargaining power of regional elite is affected by the extent of the regional autonomy. Therefore, in case of a decentralized ethnic region which is more developed economically and rich in natural and qualified human resources, the regional leaders of this region can exploit the ethnic card to bargain for more economic concessions and resources transfers from the center. But I think that the economic and institutional resources gained through decentralization, as well as the developed skill of the leadership can be used by regional leaders for separatist purposes, given the secession claims are real and not simply “threatening”.

Treisman’s conclusion is in line with the argument of Roeder (1991). If the regional

leaders are supplied with the resources, they may use them to engage in ethnic conflict and secessionism. Given that decentralization diverts some government functions (and hence resources that can be mobilized for nationalist ends) from the center to territorial subunits, it may stimulate ethnic conflict.

I conclude this chapter, including my evaluation, with the following remark: Decentralization has a number of advantages for Ukraine, which I do not contend. It can increase governmental accountability, optimize public goods provision, and perform a protective function for minority groups in general. Decentralization has an accommodative potential for the different ethnicities, living in Ukraine. But it will also supply regional elites with the political, administrative and economic resources. Taking into account the unfinished process of Ukrainian nation-building, the manipulation of the ethnic division issue by regional elites, and Russian interests in Ukraine, these resources may be used by regional elites in “Russian” regions to intensify ethnic conflict, to attempt irredentism, and to disintegrate the Ukrainian state.

Chapter 2: Setting the Framework

In this chapter I introduce my conceptualization, specify applied theories and methodology as well as the main definitions.

2.1 Conceptualization, Specifying Theories and Methodology

My conceptualization is the following: One of the consequences that decentralization has in Ukraine is that it supplies regional elites with the richness of the political, administrative and economic resources. Decentralization also offers an opportunity to Russia to annex “Russian” regions in Ukraine. Since the differences between Ukrainians and Russians in Ukraine do not provide evidence of a deep social cleavage along ethnic divisions that is bound to lead to conflict (see Chapter 3), I claim that fueling of ethnic conflict may occur in the following way: Regional elites in the “Russian” regions in collaboration with Russia may use political, administrative, and economic resources, provided through decentralization, and use ethnic rhetoric in order to achieve the annexation. Therefore I argue that in this specific case decentralization will lead to the disintegration of the Ukrainian state.

On the grounds that I investigate this specific situation, I place my research within the scope of the scholarly community who argue that political decentralization contributes to secessionism by supplying elites with political resources they need to mobilize nationalist movements and wage separatist struggles. Apart from the arguments of Roeder (1990) and Treisman (1997), which I discussed in Chapter 1, I build upon the elite-persuasion theory, developed by Jack Snyder.

Snyder (2000) argues that nationalist conflicts in democratizing societies arise “as a by-product of elites’ efforts to persuade the people to accept the divisive nationalist ideas” (Snyder 2000, 32). Elites use nationalist (ethnic) appeals to compete for popular support in democratizing

society¹³, and “seek to harness popular energies to the tasks of war and economic development without surrendering real political authority to the average citizen” (Snyder 2000, 36). Elites use nationalist arguments to justify some kind of partial democracy. The elite-persuasion theory shows that powerful groups, often including military bureaucracies and economic interests, can form the nation’s ideas and define the national identity in ways that reflect their own interests. They resort to nationalist appeals, because they allow them to manipulate masses and to seem popular without being truly democratic.

Snyder asserts that elites need two kinds of tools in order to launch collective action in a nation: effective institutions and unifying ideas. The latter convince people that they share common goals and a common fate (Snyder 2000, 47-50). I argue that decentralizing policies would provide regional Ukrainian elites with formal institutions, necessary for collective action (such as regional legislatures, regional courts, bureaucracies, police etc). In case of the Russian minority group, unifying ideas will be formed on the basis of a historical past, ethnic distinctiveness and attractive economic perspectives (the latter would be in case of joining the Russian Federation).

I have chosen the descriptive case study as method of investigation in the current research. It is best suited for the examining my hypothesis. Since the effect of decentralization depends on a particular country’s context, it is appropriate to do separate case studies for every country in question.

¹³ Such societies are characterized by weak democratic institutions.

2.2 Main Definitions

Decentralization includes three core dimensions: fiscal, administrative, and political. I use the concept of Schneider (2000), according to which fiscal decentralization refers to how much fiscal impact central government has on non-central government entities. Administrative decentralization refers to how much administrative autonomy non-central government entities enjoy relative to central control. Political decentralization implies “the degree to which central governments allow non-central government entities to undertake the political functions of governance, such as representation” (Schneider 2003, 33). Given three different levels of government in a decentralized governmental systems – a national level, a regional level, and a local level – political decentralization means independent decision-making power over at least one issue area at every level of government (Brancati 2006, 654).

Federalism also implies “division of powers between a central government and subnational units (..), defined on a territorial basis, such that each level of government has sovereign authority over certain issues” (Kymlicka 1998, 119). The difference to political decentralization is that federal division of powers is constitutionally entrenched. The devolved powers can not be reclaimed by the central government and are equal between the federal units.

An *ethnic group* is commonly defined as a body of individuals who share a distinctive consciousness, based on a common language or culture, or racial characteristics, or a common historical experience, especially common ancestry or territorial origin, which distinguish them from members of other groups (Weber et al. 1978, 389 and 395; Smith 1991, 14). *Ethnic conflict* embraces “all forms of small- and large-scale acts of violence between and among different ethnic groups” (Brancati 2006, 654).

Regionalism is “the self-acknowledgement of a common identity shared by people who inhabit a particular region – a grouping of like places with definable boundaries and characteristics to form a spatial unit” (Poberezny 2006, 10).

Separatism is the desire of people with common identity who inhabit a particular region (for example, of an ethnic group) to separate from a larger national entity by asserting autonomy for themselves and their region, if their specific (cultural, economic, etc) concerns are not addressed and their identity is not recognized by the nation state. *Irredentism* is a situation when minority regions, inhabited by the members of the ethnic group, distinctive from the majority ethnic group, unite with their “kin-state” across national borders.

Accommodation is an adjustment or adaptation to suit a special purpose. It is a settlement or compromise to reach an arrangement acceptable to the conflicting parties in a dispute. Therefore, to accomodate is to adapt (harmonize/reconcile) their positions vis-à-vis each other.

Finally, *national identity* is defined as “the feeling of solidarity and unity among the people living in a state” (Shulman 2002, 103). National identity comprises two components: strength and content. Strength implies intensity of the “we-feeling” and of the people’s wish to live together in the same state. The content of national identity refers to “why are we together” question. The content implies the answers to this question, the reasons by which the people feel their community is separate and distinct from other communities, for example values, cultural patterns, religion, language, shared beliefs in a set of political principles.

Chapter 3: Ukrainian Divisions and Ethnic Conflict

In the first subchapter I outline ethnic, linguistic and religious cleavages in Ukraine, and report on historical legacies in order to explain the causes of these cleavages. The second subchapter is dedicated to the difficulties of the Ukrainian nation building process and the consequences of it for coexistence of the different ethnic groups in Ukraine. Next, I examine to what extent people of different ethnicities and living in different regions of Ukraine diverge, in particular in their foreign policy preferences. Finally, taking into account the cleavages and the discrepancy in foreign policy preferences, I examine the propensity to ethnic conflict in Ukraine.

3.1 Ukrainian Cleavages

Ukraine is a country with ethnic, linguistic, and religious divisions. In ethnic terms, Russians are the largest ethnic minority in Ukraine. According to the Census 2001, Ethnic Russians make up 17.3%¹⁴ of the Ukrainian population (CIA World Factbook 2009). In the Crimea, Ethnic Russians constitute more than 65 % of the peninsula population. (Weller 2002, 76). Other ethnic minority groups in Ukraine are small-numbered and include: Belarusian 0.6%, Moldovan 0.5%, Crimean Tatar 0.5%, Bulgarian 0.4%, Hungarian 0.3%, Romanian 0.3%, Polish 0.3%, Jewish 0.2%, other 1.8% (CIA World Factbook 2009). Ethnic Russians are concentrated in Eastern and Southern Ukraine. The percentages of Ethnic Ukrainians are highest in Western Ukraine. According to returns of the poll by the Razumkov Centre, 37 % of adult citizens of Ukraine use Russian in everyday communication (Lytvynenko et al. 2008)

In religious terms, Ukraine is divided between parishioners of the following churches: Ukrainian Orthodox - Kyiv Patriarchate 50.4%, Ukrainian Orthodox - Moscow Patriarchate 26.1%, Ukrainian Greek Catholic 8%, Ukrainian Autocephalous Orthodox 7.2%, Roman

¹⁴ Roughly 22 % of Russians lived in Ukraine in 1991, according to Goskomstat statistical data (Weller 2002, 71).

Catholic 2.2%, Protestant 2.2%, Jewish 0.6%, other 3.2% (CIA World Factbook 2009, estimates from 2006)

The nature of the cleavages is based on different historical legacy. During the centuries Ukrainian regions have belonged to different states whose boundaries have shifted over time.

Map 1. Ukraine 2003.



Source: Perry-Castaneda Library. University of Texas.

Western Ukrainian regions of Galicia (the Uzhgorod and Lviv regions) were under Polish influence from the middle of the 16th century to 1772 and again from 1921 to 1939 (see Appendix 1, Map 2). From 1772 to 1918 Galicia was part of the Austro-Hungarian empire. Another Western region – the Carpathian Ukraine – was under Hungarian dominance till 1919, and again from 1939 to 1944. It was part of Czechoslovakia from 1919 to 1939. Western Bukovina belonged to Romania till 1775, then it fell to the Austro-Hungarian empire and remained part of it till 1918. Northern Bukovina (the Chernivtsi region) belonged to Romania till 1940 (Kappeler 2000).

While after the partitions of Poland in 1772, 1793 and 1795, the Western regions of Ukraine fell under the control of the Austrians, the rest of the Ukrainian ethnographic territory was absorbed by the Russian Empire (see Appendix 2, Map 3). Eastern Ukraine with the centers of Kharkiv, Dnipropetrovsk and with Donets basin became the most important coal mining and heavy industry region of the Russian empire. That led to the mass immigration of Russian workers to the region. Southern Ukraine with the Black Sea port of Odessa was at the end of the 19th century the most important region of corn export of the Tsarist Russia. The population of Odessa has been heavily culturally Russified since that time (Kappeler 2000).

The bulk of ethnographic Ukrainian territories was unified for the first time in history within the boundaries of the Ukrainian Soviet Socialist Republic (UkrSSR) after the October revolution in 1917. The Uzhgorod region was added to the territory of the UkrSSR in 1939. The Chernivtsi region was joined in 1940, and the regions of Carpathian Ukraine were incorporated in the Soviet Ukraine in 1944. The Crimea was transferred to the UkrSSR in 1954 (Kappeler 2000).

3.2 The Challenge of Nation-building

I define nation building as “a drawn-out process which will aim to integrate and harmonize the regional, social, political and institutional divisions of peoples within one community” (Kuzio 1998, 119). D’Anieri et al. (1999, 51) single out three levels of nation building process in Ukraine. At the first, micro level, Ukrainian national consciousness is growing among people, but with big regional variation. Due to the different historical legacy, there is no uniform level of national consciousness throughout the Ukrainian territory. As Kuzio (2002, 10) finds, a modern nation could develop in Western Ukraine during 150 years of the

Austro-Hungarian rule prior to 1918. Therefore, the sense of belonging to the Ukrainian nation has been stronger in the Western parts of Ukraine. In Eastern and Southern Ukraine the modern nation building was suppressed by the state in the late Tsarist era and in the 1930s, and therefore must yet occur.

