Is Ukrainian Concept of “multidimensional” Foreign Policy Justified? Domestic Factors which Influence Ukraine’s Foreign Policy

By
Mateusz Bialas

Submitted to
Central European University
Department of International Relations and European Studies

In partial fulfillment of the requirements for the degree of Master of Arts

Supervisor: Professor Peter Balazs

Word count: 17 033

Budapest, Hungary
2013
Abstract

This thesis examines the influence of the domestic factors and their impact on continuity of Ukraine’s “multidimensional” foreign policy. The analysis reveals that Ukraine has well developed legal background and official strategies which define the European path as the crucial vector of the state external relations. However, formulated strategies are not implemented by the decision-makers, which is not always understood for external observers, predominantly in Europe. The thesis focuses on the internal constraints which may limit public officials in implementation of foreign policy goals. It answers two questions. The first is whether Ukraine is able to develop coherent foreign policy, which will be possible to implement taking into consideration domestic constraints which influence the state external relations. The second question is whether Ukraine might be governed without oligarchs, when linkages between business and the state will be broken.

The overlapping theoretical model for this research is concept of state capture. Thesis analyses the economic and socio-political divisions within Ukraine, the high centralisation of power in President’s hands, and business-political linkages which cause constant balancing in domestic politics between limited groups of actors. I argue that the constant domestic struggle for power between business elites do not allow to create suitable environment for the formulation and implementation of coherent foreign policy. Furthermore, maintained in Ukraine internal divisions might be easily used by external actors, which in this research are recognised as secondary players.
Acknowledgments

I would like to thank my supervisor, Professor Peter Balazs for his patience and time spent to share his knowledge and experience with IRES students during this academic year.

I am also grateful to all interviewees who helped me a lot during my field research in Kyiv and Zaporizhzhya.
Table of content

Introduction .............................................................................................................................................. 4

Chapter I – Theoretical approaches ..................................................................................................... 8

1.1. Domestic factors in foreign policy analysis ............................................................................... 8
1.2. Clientelism, patronage and state capture .................................................................................... 11

Chapter II: Shaping Ukraine’s foreign policy: institutions, legal background, official strategies and possible challenges .............................................................................................................. 15

2.1. Institutions involved in the foreign policy decision-making process in Ukraine ................. 16
2.2. The legal basis for Ukraine’s foreign policy ................................................................................ 23

Chapter III: Domestic economic and socio-political factors which influence the foreign policy decision-making process .................................................................................................................. 29

3.1. Economic factors ......................................................................................................................... 31
3.2. Socio-political factors ................................................................................................................. 38

Chapter IV: The role of the big business in preserving “multidimensional” foreign policy. 44

Conclusions ............................................................................................................................................ 58

Appendices .......................................................................................................................................... 62

Bibliography ......................................................................................................................................... 72
Introduction

Balancing in both domestic and international politics is the characteristic feature of independent Ukraine, the second largest European state territorially, after the Russian Federation. However, after the “big bang” enlargement of the European Union, Kyiv is surrounded by two big political and economic entities, Russia and the EU. Since 1991 its authorities have been trying to preserve equilibrium in relations with Moscow and Western Europe, Ukraine’s foreign policy has been described by scholars as ““multidimensional”, and by Ukrainian authorities as the policy of the “strategic choice”. Despite the official rhetoric of European integration the current administration pushes the state neither towards Europe, nor to the Customs Union of Russia, Kazakhstan and Belarus. The external image of the constantly hesitating state has led to “Ukraine fatigue” both in Moscow and in Brussels. Currently the final and clear message is expected from Kyiv. The puzzle which remains is whether Ukraine is able to develop coherent foreign policy, which will be possible to implement taking into consideration domestic constraints which influence the state external relations. The second question is whether Ukraine might be governed without oligarchs, when linkages between business and the state will be broken.

Answering these questions is important and relevant given growing discussion about the future of Ukraine in European politics, predominantly after the collapse of Orange Revolution and growing level of authoritarianism in the state. Kyiv lost over 20 years to create stable domestic institutions which might be able to preserve its external image as a reliable partner. Most previous approaches which focus on Ukraine, one the one hand, refer to the geopolitical importance of the state or to the influence of external actors on its foreign policy, namely concept

---

of “Ukraine between the European Union and Russia”, with relatively superficial analysis of the domestic factors and emphasis on the choice between East and West. On the other hand, the previous analyses of its internal politics rarely go beyond the state borders. Then there is the substantial gap in examination of Ukraine’s foreign policy from inside, looking deeper on internal challenges which have to be faced by policy-makers. This attitude was previously developed just by few authors, who looked inside the state, and is still quite rare in political debate about the future of Ukraine. Furthermore, despite the growing and deepening consensus about the influence of state capture on domestic politics and business behaviour few use this concept in foreign policy analysis. Little research also has been presented the influence of the Soviet heritage on political culture in the contemporary Ukraine.

Despite analysing just domestic economic and socio-political factors it is important to look further and explain the role of linkages between the state and business. This linkages cause different outputs in the state’s external behaviour than we can predict based on pure empirical analysis and application of known theories. Thus they cannot be explained by classical theories of IR which claim that state authorities represent the state interests at the international level.

Rather than to identify the strength of particular aspect and justify whether it has bigger or smaller impact on the process of the formulation of these goals, this thesis aims to identify possible constraints which concrete “multidimensional” Ukraine’s foreign policy. The biggest challenge which does not allow to hierarchize importance of these factors is the lack of transparency in Ukraine’s both domestic and foreign policy and economy, and also the lack of

---


4 i.e. Paul D’Anieri, Taras Kuzio, Andrew Wilson, Hans van Zon.
coherence in the decision-making process. Additionally, impact of particular aspects differs depending on the case and issue.

The influence of state capture on the decision-making process in Ukrainian internal policy limits chances to achieve consensus within foreign policy. In my empirical research I examine which domestic factors might be taken into consideration by decision makers in the formulation of foreign policy goals (dependent variable), and whether domestic societal, economic, or political divisions (independent variables) are recognised as factors which should be represented in the state’s external relations.

I look at Ukraine’s foreign policy from inside and examine factors and challenges which have to be considered by potential Ministry of Foreign Affairs official. I show that the biggest challenge for Ukraine’s foreign policy is Ukraine itself with its internal economic and socio-political divisions, elites oriented first and foremost on private benefits, and the post-Soviet heritage which overlaps these factors. These aspects however cannot be analysed separately, because it will not allow to fully understand Kyiv’s behaviour.