At the second, macro level, a new Ukrainian political community is being created by the symbols and discourses used by the state and mass media. At the third, international level, Ukraine has been recognized as an independent state distinct from Russia. The process has been completed only at the international level; the nation building at the other two levels is still ongoing within the Ukrainian state.

Considering that Ukraine inherited a weak sense of national identity and peoples with multiple identities (including Soviet identity), the construction of a modern Ukrainian nation is a difficult, long-lasting task. Since the independence in 1991, Ukraine has been undergone a “quadruple transition” (D’Anieri et al. 1999, 3): The two processes of state and nation building are going simultaneously with democratization and the development of market economy institutions.

The Ukrainian cleavages endanger nation-building. Scholars are divided in their recommendations as to which policies concerning language and national identity should be embarked on by the Ukrainian state. Arel (1995) and Laitin (1998) are in favor of state policies in support of tolerating the Russian language as well as the Ukrainian. That would avoid alienation of Russophone Ukrainians. Kuzio (1998) rejects such policies, pointing to their danger in the process of building a stable and unified nation-state.

The promotion of a single homogeneous Ukrainian national identity, the holders of which are proud of it, defended by Kuzio, has been undermined in the past. Polish and Russian rule

made Ukrainians think of themselves as of culturally and morally inferior nation. Poland held stereotypes of Ukrainians as “violent, anarchic, stupid and uncivilized barbarians” (Kuzio 1998, 152). The stereotypes of Ukrainians held by Russians were also negative: “sly, cunning, provincial *khokhli*” (Kuzio 1998, 152). Both Poland and the Tsarist Russian empire despised its own culture and language on Ukrainians. Tsarist Russia did it in a more “intensive” way. It did not recognize Ukrainians as a separate ethnic group and considered them as Little Russian regional groups of Russians (Kuzio 2002, 17). The intense policies of Russification were launched in the second half of the nineteenth century under the Tsarist regime and during the Brezhnev era under the Soviet regime. During the Soviet time Ukrainians were depicted as a nation that came into existence by chance, owing to Tatars, Lithuanians, and Poles who had broken up the Russian unity. In Kuzio’s opinion, Russian and Soviet identities have no longer to define Ukrainian peoples and their culture, rich in its own values, symbols, historical myths. He maintains that Russian and Ukrainian identities are to be separated from each other for nation building to proceed.

I agree that the Ukrainian state inherited multiple identities, including conscious Ukrainian, Soviet, Little Russian, and “a pre-modern identity defined only in terms of “otherness”, that is, not being Russian, Jewish, Polish or Tatar but with no clear idea of what or who they were” (Kuzio 1998, 153). Furthermore, Kuzio (1998, 154) notes that identity in Eastern Ukraine is neither Russian nor Ukrainian, but mixed, ambivalent and in the process of transition and reconstruction. He wishes, it could be gradually replaced by an overall Ukrainian political identity¹⁵. However, since Ukraine is a democratic state, it is more correct to decide by

¹⁵ According to Kuzio (1998, 165), the new Ukrainian identity should comprise earlier Ukrainian cultural traditions, some aspects of the Soviet cultural legacy, and new universal trans-national cultures.

democratic means whether there is a need to recognize Russians as the second titular nation or there is no such need.

Taking into account ethnic tensions in Ukraine, I tend to share the position of Dimitrijević (2002) who advocates the abandonment of the concept of the nation state in polyethnic societies. He convincingly argues that nation identity should be replaced by state identity. State identity encompasses belonging to the common political unit and sharing the common culture. I believe the author makes a very important point here. Living on one territory indeed produces shared identity. As we should live in the present and not in the past, it does not severely matter which historical contingencies brought us, our ancestors, or other ethnicity to this territory and who is to enjoy the privileges of the titular nation and who is not. The attention should be rather on how we can arrange our present, and influence our future life, for the prosperity of all of us. The common identity represents a uniting element of the ethnicities in multi-national states, like Ukraine. In my opinion, the peaceful coexistence of different ethnicities requires the building of the state constitution on the basis of this shared identity.

Furthermore, Dimitrijević welcomes liberal constitutionalism as the way of the reconciliation of the individual differences with the identity of the political community. The members of the community define themselves as individuals and as abstract citizens of a political community. Constitutionalism helps to integrate these two identities, using the principles of limited government, the rule of law, and the generality of fundamental rights. Liberal constitutionalism recognizes all individuals as autonomous persons with their differences, who are equal before the law. The autonomy and uniqueness of every individual is not violated in this case, due to the abstraction of the equality. I think that the concept of liberal constitutionalism with the accent on state identity, and not nation identity, can better homogenize Ukrainian

society, than the Ukrainian political identity, suggested by Kuzio. Dimitrijević's concept is more inclusive and has bigger reconciliation potential between the Ukrainian majority nation and national minorities.

As for today, the entrenchment of liberal constitutionalism, proposed by Dimitrijević, remains a “wishful thinking”. The Ukrainian constitution of 1996 “sanction[s] exclusionary inequality” (Dimitrijević 2002, 252) by means of the initial specification that Ukrainians are the titular nation and the core of the political nation (Kuzio 1998, 126). That means that the concept of the nation state is not abandoned, and the concept of “abstract citizen” is absent.

Between 1996 and 1998, Ukraine's non-radical parties came to a consensus on nation building. First, they prioritized Ukrainian ethnicity as defining the Ukrainian state. Second, they emphasized that nation building in Ukraine should not be based exclusively upon ethnic criteria, but should comprise both civic and ethnic elements, as all modern nations do (D'Anieri et al. 1999, 64). Thus the Ukrainian citizenship law is characterized by inclusiveness: No national group is favored at the expense of another. There is no political discrimination based on ethnicity¹⁶, including restraints on political participation, political association, and election to office. National minorities have been granted cultural and civil rights (Weller 2002, 72-73).

However, in my opinion, forging exclusively Ukrainian identity will not harmonize regional and ethnic divisions in Ukraine to the extent the state identity and the concept of “abstract citizen”, if entrenched in the Ukrainian constitution, could do. Imposing Ukrainian identity on other minorities nurtures the soil for grudge and conflict.

¹⁶ Although there are limits on the political expression of territorial secession in Crimea, there is no political discrimination of one ethnic group over another (Weller 2002, 98).

3.3 Divergency in Foreign Policy Preferences of the Ukrainian Population

Foreign policy preferences of the Ukrainian peoples vary according to ethnicity and region. The variation in either pro-West or pro-East orientation of the Ukrainian population is revealed in a mass survey¹⁷, conducted in 1999. According to the survey by region, the importance of an orientation of greater closeness with Western European countries was supported by 78 % in Kyiv, 73 % in the West, 61 % in the North, 58 % in the East, 53 % in the Center, 45 % in the South and 27 % in the Crimea. Larger distinct positions were expressed in the mass view whether unification of the Eastern Slavic states – Ukraine, Russia and Belarus – were important for the successful development of Ukrainian society. The highest regional levels of support were registered in the Crimea with 81 %, in the East with 69 %, in the South with 59 % of respondents. In contrast, only 16 % of respondents in the West answered “yes” to Eastern Slavic integration. The analysis by ethnicity showed much bigger differences on foreign policy toward Eastern Slavic integration than toward Western Europe: 61 % of ethnic Ukrainians and 52 % of ethnic Russians placed priority on strong ties with Western Europe. Only 43 % of ethnic Ukrainians thought unification of the Eastern Slavic states was important, while 73 % of Russians did (Shulman 2002, 106-107).

Large differences were manifested regarding the option of merging with Russia. 50 % from the East and 35 % from the Center East supported unification into one state with Russia, while only 7 % of respondents from the West did. Regional differences were complemented by the ethnic ones: the merging option is favored by 56 % of ethnic Russians, and only by 23 % of ethnic Ukrainians (Schulman 2002, 108).

¹⁷ The survey was conducted by the Ukrainian Institute of Social Research and the Social Monitoring Center. 3,135 respondents in 24 Ukrainian oblasts were interviewed.

The people's disagreement on foreign policy is based on their discord about the economic and political consequences of integration with Russia or Western Europe/USA. The advocates of closer ties with the West expect economic benefits as well as protection of Ukrainian sovereignty and security against Russia's imperial behavior. The proponents of integration with Russia believe in its positive effects on the Ukrainian economy, but reject Russian threat for Ukrainian security. I agree with Shulman (2002, 112-118) who claims that different foreign policy preferences in Ukraine are based on the different content of national identity. He reasons that ethnocultural identities in the country are superior to civic¹⁸ identities. Ethnic Russians in Ukraine perceive themselves culturally similar to Russia. In contrast, the Ethnic Ukrainian identity insists on fundamental differences between Russian and Ukrainian cultures and similarities between Ukrainian and European cultures. Ethnic Ukrainians believe that a stronger diffusion of European culture would boost the rebirth and development of Ethnic Ukrainian culture and its ability to serve as a basis of the Ukrainian nation. As Shulman (2002, 116) puts it, "breaking ties with Russia is a powerful symbolic statement of Ethnic Ukrainian uniqueness".

3.4 Propensity to Ethnic Conflict in Ukraine

In this subchapter I argue that the proclivity to ethnic conflict in Ukraine is low. The following survey¹⁹, conducted on the attitudes of ethnic Ukrainians and ethnic Russians toward the likelihood of ethnic conflict, demonstrates consistent low percentages of individuals who believed there is bound to be conflict in the 1990s. The percentage of respondents who believed there is bound to be conflict slightly increased in 1995, but then diminished to lower than 1993

¹⁸ Civic identity is based on the civic-territorial traits like political and legal institutions, political ideology, popular identification with the state territory (Shulman 2002, 114).

¹⁹ The survey was conducted by the British-Ukrainian team, under chair of Dr. Mykola Churilov, Director of the Institute of Sociology, Ukrainian National Academy of Science, Kyiv.

level in 1998. The difference in the attitudes of ethnic Russians and ethnic Ukrainians was negligible. The small discrepancy can be explained by the absence of fear or hate of Russians toward Ethnic Ukrainian at the grass-roots level. Russians and Ukrainians are not mutually ruling out each other's cultures, as millions of Ukrainians either speak fluent Russian (due to the legacy of the Soviet Union) or are Russified, and most Russians can at least understand Ukrainian, even they do not speak it fluently.

Table 1. Attitudes toward the Likelihood of Ethnic Conflict by Ethnic Group

(in percentages)

	1993 <i>n</i> =2124		1995 <i>n</i> =2118		1998 <i>n</i> =2087	
	Ukrainian <i>n</i> =1645	Russian <i>n</i> =479	Ukrainian <i>n</i> =1614	Russian <i>n</i> =504	Ukrainian <i>n</i> =1593	Russian <i>n</i> =494
Bound to be conflict	8.6	9.8	10.5	11.3	6.7	7.7
Can get along	91.4	90.2	89.5	88.7	93.3	92.3

Source: Weller 2002.

The examination of the attitudes toward ethnic conflict by region, captured in Table 2, shows slight regional differences in the attitudes, but at the same time lack of regional polarization.

Table 2. Attitudes toward Ethnic Conflict by Region (in percentages)

1993							
	East <i>n</i> =594	South <i>n</i> =121	West <i>n</i> =415	Center East <i>n</i> =204	Center West <i>n</i> =611	Kyiv City <i>n</i> =208	Crimea <i>n</i> =111
Bound to be conflict	11.4	7.4	8.9	6.4	8.3	9.1	9.0
Can get along	88.6	92.6	91.1	93.6	91.7	90.9	91.0

1995							
	East n=700	South n=253	West n=380	Center East n=200	Center West n=476	Kyiv City n=153	Crimea n=98
Bound to be conflict	10.6	7.5	8.4	18.5	13.2	5.9	5.1
Can get along	89.4	92.5	91.6	81.5	86.8	94.1	94.9
1998							
	East n=673	South n=229	West n=390	Center East n=175	Center West n=490	Kyiv City n=143	Crimea n=96
Bound to be conflict	6.2	9.2	3.6	8.6	7.3	5.6	17.7
Can get along	93.8	90.8	96.4	91.4	92.7	94.4	82.3

Source: Weller 2002.

It can be observed that the respondents in the East in 1993, and in 1995 in the Center-East were more likely to believe that there were bound to be ethnic conflict, than the respondents in other regions. However, the data reveal a drop of the percentages of respondents by 1998. In Western Ukraine the regional impact of attitudes toward ethnic conflict was low in 1993 and 1995, and it was the lowest in 1998. Considering the Crimea, a significant increase in the percentage of respondents who believed that there were bound to be conflict was observed in 1998. Comparing to 1995, the increase made 12.6 %. This trend is inconsistent with the disintegration of Russian separatist movements in the Crimean region after 1995. Weller (2002, 78) explains this contradiction with the growing hostilities not between ethnic Russians and ethnic Ukrainians on the peninsula, but between Russians and Crimean Tatars. Indeed, according to Minorities at Risk assessment, Ethnic Russians feel threatened by the religious (Islamic) traditions of most Tatars and by their higher birthrates. Many Russians have feared that the increase of the Tatar

population could, in time, reduce Crimean Russians to a minority and decrease their access to economic resources (Minorities at Risk. Assessment for Crimean Russians in Ukraine. n. d.)

In general, the survey shows low expectations of inevitability of conflict based on ethnicity in all the regions during the observed period. Thus regional factors do not appear to have had a great impact on attitudes toward conflict.

Another survey suggests why low expectations of conflict were found. The results of the survey show low and very low perceptions of ethnic distance on the all-Ukraine level and in most regions, including Crimea. On average 97.5 % of ethnic Russian respondents on the all-Ukraine level believed they had a great deal or a lot in common in their views and way of life with ethnic Ukrainians in the 1990s. Ethnic Ukrainian in Western Ukraine represented the only exception: Ethnic distance perceptions of the respondents who believed they had a great deal or a lot in common in their views and way of life with ethnic Russians grew from 72.5 % in 1993 to 62.4 % in 1998. However, growing ethnic distance perceptions in Western Ukraine were not accompanied by an increase in those who believed there were bound to be conflict (Weller 2002, 78-86).

Encouragingly, the tendency to low level perceptions of ethnic distance on the all-Ukraine level is observed nowadays. According to the opinion poll, conducted by Razumkov Centre in 2008, one-third of Russian-speaking respondents identify themselves as bearers of the Ukrainian cultural tradition. The overwhelming majority (86%) of Russian-speaking citizens of Ukraine call Ukraine their Motherland and 72 % call themselves its patriots. To a relative majority of Russian-speaking citizens the term “Ukrainian nation” means “a nation of all citizens of Ukraine regardless of their ethnic origin, language, or national traditions which they keep and on which they raise their children” (Lytvynenko et al. 2008).

Table 3 shows the results of the survey on public perception of discrimination against Russians in Ukraine in the 1990s. We see consistently low percentages of respondents having witnessed discrimination against Russians. It is worth noting that the percentages are, in general, consistent from year to year. Thus a claim about good interethnic relations in the 1990s can be maintained on the grounds of little public perception of discrimination against Russians in Ukraine during that period.

Table 3. **Have you Witnessed Discrimination against Russians?** (in percentages)

Year	Yes	No	No Answer
1994	8.6	85.7	5.7
1995	9.5	90	0.5
1996	9.3	90.1	0.6
1997	7.4	92.2	0.4
1998	8.8	90.2	1.0
1999	8.5	91.4	0.4

Source: State of Security: Dynamics of Public Opinion in Ukraine. Kyiv, Center for Peace 1999 (Kuzio 2002)

Some incidents of ethnic violent conflict happened in the western regions of Ukraine, a heartland of Ukrainian nationalism. These incidents were not a rebellion of the minority group of Ethnic Russians, but were initiated by the Ukrainian ultranationalist formations such as Ukrainian National Assembly – Ukrainian National Self-Defense (UNA-UNSO), the Organization of Ukrainian Nationalists (OUN), and the State Independence of Ukraine (DSU). There has been for example violence in the streets in Ivano-Frankovsk in May 1994, in summer 1995, which were contained by police (Laitin 1998, 179-180). Further instances of violence, for example the burning of the Lviv Russian Cultural Center in 2001 by the Galitskiye Wolves, a group of ultra-nationalist Ukrainians, and the ransacking of Russian Bloc's offices (a political party) by Ukrainian nationalist groups in 2002²⁰ make the situation for Ethnic Russians living in the West

²⁰ The ransacking in 2002 may have been a sign of protest of Ukrainian nationalists to the first elections of candidates from "Russian Bloc" to the Parliament in the same year.

of Ukraine slightly precarious. However, no further incidents were registered. Furthermore, it should be stressed that these nationalist fringe groups do not have popular support in Ukraine.

Although Ethnic Russians have mobilized for mass protests since Ukrainian independence, no violent rebellion has occurred. Any widespread revolt after the tense 2004 presidential election is absent. According to Minority at Risk Project assessment, Ethnic Russians exhibit a moderate risk for ethnic rebellion in the Ukraine (Minorities at Risk. Assessments for Russians in Ukraine. n. d.).

The situation is different in the Crimea. The highest risk for violence in the Crimea is not between the majority group of Ethnic Ukrainians and minority groups, but between two minorities: Crimean Russians and Tatars. Although Minorities at Risk gives a moderate risk for ethnic rebellion to both Crimean Russians and Crimean Tatars, the contest between these two groups over the control of the peninsula (including the control of economic resources) continues. Limited incidents of violence have occurred sporadically in 2000-2003 (Minorities at Risk. Assessment for Crimean Russians in Ukraine. n. d.) The relationship between Ethnic Ukrainians and Tatars is not highly tense. Although the demands of Tatars for provision of land, housing and jobs have remained consistent, the Ukrainian regime has not experienced the instability of other post-Soviet regimes in the region and has not employed significant repression against the Crimean Tatars.

Therefore, the relative absence of ethnic conflict in Ukraine can be argued. The relativity can be explained, among other factors, with the endorsement of a territorial, or civic, conception of the state after independence. The Ukrainian citizenship law is characterized by inclusiveness: No national group is favored at the expense of another. There is no political discrimination based

on ethnicity²¹, including restraints on political participation, political association, and election to office (Weller 2002, 72-73).

To summarize, the national identity of Ethnic Ukrainians and that of Ethnic Russians possesses different contents, which cause divergent foreign policy preferences. However, despite the cleavages along ethnic lines, attitudinal surveys showed low expectations of ethnic conflict in Ukraine in the 1990s. Ethnic Ukrainians and Ethnic Russians in Ukraine do not perceive themselves to be *very* distinct from each other, and even when they do, they do not see this distinction as a source of conflict. The encouraging tendency to low level perceptions of ethnic distance on the all-Ukraine level continues nowadays. To conclude, it can be said that ethnic difference in Ukraine will not necessarily materialize in conflict. Therefore the accommodative effect of decentralization in this regard will not reveal in the Ukrainian case.

²¹ Although there are limits on the political expression of territorial secession in Crimea, there is no political discrimination of one ethnic group over another (Weller 2002, 98).

Chapter 4: Current Developments in the Process of Decentralization in Ukraine

In this chapter I give a brief overview of the current developments in decentralization process in Ukraine.

4.1 Government Organization

Ukraine has a unitary form of government, according to Article 2 of the Constitution of Ukraine. The system of administrative-territorial division consists of 24 main regions or *oblasts*, the Autonomous Republic of Crimea, the cities of Kyiv and Sevastopol with a special *oblast* status (see Map 4 in Chapter 4).

The government is structured in four tiers. The central government, run by a democratically elected parliament, the *Verkhovna Rada*, sits atop the governmental hierarchy. The second tier is made up by 24 regions, the Autonomous Republic of Crimea²², and the cities of Kyiv and Sevastopol. Each region is governed by regional council or *rada* that theoretically retains the power to formulate the regional budget. 480 *rayons*, which govern rural areas, and 139 cities make up the third tier of government. Both *rayons* and cities are subordinated to the *oblasts* and have local councils as representative bodies. Council members elect the chairman of the council, who is simultaneously the mayor of the city or of the *rayon* respectively. The Constitution of Ukraine envisages two types of power at the *oblast* and *rayon* levels: except for local councils, which are responsible for political and strategic decision-making, there are local

²² The Autonomous Republic of Crimea has its own representative body, the Parliament. It adopted its own constitution, which then was approved by the Parliament of Ukraine on October 21, 1998. The executive power in the Autonomous Republic of Crimea is retained by the Representative Office of the President of Ukraine.

state administrations, which embody executive power and implement these decisions (Navruzov 2001, 116).

The fourth tier of government is constituted of rural settlements and city districts. Both are called territorial *gromadi* (territorial communities of citizens). Rural settlements encompass small villages and farms and are subordinate to *rayon* authority. According to the Law on Local Self-Government of 1997, rural settlements and city districts administer their own budget and elect local councils, which represent the interests of territorial *gromadi*. The mayor (who also serves as the local council chairman) is also directly elected by local inhabitants. Local councils have the right to decide on behalf of their communities, and form executive bodies such as committees and departments for implementation of council's decisions (Martinez-Vazquez et al. 1995, 282-284 and Navruzov 2001, 116-121). Therefore, the true local self-government is retained only at the level of the fourth tier.

Kyiv and Sevastopol as the cities with special status combine the system of local self-government with the system of state administration. The inhabitants of the cities elect their mayors, who have a chair in respective city councils and their executive bodies. At the city district level, the chairmen of district councils are elected by the members of the respective district councils, not by the citizens (Navruzov 2001, 121).

4.2 Functional Structure and Local Finance

The Constitution of Ukraine, adopted in 1996, and the Law on Local Self-Government, adopted in 1997, granted to representative authorities the legal precedence over executive bodies. The responsibilities of local councils, listed in Article 26 of the Law on Local Self-Government, include adoption of the council agenda, approval of the structure of the executive branch

(executive committees, departments, services) and appointment and dismissal of its staff, approval of development programs, local budgets, establishment of local taxes and fees, management of community property (including the control of the privatization process), establishment of municipal militia and other units of community and environmental control (Navruzov 2001, 123). These are cardinal changes in the power structure in comparison with the centralization of Ukraine during the Soviet Union time. It goes without saying that the process is still ongoing in Ukraine.

As of today, local self-government bodies do not have freedom to exercise own authorities. The main reason is that local self-government functions are divided into “own authorities”, exercised on behalf of community electorate, and “delegated authorities”²³, performed on behalf of the central government (Article 143 of the Constitution of Ukraine). Most public services are distributed among different levels of government according to the principle of deconcentration. The responsibilities between local self-governments of different levels are blurred. Generally, only communal services and services in the sphere of education has an explicitly defined provider (Navruzov 2001, 131 and Kyrylenko 2006).