To recognise the roots of Kyiv’s “multidimensional” foreign policy it is crucial to examine the domestic situation in the state. While external factors, predominantly Moscow, influence Kyiv’s decision-making process, analysis of this factor is not the main aim of this research. Domestic factors and preserving balance between particular actors do not allow to implement coherent foreign policy based on previously formulated goals. Ukrainian politics means constant balancing and the struggle for power between few influential groups. This structure of the state has endured already for 22 years, while only actors change, thus it is hard to predict any major changes in Kyiv’s “multidimensional” foreign policy.

In the first chapter I analyse the role of domestic factors in the formulation of foreign policy goals and whether this approach is relevant in analysing Ukraine’s foreign policy. The
second chapter analyses the role of institutional design and its influence on both formulation and implementation of Kyiv’s foreign policy. In the third chapter I observe regional economic and socio-political divisions within the state and their possible impact on the decision-making process in Ukraine. Finally, in the fourth chapter I demonstrate that strong economic position of oligarchs allows them to influence domestic politics and uses state institutions for their own purposes, which also has an impact on implementation of foreign policy goals.

In each empirical chapter I show dependence path from the Soviet heritage, which is also still not commonly used argument and needs further research. However, I argue that the lack of a proper transition and characteristic understanding of democracy cause continuity and the lack of change in Kyiv’s policy. The absence of understanding the state as the common good by policy makers is the crucial aspect. I show that the lack of one coherent concept of the state in both domestic and external politics causes weak identification with the state of both decision makers and society.
Chapter I – Theoretical approaches

In this chapter I analyse the role of domestic factors in the formulation of foreign policy goals and whether this approach is relevant in analysing Ukraine’s foreign policy. First, I argue that attitude described in the first section of this chapter is not clearly applicable to the case presented in this thesis. Second, I show that the reason why classical approaches do not fit to Ukraine’s case are widely spread clientelism and patronage, which lead to state capture by the business and political elites.

1.1. Domestic factors in foreign policy analysis

Policy makers, taking into consideration available resources, formulate the state’s position towards other actors. Graham Evans and Jeffrey Newnham define foreign policy as the activity in which states act, react and interact with other participants of the system. They claim that domestic environment creates a background for external actions, and international milieu is the place where policy is implemented simultaneously influencing other actors⁵. Christopher Hill offers similar definition explaining foreign policy as “the sum of official external relations conducted by an independent actor (usually a state) in international relations”⁶. Hill points out that foreign policy is the political strategy conducted by one independent unit in relation to other independent unit or units in the system, taking into consideration two the most important goals – promotion of welfare (prosperity) and security⁷. Decision makers may also decide to promote values which

---

⁷ Ibidem, 13-14.
society realises as universal. However, divergent interests and ideas within society make such promotion harder to implement.

There is an on-going debate in Foreign Policy Analysis and International Relations about the level of analysis of state’s external relations and the role of domestic factors in decision-making process. The interconnection of internal and external aspects is stressed for example by Hill, who points out that “foreign policy has its domestic sources and domestic policy has its foreign influences”. Thus, it is important to identify which domestic factors may influence state’s external relations, how choices are formulated, and who do so.

According to Chris Alden and Amnon Aran, foreign policy is legitimised and formulated by the state apparatus even if its sources can be identified within domestic sphere. Valerie Hudson develops this idea, arguing that state’s foreign policy depends not only on passive domestic variables, like economic structure or geography, which often do not change overnight, but also on individual decision-makers who in particular moment are in power to formulate state’s interests. She points out that each decision-maker is shaped by a psychological and societal milieu in which he operates, which influence his attitude. She claims that decision-makers are not completely independent in their choices and such factors as beliefs, emotions, attitudes, experiences, values, traits, style, memory, as well as national- and self-conceptions, influence their political thinking and decision. Customs, ideas, views, experience, or historical

---

8 Ibidem, 18.
9 Valerie M. Hudson, Culture & Foreign Policy, 1997, 4-5.
10 Hill, 39.
12 Chris Alden, Amnon Aran, Foreign Policy Analysis. New approaches, 2012, 47.
13 Hudson, 22.
background influence decision makers who with different cultural backgrounds may behave differently when they are confronted with identical situation\textsuperscript{14}.

In Ukraine, however, the state as an institution does not work properly and its ability to formulate and implement politics decreases. Domestic factors which influence foreign policy, from regional divisions to the form of governance, governing practices and the role of particular players in decision-making process\textsuperscript{15}, are substantially inherited from the Soviet period or at least have roots in the previous system. Due to the lack of a proper transition and continuation of previous customs they are recognised as the causes of the state weaknesses\textsuperscript{16} and limit chances to formulate coherent actions. Ukraine’s foreign policy culture, based on the previous 22 years activity, might be characterised by the lack of comprehensive external policy. This, however, creates an impression of “virtuality” of Ukrainian politics\textsuperscript{17} in the sense that official statements are not followed by previously defined actions.

Each state’s foreign policy decision-making process has general limitations defined by Douglas Stuart as uncertainty, time constrains, and competing motives and objectives\textsuperscript{18}. These challenges can be clearly distinguished in Ukraine’s foreign policy decision-making process. Within them predominantly uncertainty and competing motives and objectives cause Kyiv’s “multidimensionalism”. In chapters 2-4 in more detailed way I will argue that domestic factor which overlaps political and economic relations within the state is phenomenon of state capture.

\textsuperscript{16} D’Anieri, Kravchuk, Kuzio, 90-141.
\textsuperscript{17} Andrew Wilson, Virtual Politics. Faking Democracy in the Post-Soviet World, 2005, 47.
1.2. Clientelism, patronage and state capture

Classical theories of International Relations (realism, idealism) assume that decision-makers in their actions follow state’s interests. In Ukraine, however, such claim might be at least questionable; a number of authors (see: Chapter 4.) agree that private and individual interests have dominated the decision-making process. In this thesis I argue that such phenomenon as clientelism and patronage dominate in Ukraine and lead to state capture by limited group of the richest oligarchs and elite, who subordinate the state institutions to their private interests. These minimise ability of the public administration to develop coherent and long lasting policy, which will be defined in realistic, not just in wish-thinking terms (i.e. Ukraine as a EU member state, Ukraine as a bridge between Moscow and Brussels, Ukraine as geopolitical pivot\textsuperscript{19},) and will be possible to implement taking into consideration domestic circumstances.