The system of local budgets differs for the different tiers of government. At the level of rural settlements and city districts, local self-governments independently draft, approve and implement local budgets. At the *oblast* and *rayon* levels, local budgets are drafted and executed by *oblast* and *rayon* state administrations, though approved by *oblast* and *rayon* councils.

The revenues of local budgets are divided into tax and non-tax revenues. Tax revenues comprise local taxes and fees, and the share of national taxes. The non-tax revenues include all types of transfers from national and subnational budgets. Local taxes and fees as well as

²³ The expenditures of local self-governments for the exercise of delegated state authorities are compensated by the state (Article 67 of the Constitution of Ukraine).

deductions from national taxes, distributed to local governments at established rates, represent the “domain” of local-government control and independence. According to Navruzov (2001, 134), these “own resources” account for less than 20% of total local budget revenues. That means that the degree to which local budget funds are centralized, is over 80%.

Over 90% of local budget expenditures are allocated to compulsory, socially protected expenditures such as education, health protection, social security (Navruzov 2001, 137). Considering the low rate of “own resources”, the socially protected expenditures must depend on transfers from the national budget to a large extent. The financing of delegated responsibilities by the state is also often insufficient (Kyrylenko 2006). Due to the lack of financial and economic independence, local councils are restrained in executing even “own authorities”, for example determining community development strategies.

Reforms to Interbudget Fiscal Relations in 2001 did not bring expected positive results. The procedures of direct budget relationships between the central budget and the budgets of *rayons* and cities were not established. The *oblast* authorities were given the right to calculate the personal income tax to be transferred to *rayon* and city budgets. This gave them the leeway to manipulate the amount of transfers. The central government increased the share of transfers in the revenues of regional budgets in order to influence the structure of their expenditures. However, no mechanisms have been established to control the allocations of transfers and to make local authorities responsible and accountable for the execution of their budgets. In practice, *oblast* state administrations may distribute transfers as they wish (Kononets 2002).

Although each level of government formulates its own budget, the budget system is still hierarchical. *Oblast* governments receive their funds from the Ministry of Finance, after negotiations over the amount of transfers with the central government. There is no direct fiscal

relationship between the central and *rayon*-level governments. *Oblasts* determine the revenues they will share with *rayons* and cities subordinate to them. If the fourth tier of government has an autonomous budget, its revenues and transfers are determined through negotiations with the *rayon* or city government to which it is subordinated (Kononets 2002).

4.3 Relationship between Local Self-governments and the State Administration

According to Article 118 of the Constitution of Ukraine, “executive power in *oblasts*, *rayons* and the cities of Kyiv and Sevastopol is carried out by local state administrations” (Navruzov 2001, 115). The Constitution establishes the nomination of heads of *oblast* administrations by the Prime Minister (confirmed by the President), the nomination of heads of *rayon* administrations by the Cabinet of Ministers (confirmed by the *oblast* state administration) (Šabić et al. 2004, 124-125). Therefore, *rayons* depend on *oblasts* in this respect. Local state administrations are accountable to the higher executive bodies and to the local councils with respect to authorities delegated to them by the respective *rayon* and *oblast* councils. Usually most of the executive functions of local self-governments are delegated to local state administrations.

In the same time, state administrations possess the authority to exercise control over the legality of local self-government decisions and the suitable use of financial resources. In case of violation of legislation by local councils’ decisions, these decisions may be cancelled by the officials of the respective state administration. In addition, state administrations control the performance of delegated authorities by local self-governments. Most of local executive committees are controlled by both the state administration and the local council (Navruzov 2001, 139). Thus the principle of dual subordination with respect to delegated authorities prevails in the relations between state administrations and local self-governments.

To conclude, the process of decentralization in Ukraine is a long road and is now ongoing. The current legislation in Ukraine is not conducive to the development of local self-government. The local fiscal autonomy in Ukraine is still very limited. The main problems of the public finance sphere are the small own revenues, insufficient financing of delegated responsibilities, and lack of transparency in the budget process. The financial resources left at councils' disposal are centralized to large extent. This fact, together with the blurred responsibilities of the different tiers of government, dual subordination of executive committees with regard to delegated authorities, cause interference of the central bodies into local issues and decrease freedom of local self-government to exercise its authority.

Chapter 5: The „Russian Factor“

In the following chapter I outline geopolitical and economic interests of the Russian Federation in Ukraine as well as the means Russia has applied to realize its interests.

5.1 Russian Geopolitical Interests in Ukraine

Ukrainian-Russian relationship might be better called „Russian-Ukrainian“ because the rules of the game in the relationship are dictated mainly by the Russian side. Ukraine is mostly coerced to react to Russian actions and to maneuver permanently in its foreign policy towards Russia.

After the collapse of the Soviet Union, Russia has tried to tie the „renegade“ Ukraine by means of involvement of the country in the structures of the Commonwealth of Independent States (CIS). Thereupon the Kyiv government made efforts to strengthen the independence of the Ukraine at first, and to defend itself against the intensive integration measures of Russia. Although Ukraine was a co-founder of the CIS²⁴, it did not sign the CIS statute adopted in January 1993, and considered itself formally for no member, but merely for a participating state of the Commonwealth (Alexandrova 2001, 258). The purposes and the tasks of the CIS were understood from the onset differently by Russia and Ukraine. The Russian leadership under Yeltsin saw in the CIS „the core of a new integration, which enfolds the bulk of the former Soviet republics“ (Höhmnn et al. 1992, 11) with the Russian Federation in the center. In contrast, Ukraine after finally got loosened from the Russian clench, perceived the CIS as a kind of emergency community for the civilized handling of the Soviet inheritance. During the 1992-1996 years the Kyiv government appreciated the retention of narrow economic relations with

²⁴ The CIS was founded by Russia, Ukraine and Belarus' on December 8, 1991. All other former republics of the USSR (except for three Baltic states and Georgia) joined the Commonwealth later (Vgl. Westphal 1995: 11).

Russia and the other CIS member states, but declined the foundation of the common economic area, and the creation of common economic institutions.

As a great power with privileges, the Russian Federation could not tolerate the Ukrainian claims to the Black Sea fleet of the USSR in 1991-1992. After the "decree war"²⁵ at the beginning of April 1992, Presidents Kravchuk and Yeltsin agreed to divide the Black Sea fleet fifty to fifty on June 17, 1993. During the next years the Russian leadership has succeeded to force the Kyiv government to the gradual renouncement of Ukrainian claims, by means of threats of an interruption of the oil and natural gas supplies. In the end, according to the agreement from June 1995, Ukraine was "allowed" to receive only 18.3% of the fleet ships from 50% of the ships that were granted to the Ukrainian state in 1993 (Malek et al. 2003, 81-84).

The strategically important port Sevastopol was also claimed by Russia. It was argued in the resolution of the Upper Council of Russia from July 1993 that Sevastopol had Russian federal status and were to be financed from the Russian budget. The Ukrainian government did not give its consent to that. Today the city of Sevastopol accommodates both the headquarters of the Ukrainian navy and of the Russian Black Sea fleet (Malek et al. 2003, 81-82).

Since the independence of Ukraine in 1991, the Moscow government has used close historical and economic connections of Ukraine to Russia for the support of the Russian political-strategic interests. Firstly, the Ukrainian heavy industry depends on energy supply from Russia. In 1991 nearly 100% of the Ukrainian oil imports and 84% of the natural gas imports came from Russia. In 1997 Russian natural gas import increased to 58%. Today the Russian Federation supplies 90% of the Ukrainian energy sources (Alexandrova 2001, 256 and Malek et al. 2003, 76). The Ukrainian dependence on the Russian energy imports and the indebtedness towards

²⁵ Presidents Kravchuk and Yeltsin subordinated the whole Black Sea fleet to the upper order of their respective countries (Vgl. Malek/Pavlenko 2003: 82).

Russia allowed Moscow to exercise pressure on the Kyiv government over and over again. Russia threatened repeatedly to cease the gas deliveries to Ukraine to make Kyiv more compliant in political and economic terms (Malek et al. 2003, 76). The Russian threats became reality in January 2009, when gas transit to Western Europe via Ukraine was stopped for two weeks. The strategic goal of this action was to gain control over Ukrainian gas-transport system and to pull Ukraine in the Russian sphere of influence. As a result of this action, Ukraine agreed to pay Russia one of the highest gas prices in Europe. Furthermore, Russian Gasprom got access to one-fourth of the Ukrainian gas market. It is a question of time how soon Russian Gasprom will take over the clients of Ukrainian Naftogas, making them dependent on its gas supplies, and finally “absorb” Naftogas.

The second dependence factor is legation of the Ukrainian companies to the Russian enterprises. In the Soviet Union the production process included special companies in different regions of the land. Today nearly 70% of the so-called cooperation connections of the Ukrainian companies lie in Russia and make Ukrainian enterprises dependent on Russian suppliers. Thirdly, the Russian Federation is the most important trading partner of Ukraine by far (Alexandrova 2001, 257).

Next, Russia is the most important frame of reference of the population in Eastern and Southern Ukraine. This fact prompts Russian interference in the Ukrainian internal affairs. For example, Viktor Chernomyrdin, the Russian Ambassador in Ukraine since 2001, demanded that the Russian language should be given the status of the second official language in Ukraine (Malek et al. 2003, 78).

Although the Moscow government accepted the independence of Ukraine officially on December 4, 1991 (Malek et al. 2003, 78) and confirmed the absolute acceptance of the

Ukrainian sovereignty in September 1996 (Wilhelmi 2002, 96), Ukrainians are not perceived in Russia as an independent nation till now. There is still a consensus among the Russian political, economic and cultural elites that „the Ukrainian state on its own is a historical mistake, which should be corrected as quickly as possible “(Malek et al. 2003, 78). The prevailing opinion among the Russian population is that the east Slavs - Russians, Ukrainians and Byelorussians – belong to one nation historically and constitutionally and therefore must stay together (Malek et al. 2003, 88). The Russian leadership has aimed at the Ukrainian accession to the union Russia-Belarus’. According to Wilhelmi (2002, 10), this “deepest form of the community with general supranational, political structural orientations should have lead three Slavic brother states to closer integration”.

Rhetoric of Moscow government towards Ukraine became more aggressive recently. According to the Russian information agency Interfaks, Russian Prime Minister Vladimir Putin stated transparently enough in his interview with journalists on May 24, 2009 that he considers the territory of Ukraine as “Russian” (Ukrainian Truth. 29.05.2009) The following cartoon on the next page illustrates this episode in an excellent way:



NEWS ITEM:

Visiting the Donskoy Monastery on May 24, where 20th-century Russian General Anton Denikin is buried, Russian Prime Minister Vladimir Putin urged journalists to read Denikin's diary, specifically the parts about Ukraine. "It is a crime if someone starts to talk about the division of Russia and Ukraine, even if this is being said by activists of the White movement or by foreigners," Putin said, citing the memoirs. Denikin led White Russians against Bolshevik forces in the Russian civil war.

Source: KyivPost. 28.05.2009

Since Ukraine gained its independence in 1991, Moscow has pursued an important goal: not to lose Ukraine to the west. It is not surprising that the declared „European choice“ of Ukraine and the institutional cooperation of the country with the European Union (signing the Partnership and Cooperation Agreement with the EU in 1994) and with NATO (joining the Partnership for Peace) released criticism in Russian political circles (Malek et al. 2003, 87).

Russia does not plan to let west-European and euroatlantic organizations to relativize its political and economic influence on Ukraine. On the contrary, the Russian leadership intends to tie Ukraine politically and economically to Russia in an irrevocable way. It is the minimalist goal of

Russia. The Kyiv government has always resisted it and accepted Russian integration offers only to a certain extent.

The maximalist, far-reaching goal of Russian Federation, is restoration of the Great Russian Empire. In this regard Russia has territorial claims towards Ukraine that is annexion of Ukrainian territories to the Russian Federation. In this context, the secessionist activities in the Ukrainian regions are welcomed by Russia. Taking into account the unfinished process of nation-building in Ukraine and coexistence of multiple identities, the “fight” for the identity which will prevail in Ukraine in the future, continues between Russia and Ukrainian nationalists. The Russian government is interested in the promotion of “Russian” identity and of a good image of Russia among the Ukrainian population, because it secures sympathy towards Russia and nurtures willingness of the Ukrainian peoples to join Russia territorially one day. I suggest, the collaboration with the regional elites has big relevance for the promotion of Russian goals in the respective regions.

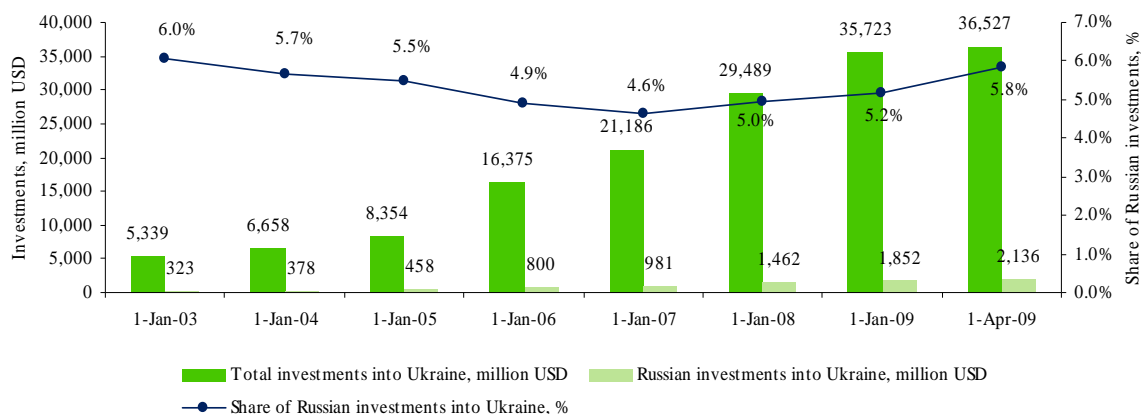
5.2 Russian Economic Interests in Ukraine

On February 27, 1998, the agreement about the economic collaboration between both states was signed (Alexandrova 2001, 255). It is in the Russian interest that Ukraine remains attached economically to Russia and the CIS. This provides the Russian capital with preferential conditions for the privatization of Ukrainian enterprises and brings Russia closer to its long-term purpose - „to win the control of key areas of the Ukrainian national economy” (Malek et al. 2003, 77) and hence to restrain the political independence of Ukraine.

The Diagram 1 displays that according to the State Statistics Committee of Ukraine, official investment from Russia to Ukraine increased from USD 323 million at the end of 2002 to

USD 2,136 million as of April 1, 2009 or almost 7 times. As percentage of total foreign investment in Ukraine, Russian investment varied around 5-6% throughout the last 6 years. Official figures, though, do not reflect the real state of affairs as to Russian investment in Ukraine. In most cases Russian capital flows into Ukraine from offshore zones (Kovalenko 2009). Thus the official figures are considerably lower than the real ones.

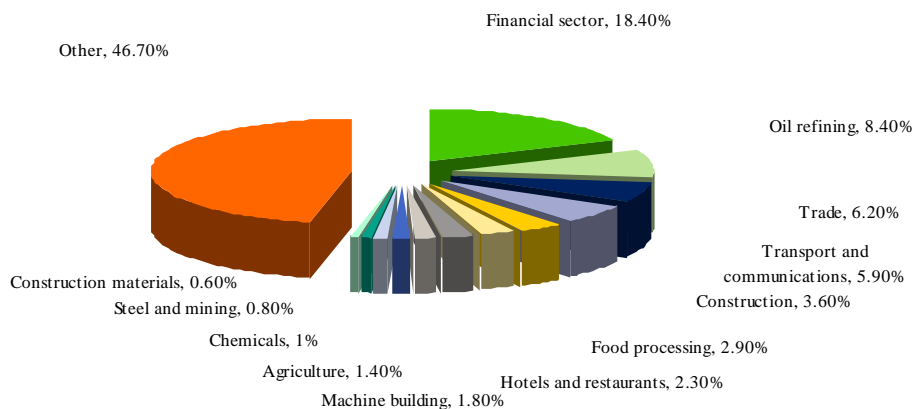
Diagram 1. Dynamics of Russian investments in Ukraine (2003-2009)



Data Source: State Statistics Committee of Ukraine

Diagram 2 depicts the structure of Russian investments in Ukraine as of 2007. The largest defined investments are the investments in financial sector (18.4%) and in oil refining (8.4%).

Diagram 2. Structure of Russian investments* in Ukraine as of 2007 according to official statistics



Data Source: State Statistics Committee of Ukraine

*Investment coming from Russia, excluding investments from offshores and reinvestments

Russia is interested in having control over strategic industries of Ukrainian economy. In addition, investments in Ukraine are seen by Russia as a good diversification for Russian companies and Russian market with evident growth potential. Russian capital controls oil refining industry (Odesskiy, Lisichanskiy and Kremenchugskiy oil refining plants). It also has strong positions in telecommunication industry (mobile operator MTS-Ukraine, Ukrainian Radiosystems, Golden Telecom) and banking and insurance industries such as Sberbank, Bank of Moscow, Vneshtorgbank, Renaissance Capital, Alfa Bank, Petrokomerts, NRB Bank, and a number of insurance companies (Kovalenko 2009).

As it can be inferred from Table 5, the majority of Russian investments in Ukraine are concentrated geographically in Eastern and Southern part of the country. This fact is mostly connected with the distinctive feature of productive forces distribution in Ukraine where predominant share of production enterprises is located in Eastern and Southern Ukraine.

Table 5. List of companies with Russian investment (not a full list)²⁶

1. "Alfa Bank" (offices in Kyiv, Kharkiv, Donetsk, Dnepropetrovsk, Zaporozhie, Mariupol, Lviv, Odessa, Krivoy Rog)
2. "Crimean soda plant" (Krasnoperekopsk, the Crimea)
3. "Rovnoazot (Rovno)
4. "Crimea TITAN" (Armyansk, the Crimea)
5. "Kherson oil refining plant"
6. "Lviv automobile plant"
7. "Chernomorskiy shipbuilding plant" (includes several enterprises)
8. "Kharkiv milk plant"
9. "Kyiv milk plant No. 3"
10. "Burynskiy plant of dry milk" (Sumy region)
11. "Drogobych drilling equipment plant" (Drogobych, Lviv region)
12. "Inter TV channel" (broadcasting all over Ukraine)
13. "Kramatorsk cement plant" (Kramatorsk, Donetsk region)
14. "Kharkiv "Balcem" (Balakleya, Kharkiv region)
15. "Odessa oil refining plant"
16. "Vinnitsa scrap processing plant"

²⁶ Table 5 continues on the next page.

17. “Zhitomir scrap processing plant”
18. “Kharkiv scrap processing plant”
19. “Kherson scrap processing plant”
20. “Cherkassy scrap processing plant”
21. “Ukrtranskonteyner” (Illyichevsk, Odessa region)
22. Recreation facilities and real estate in the Crimea
23. Retail chain “Perekrestok”
24. Retail chain “Pyaterochka” (Kharkiv region)
25. “Titan-apatit company” (Zhitomir region)
26. “Nikolaev alumina plant”
27. “Pobuzhskiy ferronikel plant” (Kirovograd region)
28. “Zaporozhie aluminium plant”
29. “Ukrgrafit” (Zaporozhie)
30. “Intersplav” (Luhansk region)
31. “Kremenchug oil refining plant” (Kremenchug)
32. “Lisichanskiy oil refining plant”(Lisichansk)
33. “Zaporozhtransformator” (Zaporozhie)
34. “Zapkabel” (Zaporozhie)
35. “Sumy Frunze NPO”
36. “Pump and power works” (Summy)
37. “Galakton” and “Galaktis” (Kiev)
38. “Kremenchug milk plant”
39. “Khorol milk and canned food plant” (Poltava region)
40. Shopping mall (Kharkiv)
41. “Rossava tire plant” (Belaya Tserkov, Kyiv region)
42. “Kyiv cardboard plant”

Source: Official Site of the party Alliance of People and Labour of Ukraine. Russian business in Ukraine. n. d.

To conclude, geopolitical and economic interests of Russia in Ukraine are large. The dependence of Ukraine on the energy supply from Russia, tight economic and historical interweaving between both states as well as the Ukrainian indebtedness have been used on the part of Moscow for the support of the Russian political-strategical interests, and have limited the leeway of the Ukrainian foreign policy till today. The minimalist goal of Russia is securing and increasing its influence in Ukraine. In maximalist terms, Russia aims to annex Ukrainian territory in order to restore the Great Russian Empire. The promotion of “Russian” identity and the secessionist activities in Ukrainian regions are welcomed in this context. The decentralized

Ukrainian state will offer an opportunity to Russia to meet its territorial claims and to realize its maximalist goal. Considering the degree of political, administrative, and economic freedom, provided through decentralization, this freedom can be used by regional elites in Eastern and Southern Ukraine for the intensification of the economic and political collaboration with Russia. If the politics of the center endanger the Ukrainian Eastern and Southern regional elite's wealth and power, then the elites, backed by the manipulated population, may demand annexion of the regions to Russian Federation. In such way Russia can materialize its territorial claims towards Ukraine.

Chapter 6: Case Study of the Donetsk Region

In Chapter 3 I showed that the proclivity to ethnic conflict in Ukraine is low. That means also a low secessionist threat at the present time. My argument is that the ethnic conflict can be fueled by regional elites (in collaboration with Russia), if regional elites were endowed with political, administrative, and economic resources, provided through decentralization. It will be particular the case if national-democrats pursue policies that are in contradiction with the interests of regional elites in Eastern Ukraine. In this subchapter I will undertake the case study of the Donetsk region (one of the secessionist regions in 2004) in order to support my hypothesis.

In my opinion, for the broader picture and deeper analysis of the hypothesis the case studies of other regions in Eastern Ukraine are wishful, especially those, which share common border with the Russian Federation. However, I will confine myself to this one case study, due to the limited timeframe of the present research.

6.1 General Information about the Region

As it can be seen on Map 4, the Donetsk region is situated in Eastern Ukraine, has a common border with Russia, and has an exit to the Sea of Azov.

Map 4. Ukraine and Its Oblasts.
(Map is depicted on the next page)



Source: General maps of Ukraine²⁷.

The administrative-territorial division of the region includes 28 towns and 17 districts.

The city of Donetsk with one million population is economic and political centre of the region.