Clientelism and patronage are phenomena known in politics for centuries\textsuperscript{20}. Clientelism is defined by Anna Grzymała-Busse as “the contingent and targeted distribution of selective goods to supporters in exchange for their loyalty”\textsuperscript{21}, or by Petr Kopecky and Gerardo Scherlis as “an exchange between political party (decision makers) and individuals in which the former releases a benefit that the later desires in order to secure their political support”\textsuperscript{22}. Patronage, however, is described by John Willington as “an informal network of personal, political relationships which are at the same the same time both asymmetrical and interdependent”\textsuperscript{23} or by Kopecky and Scherlis as “as the power and ability (...) to appoint people to positions in public and semi-public

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{19} Zbigniew Brzezinski term.
\item \textsuperscript{21} Anna Grzymała-Busse, Beyond Clientelism. Incumbent State Capture and State Formation, Comparative Political Studies, Vol.41 Number 4/5, April/May 2008, 638-639.
\item \textsuperscript{22} Petr Kopecky, Gerardo Scherlis, Party Patronage in Contemporary Europe, European Review, vol. 13, issue 16, July 2008, 356.
\item \textsuperscript{23} John Willerton, Patronage and politics in the USSR, 1992, 7.
\end{itemize}
\end{footnotesize}
life”. These two phenomena often lead to state capture, which was described in detail in 2000 by Joel Hellman, Gerain Jones and Daniel Kaufmann. In their research they argue that “after only a decade of transition, the fear of leviathan state (in transition countries) has been replaced by a new concern about powerful oligarchs who manipulate politicians, shape institutions, and control the media to advance and protect their own empires at expense of the social interest”24. The concept of state capture should then be understood as a direct subordination of the state institutions to private interests of the ruling political and business elite.

Patronage and clientelism are closely interconnected and played an important role for over seven decades in the Soviet political system25. Willerton points out that officials relied on clientelistic relations to promote its interests in relatively insecure political environment. These informal networks were crucial in political life at both Union and regional (Republics) level26. He argues that such linkages constituted an informal system of checks and balances at all levels of decision-making between different groups, restraining one of them from achieving the hegemonic position within the system27. These two phenomena are identified in post-Soviet Ukrainian domestic politics for example by Andrew Wilson, Oleh Protsyk28, Sarah Birch29, and Hans van Zon30. In this thesis I argue that patronage and clientelism influence not only internal situation but also the state’s foreign relations.

26 Willerton, 1.
27 Ibidem, 2, 7.
Through state capture, ruling elites converge state’s assets to private fortunes by a number of means. Grzymala-Busse enumerates for example contracts and tenders to allies, assets nationalisation, patronage, extrabudgetary funds and subsidies, not fully transparent accounting procedures, outright theft of foreign aid money, access to mineral resources. Furthermore, Paul D’Anieri points out that just the executive branch of power (The President) controls three crucial categories that can be used as tools of political influence: control over law and administrative enforcement, control over (national) large sectors of economy, and patronage, which D’Anieri defines as control over government jobs.

State capture creates informal and alternative to the state institutions decision making centre, often represented by the richest citizens (oligarchs). These two centres are closely interconnected by patrimonial and clientelistic links, which at least in the current situation might be hard to break up. Rasma Karklis presents features which define state capture, such as takeover of public institutions for private business, forming collusive networks to limit political competition, undermining free elections slush funds, misuse of legislative power, corruption of the judicial process, misuse of auditing, investigatory and oversight powers, using “kompromat” for political blackmail and coercion, corruption of and in the media. All these features can be easily identified in the contemporary Ukrainian politics.

31 Grzymala-Busse, 649.
32 Paul D’Anieri, Understanding…, 192.
33 Karklins, 24.
The symbiosis of political and economic elites, combined with divergent interests of particular groups, makes Ukraine’s foreign policy less flexible to the external environment. Public officials in the formulation and implementation of the state interests have to take into consideration not only domestic economic and socio-political divisions, but also private interests of the wealthiest individuals. This mosaic of factors, which are also described in the next chapters, causes the persistence of Ukraine’s “multidimensional” foreign policy.

40 “Хорошковський продав Інтер Фірташу”, http://tyzhden.ua/News/71236.
Chapter II: Shaping Ukraine’s foreign policy: institutions, legal background, official strategies and possible challenges

State institutions formulate and realise state policies on behalf of citizens based on domestic and international law. However, in the Ukrainian institutional and legal order it is possible to identify two challenges which slowdown the decision making process in foreign policy and do not allow the state to develop a reliable, long term foreign policy strategy. The first is high centralisation of power, which limits a number of people and institutions involved in the decision-making process. The second is lack of political will to implement legally bounded acts which define Ukraine’s external relations.

In this chapter I analyse the role of institutional design and its influence on both the formulation and implementation of Kyiv’s foreign policy. Since 1991 Ukraine has not developed properly functioning state institutions. Neil Robinson argues that a state with weak institutions does not have capabilities to promote or coerce its policies and decisions at both domestic and international levels. State adaptive capacities to both internal and external environments are relatively low, and authorities cannot efficiently react to particular challenges. Robinson claims that such countries are often based on despotic regimes where authorities try to centralise the decision-making process and separate it from society. Particular policies are formulated by a narrow group of elites, and then are enforced by official institutions using the state’s coercive capabilities. In Ukraine the whole foreign policy decision-making process depends mainly on the President, who can be considered as the final decision maker. Kyiv’s foreign policy should be

---

41 Serhiy Kudelia, The sources of continuity and change of Ukraine’s incomplete state, Communist and Post-Communist Studies, 45(2012), 418.
analysed taking into consideration the President’s and his group’s interests\(^{43}\), while the role of other institutions is limited and narrowed to executive functions. The monopolisation of power allows the President to use the state apparatus to implement his own interests, which may not always be convergent with the state’s interests or with previously declared statements. The best example here is the decision about the imprisonment of Yulia Tymoshenko, which postponed signing of the Association Agreement with the EU\(^{44}\). In the second part of this chapter I will analyse foreign policy goals which are fixed in official state acts and theoretically should be implemented by the public administration.

2.1. Institutions involved in the foreign policy decision-making process in Ukraine

Involved institutions in the process of shaping Ukraine’s foreign policy are: the President, Parliament, the Prime Minister and the Government, the National Defence and Security Council (NDSC), and in a limited way the Constitutional Court. These bodies’ prerogatives are enumerated in the Constitution and are additionally specified by a number of state acts. Advisory and supportive bodies are: the National Institute for Strategic Studies (NISS), the Foreign Intelligence Service, the Military Intelligence Office, the Diplomatic Academy, and a relatively new body – Public Council to the Ministry of Foreign Affairs.

The main decision-maker is the President of Ukraine. He is the head of state and represents the state abroad (102, 106(3)\(^{45}\)). He influences foreign policy directly by his decisions and by participation in the formation of other executive and supportive institutions. The President

\(^{43}\) Олексій Мельник, Микола Сунгуровський, “Сектор безпеки в контексті загально суспільно-політичного розвитку України”, in: Альманах сектору безпеки України, 2013, 12.