The heavily industrialized Donetsk region accounts for more than 20 percent of Ukraine's GDP. The region is characterized by a high concentration of coal mines (101 coal mines, 12 coal mines construction enterprises, 33 processing mills). The coal deposits equal 14,3 bln. tons (Ukraine Today. n. d.) The non-ferrous metalworking of the Donetsk region accounts for 53.3% of national industrial output, coal and electricity represent roughly 15% and 10.7% of it respectively (Zimmer 2004, 242). Other significant economic sectors include chemical industry, food processing (especially beverage industry), machine manufacturing. The machine-building sector is represented by nearly 220 companies covering most of Ukraine's demand for different

²⁷ Voroshylovograd was renamed Luhansk in 1990.

types of machinery and equipment (Ukraine Today. n. d.). The seaport of Mariupol accounts for 30% of the region's foreign economic income (Zimmer 2004, 248). The share of the Donetsk region in Ukraine's imports is 9.9%, the share in Ukraine's exports is 19.8%. The main trading partner of the region is Russia. Bilateral trade with Russia accounted for 30% of all trading operations and 66% of all barterised imports in the Donetsk region in 1997. The trade consists mainly of energy imports (oil and other types of fuel) and exports of metal products (Zimmer 2004, 248 and 331).

6.2 Social Capital

The Donetsk region has a strong regional identity that “has primarily socio-economic traits and regards the region as part of the pan-ethnic Soviet Union, that is to say a bigger unit in which the regional self-understanding acquires meaning” (Zimmer 2004, 257). The nostalgic Soviet sentiment is strong here. The Soviet time is associated with stability and relative prosperity. People living in the region are still attached to the symbols of the Soviet period. They identify themselves with the Soviet system, which presented the Donbass as “the showcase of socialism and the engine of industrial development” (Zimmer 2004, 257). According to opinion polls, the regional population largely described itself as “Soviet” in 1999 (Zimmer 2004, 257). Traditionally, the Donbass has always been “the left-wing Piedmont within [the Soviet] Ukraine” (Kuzio 1998, 82).

The Donetsk people see Eastern Ukrainians different from Western Ukrainians. Table 4 on the next page displays the results of the survey, conducted by the informational-analytical centre DIAC in the city of Donetsk in 2006. The results show that 34 % of respondents in

Donetsk believe the split between Eastern and Western population in Ukraine exists. 19 % tend to believe that it rather exists. Only 8% think there is no split.

Table 4. Is There any Split between Eastern and Western Ukrainian Population?

Yes, there is	34 %
Rather yes	19%
Yes and No	15%
Rather no	15%
No, there is not	8%
No answer	9%

Source: DIAC 15.01.2007

The results of the survey confirm the perception of Donetsk respondents as “being different” from Western Ukrainians, having a different identity content. Inhabitants of Donetsk feel affiliation to Russia and definitely support closer ties to Russia and Belarus than to Western and Central Eastern Europe, or to the USA. As it can be seen in Table 5, 55% of the Donetsk respondents would prefer Russia as the main ally of Ukraine, 28% would prefer Belarus, only 9% USA, Poland, the scarce 5% France, the same small percentage would prefer Great Britain.

Table 5. Which countries of the world would you like to see as the main ally of Ukraine?

Russia	55%
Belarus	28%
Germany	12%
USA	9%
Poland	9%
Kazakhstan	7%
No allies	7%
France	5%
Great Britain	5%
Italy	2%
China	1%
Japan	1%

Source: DIAC 15.05.2006

Trust in the Russian political leadership as well as attachment to the Soviet past (desire for the “strong hand” of the leader, who will put the country in order) are expressed in another

opinion poll. The results demonstrate that the highest percentage of respondents in the city of Donetsk (38 %) believe in the Russian President Vladimir Putin²⁸ as the political leader who would change life in Ukraine for the better. The second highest percentage (22%) of respondents would prefer Stalin as the present political leader of the country. 21 % reveal their sympathy to Viktor Yanukovich in this respect (DIAC 29.01.2007)

Another characteristic trait of the Donetsk region population is a high level of social anomie, which is demonstrated by the high divorce and abortion rate. For example, the number of divorces increased from 49 divorces to 100 marriages in 1991 to 63 divorces to 100 marriages in 1998. Drug abuse continues to rise. Furthermore, the Donetsk region displays the highest HIV/AIDS rates in Ukraine (16.800 HIV-cases in January 2003). Crime is widespread, the imprisonment rate is also high (Zimmer 2004, 252-253). Many people are impoverished and live in a state of uncertainty and normlessness. However, the population has mobilization potential. According to the survey of DIAC, 66% of the respondents in the city of Donetsk are ready to take part in different kinds of mass protests, if needed (DIAC 12.03.2009).

The picture of social capital in the Donetsk region is the following: On the one side, the population lives in disorientation, insecurity and normlessness. On the other side, people have a strong regional identity (which is Soviet to large extent) and trust their regional leaders. This makes them susceptible to the influence of the core actors. Aslund (2004) describes the Donetsk and Luhansk regions as “the only truly dictatorial regions in Ukraine” in which the people “stand up for their oppressors”.

²⁸ The opinion poll was conducted in 2006, in the office time of Putin as Russian President.

6.3 Powerlessness of Civil Society: Trade Unions and NGOs

The trade unions in the region remain weak. The present trade union movement split into two groups: the big old former Soviet and the much smaller new independent trade unions. In the Donetsk region 45 old branch trade unions are united under the Regional Council of Trade Unions. The leaders of the post-Soviet trade unions are of *nomenclature* origin and support close ties with power structures such as the Regional State Administration. They do not act independently from state actors; every action is approved by the Regional State Administration (Zimmer 2004, 318). The old unions control the social funds at the enterprise level. Zimmer (2004, 301) notes that the officials of traditional unions usually pursue their own interests, which do not coincide with workers' interests.

The new independent trade unions emerged after the coalminers' strikes of 1989-1991. The miners criticized the Soviet system on the basis of the opinion of being exploited. These strikes contributed to the demise of the USSR and led to the founding of the Trade Union of Workers in the Coal Industry and the Independent Coalminers' Trade Union of Ukraine. However, those new trade unions proved to be weak. After the independence of Ukraine in 1991, economic crisis forced miners to enter into alliance with their previous "enemies" – the company directors, in order to struggle for subsidies from Kyiv. The miners' movement was unable to attract broad working-class support, since workers in the steel industry pursued different interests, tied to their own sector (Crowley 1997). The leaders of the unions have a working-class background. The unions seem to be less clientelistic than the old trade unions. They reject the paternalistic attitudinal mode of the Regional State Administration and are against false compromises. The main problem of new trade unions is the lack of associative capabilities of workers, who often think in terms of company interests and not in terms of representation of class interests (Zimmer 2004, 301-303). Furthermore, state actors undermine worker's solidarity by

providing selective “presents”. The state actors determine which mines are to be closed, while other mines get financial help from the government and survive (Zimmer 2004, 319).

Another problem of the new independent trade unions is their marginalization. The old trade unions are unwilling to cooperate with them, in order not to compromise themselves in the eyes of the authorities. The power elite apply different methods to deal with independent trade unions. For example, repeated harassment towards Mikhail Volynets, the chairman of the Independent Coalminers’ Trade Union of Ukraine. Or imprisonment of Yuriy Pivovarov, the chairman of the trade union Solidarnost’. This trade union organized a rally of 10 000 people in Donetsk in 2000, demanding the resignation of Viktor Yanukovich. In addition, Pivovarov alleged traditional trade unions and local authorities were in corruption. In May 2002 Yuriy Pivovarov was sentenced to seven years imprisonment after being charged with embezzlement of trade union funds (Zimmer 2004, 319-320).

NGOs are also peripheral actors. They are usually financially weak, and often are founded due to the incentives provided by international donors, and not because of the civil society initiative. NGOs in the region hardly cooperate with each other, due to the competition for resources. They remain dependent on the local and regional power structures to a large extent.

Additionally, public authorities in the Donetsk region establish their own NGOs, which impair emerging civic structures (Zimmer 2004, 305-306). These organizations are financed by the state and are controlled by influential actors. In the opinion of Zimmer (2004, 306), the power elite establishes these “flex organizations”²⁹ deliberately, with the purpose of promotion of elite’s political and business interests and limiting the uncontrolled growth of societal organizations and movements. The prominent example of applying this control strategy is the founding of the political association For Unity, Consent and Revival in 1998, uniting more than 120

²⁹ These organizations are founded by public officials and are located in the state-private nexus.

organizations from the region. Viktor Yanukovich is the head of the association. The official objective of the association is to promote the renaissance and development of Donbass. Many directors of important industrial companies, trade union leaders, scientists, rectors of universities, sportsmen are members of the organization council. The association supported Leonid Kuchma during the presidential elections in 1999 and afterwards (Zimmer 2004, 310).

Another example is the Association of Coalmining Cities, founded in 1992 and including 23 member cities from the Donetsk and Luhansk region. The cities are represented by their mayors. The official key objective of the association is to promote cooperation among the member cities. But the mayors use the association to lobby for their interests in Kyiv as well. It is the main objective of this association in reality. For example, the association lost some of its importance in 2002, after its main promoter, former Donetsk mayor Rybak, reached his goal and moved to Kyiv into “big politics” (Zimmer 2004, 311).

The foundation The Golden Skythian also falls into category of “flex organizations”. It pretends to represent public interests and its official objective is to enhance the popularity of the Donbass. The president of the organization is Yanukovich; his deputy is former Donetsk mayor Rybak. The founders and members of The Golden Skythian are several of the big corporations in the Donetsk region, which also finance the organization. Zimmer (2004, 310) shows that this organization serves primarily business interests. The business corporations direct part of their activities at the public for different projects like annual awards³⁰, in order to improve their image among the population and secure their influence.

To summarize, the powerlessness of trade unions and NGOs in the region can be explained with a “weak” society and the dominance and control of core actors. The power elite

³⁰ The annual awards are given to individuals, enterprises and organizations from the region. The list of the sponsors and recipients includes actors from the visible and invisible core (Zimmer 2004, 310).

coopt or marginalize collective actors in order to prevent opposition to their rule and maximize its influence via setting up “flex organizations”.

6.4 Regional Elite and Its Power

The “Donetsk clan” is a group of like-minded bureaucrats and businessmen with strong regional affiliations. The Donetsk group drew its wealth from local coal and steel.

The initial constellation of the Donetsk region elite was influenced by the Soviet past. After Ukraine gained independence in 1991, there was no elite change at the regional level. The following quotation from a professor of philosophy from Donetsk, interviewed in 1999, illustrates this continuity rather vividly:

“This old elite will continue to exist for a long time. Moreover, we have specific features: the elite, especially, the Donetsk elite, is not just an abstraction. The Donetsk elite, as we all know, is a circle of people who know each other well. They do not know each other by business cards, they [really] know each other, they work [together]. They are like mountaineers, they walk in a group: if one climbs up and reaches the top, the others will move up behind him. And there they are again. They do not lose [sight of] each other, they have personal relationships. Even if today their ways part: one remains in the board of directors, others are in the administration, and still others are in parliament; they remain united” (quoted in Zimmer 2004, 268).

The first generation of actors comprised old and entrenched *nomenclature*, the so-called metal barons of the region, who transformed their political influence into economic power. From 1994 onwards they were followed by new actors, who have a very weak *nomenclature* origin and represent new commercial structures. The second generation made their money, engaging in energy trading and bringing the insolvent metalworking companies, unable to pay for their energy consumption, under their control. However, as Zimmer (2004, 272) points out, the old *nomenclature* did not disappear, but adapted to the new situation “by shifting and diversifying their power base”. Nowadays part of the old *nomenclature* and new actors are both present and control resources.

The visible core of the power elite comprises public authorities at the regional and Donetsk city level, with the office of the governor and the Regional State Administration as power centre, which are controlled by the national centre in Kyiv. Numerous officials combine multiple positions both in the state administration and at the municipal level and connect the City and the Regional Administration via personal-professional ties (Zimmer 2004, 274-281).

The invisible core consists of the so-called financial industrial groups (FIG). Their power is based on the non-transparent ownership relations and on personal relationships with political actors at the local, regional and national level who defend the interests of the FIG members. Some members engage in politics and assert their personal and business interests without mediators. The central actors control most coalmines³¹, part of the steel sector, coking coal factories, the markets of energy and the investment flows. The commercial empire of the “second generation” incorporates a conglomerate of enterprises with both private and state ownership. The most important company is the Industrial Union of Donbass (IUD), with the total annual turnover of 1.7 billion USD in 2003 (Zimmer 2004, 286). The IUD controls key enterprises from coal, steel and chemical industries, such as Azovstal’, Khartsysk Pipe Plant, Alchevskii Metalworking Plant. The old elite controls smaller “empires”, such as Zasyad’ko joint-stock company (the biggest and most profitable coal mine in Donetsk) or NORD joint-stock company, the biggest Ukrainian producer of household appliances (Zimmer 2004, 282-289). Most of the companies are close to the big Donetsk businessman Rinat Akhmetov, the richest man in Ukraine, CIS and Europe, whose fortune counts 31.1 billion USD (Korrespondent. 12.06.2008).

³¹ The indebted mines become dependent on FIG investors who provide them with new equipment. The investors take over the control over sales and purchases, the management, and integrate the mines into the non-transparent production chains (Zimmer 2004, 284).

The FIG actors control economic and political spheres, by building informal coalitions with political decision-makers. Their main interest is to secure and to boost power they have accrued. The political actors control formal positions at the regional (and some of them at the national) level and are able to subdue publicly elected bodies. For example, Viktor Yanukovich was simultaneously the head of the Regional Council³² (1999-2001) and the head of the Council for Free Economic Zones³³ during his office time as the governor of the Donetsk region (1997-2002).

The regional elite coopts major social actors, by incorporating them in different public initiatives, like regional Kollegium³⁴ or the foundation The Golden Skythian (Zimmer 2004, 309-310). The public authorities and FIGs own a number of media outlets. Among them is the biggest Ukrainian regional radio and television station The Regional State Radio and Television as well as numerous newspapers. For example, newspaper Donetsk News is owned by the football club Shakhter, the president of which is Rinat Akhmetov. In this way power elite exerts influence on journalists' work and controls public discourse (Zimmer 2004, 307).

The political arena has been controlled by the Party of Regions since 2001, given the importance of personal relationships for coalitions between parties and groupings, and minor importance of ideology (Zimmer 2004, 314). The Regional Council of Donetsk became "captured" by the power elite after the elections in 2002: 105 out of 180 seats were won by the

³² The members of Donetsk Regional Council are elected in general elections (in majority districts). The Council is occupied with drawing up of the regional budget and division of the budget among cities and districts (Zimmer 2004, 276).

³³ The Council of the Free Economic Zones includes city mayors and heads of district administrations, members of the Supreme Council, department heads of the Regional State Administration, directors of big business corporations, banks, scientific institutes and post-Soviet trade unions, heads of standing commissions of the Regional Council. The Council preoccupies with investment policies and cooperates with the local authorities and the involved companies as well with the key ministries (Zimmer 2004, 276-277).

³⁴ Regional Kollegium engages in questions of regional policy and is attached to the governor's office. Selected representatives of local authorities and enterprise directors also belong to Kollegium (Zimmer 2004, 309).

pro-Kuchma election block For a United Ukraine and by the Party of Regions. All the committees were headed by their representatives (Zimmer 2004, 276).

The Party of Regions has strong popular support in its “homeland”. In the second round of the presidential elections in November 2004, 96.2% of voters in the Donetsk region (with voter turnout 96.7%) supported Yanukovich (Aslund 2004). The Party is also backed by Donetsk region FIGs. The head of the Party of Regions, Viktor Yanukovich has recently emphasized in public the development of a good interpersonal relationship to Rinat Akhmetov since Yanukovich’s office time as governor of Donetsk region (Official Website Party of Regions 18.05.2009). The political and economic spheres are indeed strongly intertwined.

In the Ukrainian parliament, the Party of Regions faction was registered on November 23, 2007. 175 deputies were included in the faction at the moment of its creation (Official Website of Party of Regions. n. d.) It is interesting that the richest men in the Ukrainian parliament are from the Party of Regions: 8 Members of the Party control \$35.42 billion USD worth of assets (Ukrainian Truth 12.06.2008.).

The Party of Regions aims at decentralization and strengthening of local government. It supports pro-Russian foreign policy (Official Website Party of Regions. Party Program. n. d.). In face of the current financial crisis, the Party of Regions advocates the enhancement of the present relationship with Russia. Yanukovich considers economic integration with Russia to become the most efficient strategy for Ukraine’s survival. He argues: “Ukrainian economy incurred heavy losses because of downsized economic cooperation with Russia. Therefore our goal is to restore a good, working relationship with Russia at all levels in the near future” (Yanukovich 21.04.2009). In the pro-EU government discourse Yanukovich stresses the

economic cooperation with the EU, while pressing less for Ukrainian EU-membership (Yanukovich 05.10.2006).

Russian interests are widely present in the Donetsk region. Russia is the main trading partner of the region and maintains other economic links such as ownership relations and investment. 26.8% of joint ventures in the Donetsk region were established with partners from Russia in 1992-1997 (Vasil'kova 1998, 33). As Zimmer (2004, 331) notes, the concrete business interests as well as partly illegal incomes of both Russian and Donetsk businessmen are concealed.

There are several agreements, signed at the official level, on cooperation between the Russian Federation and cities from Donetsk region as well as an agreement on cooperation and a permanent mission of the city of Donetsk to the government of Moscow. A Donbass Diaspora is registered in Moscow. It was founded by the people who moved to Moscow during the Soviet period, and now hold high governmental positions in Russia. The foundation The Golden Skythian as well as former Donetsk city mayors Rybak and Zvyagil'skii have been maintaining close ties to the members of the Diaspora (Zimmer 2004, 330). Some representatives from The Golden Skythian argued in an interview that "Donetsk is to be turned into the business centre of the CIS" (Zimmer 2004, 331).

The Donetsk region has had strong historical connections with Russia and later with the Soviet Union. The area of Donetsk region was part of the Russian Tsarist Empire from the seventeenth century onwards. In the times of the USSR it was described as "cradle" and "one of the main bastions of communism" (Kuzio 1998, 82). Numerous representatives of the regional elite, whom Zimmer interviewed in the course of her research, considered separation of Donbass

and Russia into two independent economic spheres as “unnatural and harmful” (Zimmer 2004, 333).

Taking into account close ties between Russian government and the Donetsk elite³⁵, Russian government continues to collaborate with the Donetsk elite to promote “Russian” identity among the population in the region and a good image of Russian Federation.

Western foreign influence in commercial, administrative and social spheres is rather limited in Donetsk region. Only major investors can gain importance, given they maintain good relations with public authorities. Thus these investors are also “partly incorporated into the clientelist networks” (Zimmer 2004, 307). Although the regional cooperation with international donors such as TACIS and the Know How Fund are promoted officially, the interviewed employees of the Regional State Administration do not believe that the joint projects will lead to substantial changes in the region (Zimmer 2004, 336-337). The course of development of the region is determined by the power elite. The foreign and local consultants do not get closely involved in the decision-making process (Zimmer 2004, 307). In general, there is little commitment to cooperation with the west at the regional and local level.

Since the independence of Ukraine, “a hand-operated economy” (Zimmer 2004, 289) has emerged in the region. This kind of economy is characterized by the permanent intervention of regional and local administrations in economic processes and internal company decisions and is opposed to a rule-bound market economy. For example, the regional administration interferes with the appointment of top managers in strategically important companies, like Azovstal’ in Mariupol (Zimmer 2004, 292). It forces upon the directors of state-owned enterprises the

³⁵ Russian government backed the presidential candidate Viktor Yanukovich in the presidential elections of 2004.

cooperation with specific FIG companies, whose business is to be “championed in the centre” (Zimmer 2004, 289), according to mutual agreement between public officials and FIGs.

To conclude, the power elite, which includes important economic and political players, has “captured” the Donetsk region. They control the economic and political spheres, and set the rules at the regional level. The social and public actors are coopted or marginalized in order to prevent opposition to the elite’s rule. The society is structurally weak, shows no countertendencies at large. However, the population has mobilization potential. The population of Donetsk region trusts its leaders and has a strong regional identity, which is Soviet to large extent. Taking into account the susceptibility of the population to the influence of the core actors and the control of several public and quasi-public arenas by the core actors, the mobilization potential of the people can be used in the interests of the power elite.

6.5 Instrumentalizing of Ethnic Conflict by Elites

During the Orange revolution in 2004 Ukraine experienced a secessionist movement in its eastern territories. The South-Eastern Republic consisting of the Donetsk, Luhansk and Kharkiv regions (with the capital of the Republic in Kharkiv) was formed and threatened its separation from Ukraine. The Donetsk regional council voted 164 against 1 to hold the referendum on giving the region the status of a republic within Ukraine at the end of November 2004.

The Donetsk city's mayor, Oleksandr Lukyanchenko, branded the national-democratic opposition of Yushchenko-Timoshenko a "nationalist junta", and the regional governor, Anatoly Blizniuk, called them "extremists in Kyiv". The local media were subdue to strict censorship. The cutting-off of a pro-opposition channel's signal was quite a regular occurrence. The elite propaganda against national-democrats influenced the formation of angry, indignant moods

among the population in the region. "We don't want to be slaves of America," said Lena, 23, a student. "Yushchenko has *forced* children and the elderly to stand in the cold. He accused us of being donkeys and bandits" (The Guardian 29.11.2004). As (Snyder 2000, 37) rightly notes, the rival elites or other political opponents are often alleged to be "in league with foreign powers".

The next common perception in the region was echoed by Volodymyr, a coal miner in the city of Donetsk, who believed that his region would prosper if it didn't have to economically support the rest of the country: "I support [autonomy plans because] we will live better than together with them, with Western Ukraine" (Mite 2004). Taking into account the fact that Donetsk actually receives more aid from Kyiv than it contributes in tax revenues (Mite 2004), this opinion confirms the power of propaganda and susceptibility of the common men to it. The eastern leaders managed to whip up a high level of hatred against the national-democrats, the Western Ukrainians, and the west, including the USA.

The control and manipulation of the society by the power elite is also displayed by the fact that the pro-Yanukovich movement in the east during the Orange revolution had nothing spontaneous. Workers were ordered to attend the rallies by their bosses (The Guardian 29.11.2004). The workers were used as a means to support the authorities' plan to give the region autonomy.

Thus the power elite can mobilize population in their interests, using ethnic and economic rhetoric. I argue that after the power elite in Donetsk region will be provided with the richness of the political and administrative resources through decentralization, it will be able to mobilize the regional population even better in case the elite's wealth and power is endangered. In some extreme cases the demands for the annexion of the region to the Russian Federation can be raised and the annexion materialized, backed by Russia.