\(^{44}\) “Yulia Tymoshenko imprisonment ‘politically motivated’ “, http://www.guardian.co.uk/world/2013/apr/30/yulia-tymoshenko-jailing-politically-motivated.

appoints the Prime Minister after his acceptance by Parliament, subsequently he appoints particular members of the Government (114). His personal influence on the shape of the main decision-making body is then crucial. The NISS, the Foreign Intelligence Service and the Military Intelligence Office are directly subordinated to the head of state. The President also leads the NDSC. He may publish executive acts (ukazy and rozporiadzhennia) by which he can actually manage many spheres unilaterally without consultations with particular ministries (106) and creates new institutions and consultative or supportive bodies (106(28)). The Constitution states that all acts related to external relations should additionally by signed by the Prime Minister and minister responsible for implementation of such act (106).

The Presidential Administration supports the head of state in his duties and in the formulation of particular policies, also in the formulation of foreign policy goals. Its prerogatives are specified by the Presidential act (ukaz), and can be easily spread or narrowed according to the decision of the head of state. The second institution with substantial legal prerogatives in external relations subordinated to the President is the National Defense and Security Council. The main task of the NDSC is coordination of domestic and foreign activates in broadly defined matters of national security. An additional aim of this body is formulation of the state interests, strategies and programs in a form of state acts, which further can be adopted by Parliament or implemented by the President within his prerogatives.

The Government is responsible for implementation of foreign and domestic policies (116(1)). The Ukrainian Government is an executive branch of power and shares its prerogatives with the President. However, it is almost completely subordinated to the head of state and it is

hard to claim that it is an independent body which may challenge the President. Parliament takes part just in acceptance of the Prime Minister (chosen by the President), while the rest of the Cabinet is formed by the President. The Ministry of Foreign Affairs is the main institution within central executive responsible for the formulation and implementation of state’s foreign policy. Its tasks and duties are also defined by Presidential act and can be easily spread or narrowed without further discussion.

The role of Parliament, as a legislative branch, in the foreign policy decision-making process is relatively low and is limited to broadly understood formulation of foreign policy priorities (85(5)), and adoption of state acts which theoretically should be a background for the President and the Government in their external activities. Parliamentary committees for bilateral and multilateral international cooperation might be defined as supportive or advisory bodies. On the one hand their influence on the decision-making process is relatively limited, as far almost each project related to foreign policy is prepared by the NDSC not by Parliamentary committees which do not have decisive power. On the other, the President and particularly the Government requires Parliaments support. Thus in case of cohabitation it might be harder to achieve consensus within the contemporary legal order, which leads often to corruption, bribing or threatening members of Parliament who are forced to change political colours (ukr. “tushky”) to “create” supportive majority.

The NISS and the Foreign Intelligence Service are responsible for collection, preparation, and presentation of information which might be useful for decision-makers in the formulation of policies. The NISS is a research institution which provides analytical and prognostic support to

The FIS is an intelligence body subordinated to the President and is one of three intelligence institutions in Ukraine. The Security Service of Ukraine (Sluzhba Bezpeky Ukrainy) also might be involved in collection of information abroad and provision of analytical support to the President. All advisory and supportive bodies are subordinated directly or indirectly to the head of state.

The decision-making process in Ukrainian foreign policy can be characterised by four features. First, in the current legal order this process is highly centralised in President’s hands. Strong constitutional position allows the head of state to choose which institutions he will use to lead state’s external relations. Particular institutions were used differently by different decision-makers, giving an advantage to more centralised or more democratic decision-making process. Currently Victor Yanukovych is trying to limit the influence of bodies such as the MFA, the NDSC, or the NISS in policy-making process. In the opinion of many experts, the most strategic decisions are agreed in the Presidential Administration Main Office for International Affairs, while the Ministry of Foreign Affairs deals with less important issues. This means that Yanukovych is monopolising the decision-making process in his hands by further control over institutions and by division of tasks between them in way convenient for his interests.

Second, prerogatives in a sphere of foreign policy are duplicated across institutions, which may cause a conflict of responsibilities among particular bodies. For example, departments responsible for development of relations with the European Union are within both the MFA and

---

50 Національний Інститут Стратегічних Досліджень, http://en.niss.gov.ua/
54 Based on interviews in Kyiv in 8-19 April 2013.
in the Presidential Administration\textsuperscript{56}, and also the NDSC actively deals with this topic\textsuperscript{57}. However, all these bodies are subordinated directly or indirectly to the President. Some experts\textsuperscript{58} point that there is no coordination within the Government and within other executive bodies (like the Security Service, the State’s Attorney), which cause further chaos in implementation of policies. This is even more important taking into consideration that ministerial and executive branch positions are divided between different lobby groups which often compete with each other at the domestic level which influence also Kyiv’s external relations.

Third, societal support for politicians and institutions in Ukraine is very low. Lack of interests in political life, and hence the lack of public control over decision makers is caused by very low public trust to the state institutions. Taras Kuzio describing the Ukrainian political community during the 1990s mentioned citizens’ conviction that they have little opportunity to influence state leaders\textsuperscript{59}. Kuzio claims that the contemporary Ukraine is a weak democracy, with very low public trust in the state institutions\textsuperscript{60}. According to opinion poll by the Razumkov Centre over 90.1\% of respondents believe they do not have any influence on the Government or their influence is very small\textsuperscript{61}, and 72\% of respondents do not feel like real decision makers\textsuperscript{62}. In March 2013 more than 52\% of respondents claimed that they do not support activities of Parliament\textsuperscript{63}, the President\textsuperscript{64} and the Government\textsuperscript{65}. Support for Parliament (theoretically the

\textsuperscript{56} Управління з питань європейської інтеграції, \url{http://www.president.gov.ua/content/secretariat_structure.html}

\textsuperscript{57} \url{http://www.rnbo.gov.ua/news/1428.html} and Рішення РНБОУ «Про виклики та загрози національній безпеці України в 2011 році», \url{http://zakon2.rada.gov.ua/laws/show/n0008525-10}.

\textsuperscript{58} Based on interviews in Kyiv in 8-19 April 2013.

\textsuperscript{59} Taras Kuzio, Ukraine. State and nation building, 1998, 50.

\textsuperscript{60} Taras Kuzio, “Twenty years as an independent state: Ukraine’s ten logical inconsistencies”, Communist and Post-Communist Studies, 45(2012), 430.

\textsuperscript{61} Соціологічні опитування – “Якою мірою ви впливаєте на владу?”, \url{http://www.uceps.org/ukr/poll.php?poll_id=441}.

\textsuperscript{62} Соціологічні опитування – “Чи почуваєтеся Ви господарем своєї держави?” (08.2012), \url{http://www.uceps.org/ukr/poll.php?poll_id=54}.

\textsuperscript{63} Соціологічні опитування – “Чи підтримуєте Ви діяльність Верховної Ради України?” (03.2013), \url{http://www.uceps.org/ukr/poll.php?poll_id=68}.
most democratic institution) was the lowest among these bodies with an average of just 5.6%. Simultaneously, more than 70% of citizens do not trust political parties. Verena Fritz points out that Ukraine is not an outlier and state institutions in all post-Soviet countries do not have strong societal legitimacy. This phenomenon allows decision makers to implement particular polices without societal dialogue, because the society do not present further interest in the state, and even more importantly do not possess instruments of an effective control over decision makers.

Ukraine’s society is highly divided taking into consideration the state’s external relations and focuses rather on economic stability. It remains far less important political actor than in the West, so its preferences can not be taken into consideration as crucial indicators of Ukraine’s foreign policy. However, as Mykola Riabchuk claims, these divisions of preferences might be used and manipulated by external actors to influence Kyiv’s policy.

Finally, since presidential elections in 2010, all three executive, legislative and judicial, branches are under control of just one party the Party of Regions. This monopolisation of power in hands of the narrow group decreased a level of democratic formulation of policies. The President is often recognised as the only branch of power. Ukrainian experts enumerates a few steps of consolidation of power within the state in the past 3 years such as constitutional reforms which restored strong Presidential prerogatives (2010), artificial creation of majority in

68 Mykola Riabchuk, Ukraine’s “muddling through”: National identity and postcommunist transition, Communist and Post-Communist Studies, 45 (2012), 446.
70 Мельник, Сунгуровський, 12-13.
Parliament\(^73\) by threatening or bribing oppositional candidates to join the Party of Regions or become non-factional deputy (2010–…)^\(^74\), implementation of the administrative reform which restructured subordination ties within the main executive bodies and linked them to the head of state (2011)^\(^75\), implementation of the judicial reform which strengthened President’s influence on this branch (2012), persecution of opposition (i.e. imprisonment of Yulia Tymoshenko (2011)), “regionalisation of power” understood as assignment of central and regional executive bodies by people from Donetsk or from close Presidential circle (2010–…)^\(^76\), and finally persecution of media and non-governmental organisations which are not subordinated to the state using the state apparatus, often the State Tax Service (2010–…)^\(^77\).

To sum up, Ukraine does not have properly functioning state institutions which will be able to implement in an effective way medium- and long-term strategies, because policymaking process can easily be blocked or manipulated depending on individual preferences. Also foreign policy decision making process is rather narrowed, if not personalised, and highly dependent on the President. Prerogatives of institutions are duplicated which allows the head of state to choose a suitable for him route how he wants to manage external relations, often choosing directly subordinated to him body. Additionally, Ukrainian foreign policy can easily be characterised as “declarative”, because it does not follow or follows very rarely the official rhetoric. In chapters 3 and 4 I will present that this phenomenon has its roots in domestic political and economic situation and has been maintained since 1991.

\(^73\) According to the Constitution state act have to adopted by Parliament just by Constitutional majority of 226 votes for.
2.2. The legal basis for Ukraine’s foreign policy

In 1990 Ukrainian decision-makers declared the European path of development of the state even before official independence from the Soviet Union. Within the past twenty two years, and predominantly after 1998, the “European” rhetoric dominated the official discourse about Kyiv’s external relations. Since 1998 in each exposé, all three Presidents Kuchma, Yushchenko and Yanukovych underlined the importance of the European path, while a few paragraphs below they stated that Western-oriented policy cannot be an obstacle for further development of friendly relations with Moscow. Even now the President still claims that the “European choice” is Ukraine’s foreign policy priority while simultaneously Kyiv should focus on developing cooperation with the Customs Union. This phenomenon confuses external observers and Ukraine’s partners, because Kyiv does not follow its own foreign policy priorities formulated in official state acts.

Ukrainian foreign policy has its legal background in the Constitution, state acts adopted by Parliament (zakony), and in acts of executive bodies. General principles (zasady) of external relations are adopted by legislative acts (92(9)). Parliament takes part in the formulation of

---

80 Each Presidential exposé shall be considered by state institutions as a guideline for their policies – Art.5 – Указ Президента України «Про щорічні послання Президента України до Верховної Ради України», http://zakon1.rada.gov.ua/laws/show/314/97.
foreign policy by adoption of such general rules based on which executive branches should formulate certain policies and actions.

The Constitution is the highest legal act within Ukrainian legal system. It defines the main functions of the state as: protection of the sovereignty and territorial integrity and provision of state’s economic security (17). In its foreign political relations, Ukraine should promote national interests through peaceful and mutually beneficial cooperation (18), however, Article 18 defines just “foreign political” (zovnishniopolitychna) relations regarding this cooperation, leaving a legal loophole regarding for example economic cooperation.

In the history of independent Ukraine, just two legislative documents have been adopted which defined foreign policy priorities. This might mean that external relations were not prioritised by decision makers within the past two decades, and priority was given rather to domestic policy. The first document was adopted in 1993 and was valid for 17 years. The second, “Act on principles of domestic and foreign policies” was adopted in July 2010, just a few months after Yanukovych became the President, and is the current basis for Ukrainian decision makers. This act was prepared by the National Defence and Security Council, the institution which is directly subordinated to the head of state. The majority of its text relates to domestic concerns and just one article refers to foreign policy. It describes Ukraine as “a European non-aligned state which leads open foreign policy and seeks to cooperate with all interested in it partners, avoiding dependence on one state, group of states or on international structures”. The further point enumerates vital interests as “political, economic, in a field of energy, and others”. The European dimension remains the crucial vector of external relations,

87 Ibidem, Art.11(1).
with the final goal understood as membership in the European Union. In 2010 Kyiv decided to withdraw euroatlantic integration from its foreign agenda and has adopted non-aligned status resigning from NATO membership. Surprisingly, the Act does not mention relations with Russia or any other country, referring just to “mutually beneficial cooperation” with other states. However, it creates the general background for further and more specific legislation at the executive branch level.