Conclusions

The paper focused on the dangers, which decentralization has for Ukrainian state in terms of national integrity. The paper delivers following conclusions:

1. Ukraine is a heterogeneous country. The nature of the ethnic, linguistic and religious cleavages is based on the different historical legacy. During the centuries Ukrainian regions have belonged to the different states whose boundaries have shifted over time. Eastern and Southern Ukraine were parts of the Russian Empire, while different Western Ukrainian regions belonged to Poland, the Austro-Hungarian Empire, Romania, and Czechoslovakia. Due to the different historical legacy, there is no uniform level of national consciousness throughout the Ukrainian territory. The sense of belonging to the Ukrainian nation has been stronger in Western parts of Ukraine. In Eastern and Southern Ukraine the modern nation building was suppressed by the state in the late Tsarist era and in the 1930s, and therefore must yet occur.

2. Ukrainian state inherited multiple identities, including Soviet identity. The different identities complicate coexistence of the different ethnic groups in Ukraine and lead to ethnic tensions. In this regard, the abandonment of the concept of the nation state and replacement of nation identity by state identity as well as the building of the state constitution on the basis of this shared identity are wishful for the peaceful coexistence of different ethnicities, on the grounds of a bigger inclusiveness of the concept of state identity. As of present, the concept of the nation state is not abandoned in the Constitution of Ukraine. But there is no political, cultural or civil discrimination based on ethnicity either.

3. Different content of national identity among the Ukrainian peoples is reflected in their foreign policy preferences. Western and Central Ukraine takes pro-West choice, while Eastern and Southern Ukraine support unification of Eastern Slavic states – Ukraine, Russia and Belarus. Merging with Russia is largely supported in Eastern Ukraine.

4. Despite the different content of national identity and cleavages along ethnic lines in Ukraine, the proclivity to ethnic conflict in the country has proved to be low. Although the population in Eastern, Central Eastern Ukraine and the Crimea was more likely to believe that there were bound to be ethnic conflict in the 1990s than it did Western Ukrainian population, the ethnic conflict expectations were generally low. The perceptions of ethnic distance on the all-Ukraine level was low in the 1990s and continues nowadays. With the exception of the Crimea, no violent conflict was recorded on the Ukrainian territory. However, the highest risk for violence in the Crimea is not between the majority group of Ethnic Ukrainians and minority groups, but between two minorities: Crimean Russians and Tatars. Ethnic Ukrainians and Ethnic Russians in Ukraine do not perceive themselves to be *very* distinct from each other and even when they do, they do not see this distinction as a source of conflict. Thus ethnic difference in Ukraine will not necessarily materialize in conflict.

5. Currently Ukraine undergoes fiscal decentralization reforms, though this process is a long road for the country. The positive effects of the decentralization for the country should not be overlooked. Decentralization can increase governmental accountability, optimize public goods provision, increase welfare, and perform a protective function for minority groups in general. However, another positive consequence of decentralization - its accommodative effect on ethnic

conflict - will not reveal in the Ukrainian case, owing to the low propensity to ethnic conflict in Ukraine.

6. Russia has strong geopolitical and economic interests towards Ukraine. The minimalist goals of Russia are not to loose Ukraine to the west and to tie Ukraine politically and economically to Russia in an irrevocable way. The maximalist goal of Russia is restoration of the Great Russian Empire. In this regard Russia has territorial claims towards Ukraine that is annexion of Ukrainian territories to the Russian Federation. The Moscow government has used the following means to achieve these goals: Firstly, involvement of the Ukrainian state in the different integration measures and structures on the territory of the former USSR such as the CIS, the Eurasian Economic Community, Union Russia-Belarus'. Secondly, threats to cease the gas deliveries to Ukraine up to 2009 and the two-week stop of the gas transit to Western Europe via Ukraine in January 2009. Thirdly, setting up the very high prices for the Russian gas. Next, interference in the Ukrainian internal affairs and demanding the status of the second official language for the Russian language in Ukraine.

Russia has been pursuing its imperial aims since Ukraine gained independence and will not give up. The promotion of the "Russian" identity and the encouraging secessionist activities in the Ukrainian regions are welcomed in the context of the maximalist Russian goals.

7. In addition to the positive effects that decentralization will bring to Ukraine, it will endow regional elites with political, administrative, and economic resources. These resources at the disposal of the regional elites in Eastern and Southern Ukraine may be used by the elites for undermining national cohesion in Ukraine, for fueling of ethnic conflict, and even for secessionist

activities. The reasons and the way the regional elites can undertake such steps are shown in the case study of the Donetsk region.

The population of this region is characterized by a prevailing Soviet identity, sympathy to Russia, a high level of social anomie, trust in their regional leadership and susceptibility to the influence of the regional elite. The power elite, which include important economic and political players who pursue their own interests of wealth and power, have “captured” the Donetsk region. They control the economic and political spheres, and set the “rules of the game” at the regional level. The social and public actors are coopted or marginalized in order to prevent opposition to the elite’s rule. The media and public discourse are also under control of core actors.

If the interests of the regional elite are endangered, it can mobilize the regional population, using media and public discourse, ethnic and economic rhetoric. The example of instrumentalizing of the regional population and of ethnic rhetoric by the power elite in the Donetsk region is given by the formation of the secessionist South-Eastern Republic in 2004 in Ukraine. The Donetsk region was one of the “member” regions of the Republic. The Republic was established after Yanukovich was accused in the electoral fraud in the first round of the presidential elections in 2004.

Russian interests are widely present in the Donetsk region. The Donetsk regional elite maintain close personal and economic ties to Russia. The Party of Regions is pro-Russian in its foreign policy. Considering the degree of political, administrative, and economic freedom, provided through decentralization, this freedom can be used by the Donetsk regional elite for the intensification of the economic and political collaboration with Russia. In case national-democrats pursue policies that are in contradiction with the interests of the Donetsk regional elite, then the elites, backed by Russia, may mobilize the manipulative population, and demand

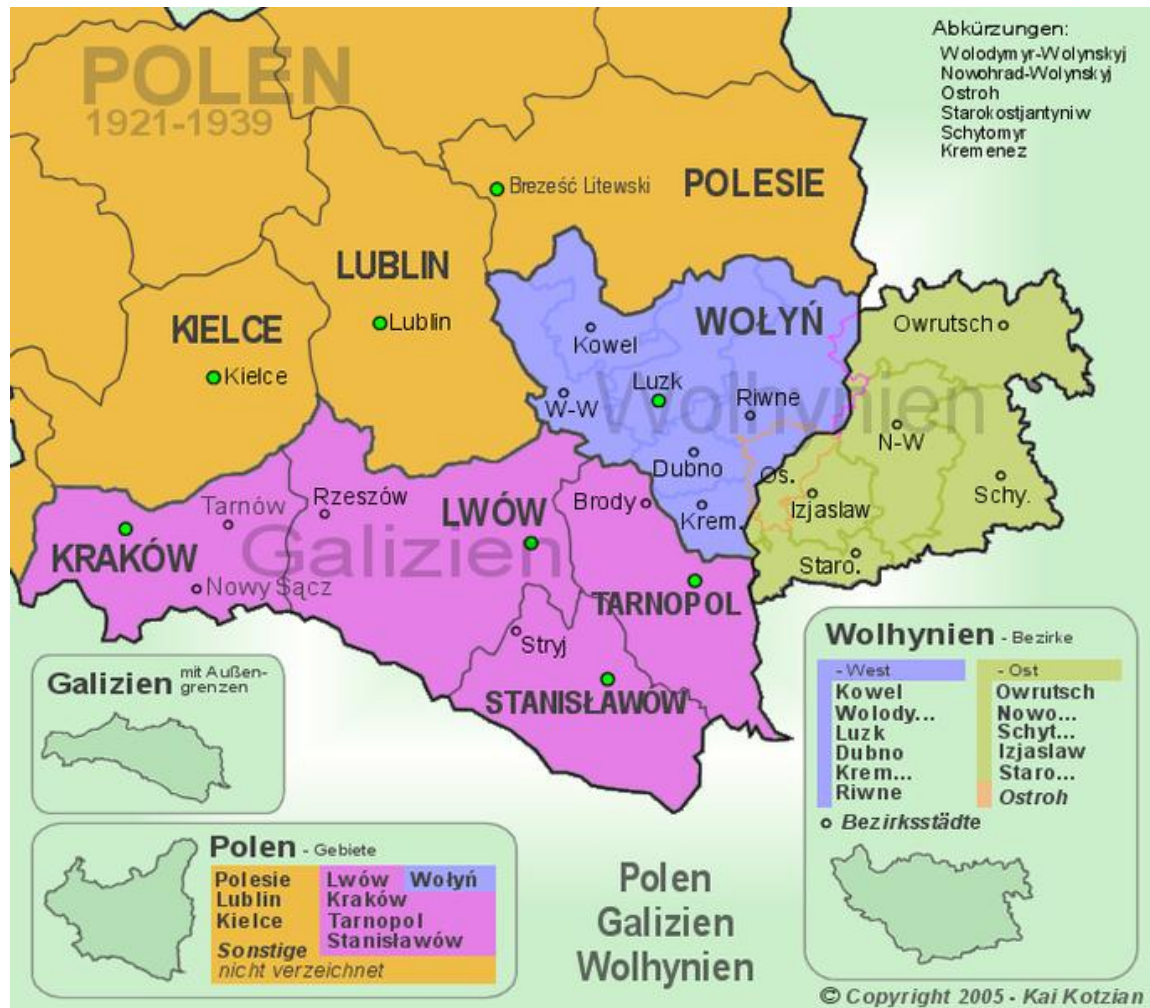
annexion of the Donetsk region to the Russian Federation. In such way Russia can materialize its territorial claims towards Ukraine partially.

8. There is a contradiction in the findings of the paper. I found that the proclivity to ethnic conflict in Ukraine is low. However, another finding is that the regional elites can mobilize population for their own purposes, using ethnic rhetoric. Therefore, ethnic tensions must be rooted in the population. Indeed, the analysis of perceptions of the Donetsk respondents shows that the Donetsk people perceive themselves as “being different” from Western Ukrainians and largely support closer foreign policy ties of the Ukrainian state to Russia and Belarus. But why does the Donetsk population follow the regional elite? I suggest that the answer lies in a strong regional identity of the Donetsk region population. Having “captured” public arenas, the core actors propagate their “good” image, emphasizing affiliation to the regional symbols (mines and coal, Mertsalov Palm, football club “Shachtyer”) and to Russia. By means of media the regional politicians reassure the public that they best understand the interests of the regional population and engage in protecting these interests. The fact that the people from the Donetsk region trust their political elites is reflected in their very strong support for the Party of Regions.

The main conclusion of this paper is the following: Taking into account the unfinished process of Ukrainian nation-building, the manipulation of ethnic division issue in the interests of regional elites, and the Russian interests in Ukraine, it can be suggested that the political, administrative, and economic resources, provided through decentralization, may be used by the regional elites in the “Russian” regions to undermine national cohesion, to intensify ethnic conflict and even to attempt irredentism of the respective regions.

Appendix 1

Map 2. Ukrainian Regions Galicia and Volynia as parts of Poland during 1921-1939.



Source: Wikimedia Commons Atlas

Appendix 2

Map 3. Ukraine in the Russian Empire (XVIII century until 1917)



Source: Wikimedia Commons Atlas

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