The state act (zakon) which in less direct way defines Ukraine’s external relations is the “Act on principles of national security”\(^{88}\), which has an equal legal power as the “Act on principles of domestic and foreign policies”. It presents interests, priorities and identifies threats and challenges in much more detailed way at both domestic and international levels. It also contains just one definition of national interests within the Ukrainian legal system\(^ {89}\), and enumerates ten main priorities for the state in its implementation. The majority are related to domestic situation and development of the state, while just two points have external dimension. The first is protection of the state sovereignty, territorial integrity and inviolability of frontiers, and prevention against interference in domestic situation. The second is Ukraine’s integration into European political, economic, and legal spaces, and development of mutually beneficial relations with other states according to Ukraine’s interests\(^ {90}\). To achieve these goals, Kyiv should develop an active foreign policy heading to achieve membership in the EU, simultaneously maintaining good relations with its strategic partner – Russian Federation, and other Commonwealth of Independent States countries\(^ {91}\). The “Act on principles of national security” properly identifies a number of domestic challenges which causes the state’s instability and also


\(^{89}\) Ibidem, Art.1 – “національні інтереси”.

\(^{90}\) Ibidem, Art.6.

\(^{91}\) Ibidem, Art.8.
influence Kyiv foreign policy: further reform of army and security forces; ending the process of border delimitation and demarcation; further fight against organised crime; continuation of political and economic reforms; ensuring conditions for sustainable economic growth and strengthening of competitiveness of the national economy; fight with monopolies, shadow economy, and corruption. The majority of these challenges have domestic character, while external threats are described in relatively general way.

As presented above, in the current legal order the President can almost unilaterally influence the decision-making process in foreign policy. The “Security Strategy of Ukraine”, which also defines certain foreign policy priorities, was adopted by Presidential act (ukaz) in June 2012. In external relations it gives priority to the European dimension and highlights membership in the EU as the strategic goal. As one of the most important points, even before the EU, the document highlights: “broadening and deepening economic cooperation between Ukraine and other states and international organizations, assisting domestic entities abroad, promotion of foreign investment and diversification of sources and routes of supply of raw materials, especially energy resources”. The head of state can individually defines Ukraine’s external priorities by both official acts and exposé. In the past three years the priority is given to the economic cooperation and economisation of foreign policy, looking for a new markets for Ukrainian products. This goal was defined in “The program of economic reforms 2010-2014” adopted in June 2010 (when also a new foreign policy concept was adopted, see: next section). It states that in external relations Ukraine should create better conditions for international trade of products with positive balance of trade, sign the Deep and Comprehensive Free Trade Area with the EU and develop economic cooperation with Commonwealth of Independent States (CIS)

93 Art.4.3 – Стратегія національної безпеки України
The President Yanukovych openly stated that “Ukraine should move there, where our products go”. He continues to define current external priorities predominantly in economic terms, which he stressed a several times in the past months.

Ukraine’s legal acts and rhetoric define its foreign policy as pro-European with maintaining good, “mutually beneficial” relations with Russia. However, the current relations both with Brussels and Moscow are strained. Kyiv has never presented its foreign policy goals in a form of medium- or long-term strategy. Ukraine does not have clearly stated foreign policy interests which can be taken seriously, particularly when domestic rhetoric does not reflect international activity. Hence, external goals are formulated not in the realistic but rather in wish-thinking terms. Interviewed experts agreed that Kyiv’s foreign policy is often declarative and in forthcoming months it is hard to expect that this situation will change.

However, the question remains, why Kyiv still continues to behave this way and then why despite official rhetoric Ukrainian policy makers cannot, or do not want to, implement goals defined by them and are restoring policy of balancing? Ukraine currently is a neighbouring state for both Russia and the EU, and both actors try to “win hearts and minds” of Kyiv’s officials and require final decision where it plans to go. Both the previous and the current foreign ministers Hryshchenko and Kozhara claimed that the “strategic choice” is the principle of Ukraine’s external relations, thus restoring policy of balancing between these two entities. “Multidimensional” foreign policy literally copied from Kuchma period, does not fit the

contemporary international order. I argue that the answer lays mainly in internal situation, which restrain policymakers from following the European path as Central European states did in the 1990s. Additionally, the high centralisation of power in President’s hands allows him to monopolise foreign policy decision making process and use it in his own interests, using external relations for domestic purposes, predominantly to balance oligarchs’ influence. In the next chapter I will analyse domestic economic, societal and political factors which additionally refrain decision makers from choosing just one path.
Chapter III: Domestic economic and socio-political factors which influence the foreign policy decision-making process

Ukraine is a unitary state with central power located in Kyiv. However, as Anders Aslund argues it cannot be understood without its regional differences, peculiarities and tensions\(^{99}\). Due to these divisions authors such as Kuzio, Kudelia and Korostelina, agree that Ukraine could\(^{100}\) and still can\(^{101}\) be described as a weak state, which institutions cannot formulate and implement coherent policies causing political immobility. Hence Ukraine’s vulnerability lies mainly in its internal problems and divisions within the state\(^{102}\). Hans van Zon points out the weak economic base, the division between east and west, weak international position, weak linkage between the state and the society, and finally the problem of governability and a quality of public administration\(^{103}\). The role of decision-makers who during the past 22 years did practically nothing to overcome these challenges is crucial and often neglected. Sherman Garnett notes that the most intense competition for power in Ukraine take place not between parties, ideologies, or branches of the Government, but between the small number of competing regional economic and political groups that struggle for control over the state\(^{104}\). This mosaic of players and factors make Ukrainian internal aspects crucial for understanding the state external relations.

Given this complex mosaic, in this chapter I clarify how regional economic and socio-political divisions within the state may influence the decision-making process in Ukraine. The

\(^{101}\) Karina V. Korostelina, Identity and power in Ukraine, Journal of Eurasian Studies, 4 (2013); Kuzio, “Twenty years ...”; Kudelia.
first section will focus on economic factors because this approach is promoted by the current decision-makers in the formulation and implementation of external priorities. Regional divisions in economic production and the structure of the Ukrainian economy have not changed since 1991. Ukrainian foreign policy also has not changed substantially since independence and is still built on balancing both between the eastern and western regions and on balancing between the European Union and the Russian Federation.

The second section will explain the socio-political characteristics of Ukrainian regions and its relations with foreign policy preferences. As discussed in the previous chapter Ukrainian society in general is relatively passive and not interested in an active political life. However, even passive society is required during the election times to vote for its future representatives. Ukrainian decision makers need access to state institutions because institutions and business are closely interconnected (chapter 4.). An access to state institutions and ability to control and influence them guarantee security and further ability to promote their private interests. On the one hand, decision makers have to respond to public moods and avoid policies which are unpopular and may decrease their electoral support. On the other, there are a few externally related issues which divide the state and society and it is hard to find one common denominator for them. As Rosaria Puglisi points out elections, even when power is highly concentrated in executives, could be recognised as the occasion to change the political structure and the domestic balance of power within political and economic players.\(^\text{105}\) To achieve relatively high electoral support which may allow to preserve power, decision makers have to balance societal preferences. Thus foreign policy rhetoric, and very rarely actions, is used as a tool in domestic policy, which however remains crucial for all decision makers and dominates over foreign policy goals.

3.1. Economic factors

After the dissolution of the USSR, Ukraine lost its traditional trade partners, which during the communist period were mainly other Soviet republics. The majority of supply chains were disrupted and Kyiv had to start looking for a new economic links. In this chapter I will present the regional economic divisions, while the role of decision makers will be analyzed in the next chapter.

The Ukrainian economy is relatively weak in comparison to state size and potential, as well as in comparison to neighbouring countries. In 2012 it produced 176 billion USD of GDP (or 1 408 889 mln UAH), while Poland the 470.4 billion USD. It is also substantially weaker than both Russia and, even more, than the EU. Simultaneously Kyiv is highly dependent on trade with both Brussels and Moscow. The Ukrainian economy produces low value added goods, mainly raw materials (steel, coal, chemical industry) and intermediates, production of which is located in eastern part of the country and monopolised by the oligarchs. Furthermore, in 2012 Ukraine experienced the substantial slowdown in economic development and average GDP growth rose just 0.2%, compared to above 5% in 2011. In the second half of 2012 the ratio was negative and this tendency continues also in 2013 with further recession possible.

The most important regions economically are the eastern and southern parts of the state (Appendix 1.). Just four eastern regions (oblasts) in 2012 produced over one-third of the state

---

106 If not mentioned, all statistical data as presented by the State Statistic Service of Ukraine, www.ukrstat.gov.ua. The website of the Ukrainian Statistic Service not always provide full link to its sources.
108 For statistical purposes I will present all data from Ukrainian sources in US dollars converging Ukrainian Hryvnia with the rate 8:1 to USD.
111 "Українська економіка ввійшла у фазу рекesiї", http://tvi.ua/new/2013/05/06/ukrayinska_ekonomika_uviyshla_u_fazu_recesiyi.
GDP (33.42%). Their share was almost three times as high as the seven western regions (12.53%) and almost equal to fifteen central and western regions taken together (36.95%). Just the Donetsk region\(^{112}\) produces similar amount of GDP as the western regions. The high share of Kyiv is related to many enterprises which have its headquarters in the capital, while the most important factories and mines are located in the eastern and southern part of the state, while the western part is rather rural landscape where agricultural sector dominates.

In the eastern region concentrated strategically important arms industry\(^{113}\), which is the most technologically advanced Ukraine’s export production. Ukraine is one of the biggest producers of arms (tanks, machine guns, aeroplanes, missile industry). Kyiv with its production is among the ten biggest world arms exporters; however its share in the global trade is lower than 2% (Appendix 2). Nonetheless in 2012 Ukraine exported more arms (value) than Germany, France or the UK, and in the last year was the fourth biggest arms exporter. Since 2010 export of products of this industry has raised and in the past year was more than twice higher than in 2010 or 2011. Even more importantly, was the highest in the history of independent Ukraine. In December 2010, after changes in the Constitution and restoration of strong prerogatives of the President the arms industry has been consolidated under a newly established enterprise “Ukroboronprom”\(^ {114}\), which became subordinated to the President. Already in March 2013 the President claimed that a new enterprise needs further restructuring\(^ {115}\). Control over this branch remains crucial for the head of state.

---

\(^{112}\) Where the majority of current Government is from or has close links with it. Yanukovych represent ‘Donetsk clan’ in Ukrainian politics and previously he was the head of Regional Administration of the Donetsk Oblast.

\(^{113}\) The previous President of Ukraine, Leonid Kuchma was during the Soviet times the head of one of the biggest arms factory “Yuzhnoye” in Dnepropetrovsk.

\(^{114}\) Постанова Кабінету Міністрів України «Про створення Державного концерну «Укроборонпром»,

\(^{115}\) “Янукович хоче реструктуризувати «Укроборонпром» - гроші витрачають неефективно”,
The economic importance of eastern Ukraine is additionally strengthened by its share in production of less technologically advanced exported goods. Almost 40% of these goods are produced in just four eastern regions (Appendix 3.). Balance of trade of these oblasts is positive in comparison to other regions. Just Donetsk region’s share in total export in 2012 achieved 18%, which is slightly higher than total export of central and southern regions, and three times higher than western regions.

The Ukrainian economy is highly dependent on international trade and external markets, which makes it vulnerable to foreign partners\(^\text{116}\) and prioritize position of the eastern and southern parts of the country. Export of goods and services produces on average 50% of GDP; in 2012 it was 50.9% or 89 668.3 mln USD. Ukraine however has negative trade balance, which rose in 2012 in comparison to 2011 mainly due to high prices of natural gas imported from the Russian Federation. The state sells and buys mainly goods, which dominates over services in both export (80:20) and import (90:10) (Appendix 4.). Trade balance of the eastern regions, however, is positive in comparison to the western part of the state.

Ukraine was one of the most industrialised Soviet republics and had well developed mining, metallurgy, machinery, military industries, and with its soils and agricultural sector was recognised as the breadbasket of the USSR\(^\text{117}\). These branches remain the crucial sectors for the state economy in both domestic and export dimensions. The most important branches, for exported goods are mining and metallurgy (38.6% of total export), agriculture (26%), machine building (18.9%) and chemical industry (7.4%)\(^\text{118}\). Two the most value added sectors of the Ukrainian economy decreased production in 2012. Slowdown has increased in both agriculture and...
and industry. Both these branches have substantial share in GDP and the slowdown in production and export has direct impact on domestic economic stability. The export production is not very competitive on the international markets which makes the state very vulnerable to external shocks, because partners can easily shift their interests from Ukrainian to other producers. In 2009 due to the international financial crisis and substantial decrease of export and lower prices on raw materials, Ukraine’s GDP decreased by almost 15%. Kyiv is rebuilding previous supply chains mainly in Africa and South-East Asia.

The Ukrainian economy is often described as oligarchic. Mining, metallurgy and chemical industries are mainly controlled by oligarchs, who monopolised a substantial number of the most strategic enterprises during the 1990s. A new process of privatisation has started in 2010 after the election of Victor Yanukovych. The on-going redistribution of public assets forms a new oligarchic landscape in Ukraine. The biggest beneficiaries of export and state’s external economic policies are oligarchs, who control the most value added sectors and need the state for two reasons: to achieve support from the state in subsidising their enterprises from the national budget, and to use the state as a guarantor for their international contracts. The role of the big business on domestic and foreign policy will be examined in chapter 4.

Analysing the geographical division of Ukraine’s economic cooperation one can still see the domination of the Russian Federation and CIS countries (Appendix 5.). Moscow’s position has decreased since 1992, however it still has a much stronger position than any other actor. Economic cooperation with CIS countries (without Russia) in comparison to the EU has the positive trade balance. Trade with Moscow and other CIS states differs from economic

---

cooperation with the EU and Western partners not only in its structure but also taking into consideration level of transparency, legality and security. Russian business is much less transparent than the EU market, as well lower quality and standards are required, then some businessmen still see CIS market as more attractive\textsuperscript{121}. To put pressure on Kyiv Moscow uses its leverage by implementing embargos on products, mainly agricultural (dairy products, meat) which cannot be easily stored and sold on other markets\textsuperscript{122}, and uses it as a coercive tool on Ukrainian producers and decision-makers\textsuperscript{123}. However, the most effective tool in Moscow’s arsenal is the energy dependency of former Soviet republics on gas and oil supplies. Ukraine is highly dependent on import of Russian natural resources, predominantly on natural gas. Natural gas is the main fuel of Ukrainian economy and still is widely used by households and industry, mainly chemical sector and metallurgy. Consumption in 2012 was 54.8 billion cubic meters, and domestic production achieved 20.3 billion cubic meters, thus almost 60\% of this fuel Kyiv has to import, having just one supplier which has infrastructural capacities to deliver required amount of fuel\textsuperscript{124}. Gas bills are a substantial burden for Ukraine’s budget, and also influence stability of the state’s economy. In 2012, shares of natural gas in total import were 16.6\% and Kyiv paid more than 14 billion USD for it\textsuperscript{125}, almost 8\% of GDP. In April 2010 Yanukovych when signing the Kharkiv Agreements achieved 100 USD discount for each 1000 cubic meters imported from Russia. Furthermore, there are on-going (for more than 3 years) negotiations between Moscow and Kyiv about privatisation of the transit system and a creation of common enterprise

\textsuperscript{121}“Валентин Ландик: «Свобода» рве і мече – вони ще думают, що можуть щост змінити”, http://www.pravda.com.ua/articles/2013/03/26/6986438/.
\textsuperscript{122}“Російський ринок «важить» 20% українського виробництва молока”, http://www.bbc.co.uk/ukrainian/business/2012/02/120207_cheese_ukraine_russia_int_az.shtml.
\textsuperscript{123}“Росія схвалила українські сири, борючись за Україну з ЄС”, http://www.radiosvoboda.org/content/article/24953058.html.
responsible for management over new Ukrainian pipelines\textsuperscript{126}. One of the points refers to further decrease of prices of gas\textsuperscript{127}. However, this supply dependency is mutual in that Ukraine has substantial transit capacities to shift Russian oil and gas to central and southern European countries. Gazprom, which has monopoly for export of natural gas, needs Kyiv’s transit system to deliver fuel to central and south European states. In 2012 an amount of gas transported through Ukraine was 20\% lower than in 2011 mainly due to newly opened Nord Stream and lower consumption of this fuel in Europe, hence the capacities of Ukrainian gas transit system are used in around 50\%. Furthermore, important for stability of transit are underground gas storage, which are located in western Ukraine. Their substantial storage capabilities of 32 billion cubic meters (double the annual consumption of gas in Poland)\textsuperscript{128}, might be useful during winter periodical disruptions. Concerns about transit stability emerged after two gas crises between Kyiv and Moscow in 2006 and predominantly in 2009 when supplies were disrupted for almost two weeks\textsuperscript{129}.

The EU is increasing its influence in the Ukrainian economy by both raising the economic exchange rate and share in foreign direct investments. However, EU – Ukraine economic relations are very asymmetric. The EU of 27 states is the second trade partner for Ukraine with almost 30\% of access in trade exchange\textsuperscript{130}, while Kyiv is EU’s twenty fourth export partner with 0.9\% share in total behind such states as Kazakhstan, Malaysia, Indonesia or Mexico, and EU’s

\textsuperscript{126}“Київ та Москва говорять про двосторонній газовий консорціум” , \url{http://www.bbc.co.uk/ukrainian/press_review/2013/02/130211_press_review_oz.shtml}.

\textsuperscript{127}“Україна розраховує на зниження цін на російський газ”, \url{http://dt.ua/Politics/ukrayina-rozrahovuye-na-znizhennyu-cin-na-rosiyskiy-gaz.html}.

\textsuperscript{128} Транспортування цільового газу, НАК Нафтогаз України, \url{http://www.naftogaz.com/www/3/nakweb.nsf/0/3375A8575C8884D0C22571010035B9D2?OpenDocument&Expan d=2}.


\textsuperscript{130} DG Trade, Ukraine – Trade statistics, \url{http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113459.pdf}.
nineteenth import partner with 1.4% share in total behind such states as Australia, Singapore or Mexico\textsuperscript{131}. Furthermore, with majority of EU countries Ukraine has a negative trade balance. Taking into account that Ukraine is the biggest European state directly neighbouring the EU, this data reveal lack of interests from the EU business in cooperation with Kyiv. Ukraine sells to the EU mainly products of the Donbas region: iron, steel, and other raw materials\textsuperscript{132}. These are the most profitable sectors of Ukrainian economy which however are completely controlled and monopolised by the oligarchs.

The unstable domestic economic (and political) situation has the unfavourable impact on location of foreign direct investments in Ukraine. On the one hand, over 80% of FDI are from the EU states, on the other, sum of accumulated investments since 1991 to 2012 has been just 54.46 billion USD. The biggest investors are Cyprus (31.71% share in total), Germany (11.6%), Netherlands (9.5%) and Austria (7%)\textsuperscript{133}. However, Cyprus is used by Ukrainian business as an off-shore state\textsuperscript{134}. Cyprus has the first place among the states with Kyiv’s foreign investments with almost 90% share in total FDI\textsuperscript{135}. The amount of Ukrainian money in Cyprus is estimated for 25 billion USD\textsuperscript{136}, then after possible implementation of EU’s 10% tax Ukrainians may lost up to 2.5 billion USD\textsuperscript{137}. Furthermore, since 2010 over 51.5 billion USD has been send to off-shores by oligarchs’ banks – Kolomoyskyy’s “Pryvat”, Akhmetov’s “PUMB” and Firtash’s

\textsuperscript{131} Ibidem.
\textsuperscript{132} Ibidem.
\textsuperscript{133} Прямі іноземні інвестиції з країн світу в економіці України (31.12.2012), \url{http://www.ukrstat.gov.ua/operativ/operativ2012/zd/ivu/ivu_0412.html}.
\textsuperscript{134} “Україна і Кіпр ліквідували податковий рай для українських олігархів”, \url{http://news.dt.ua/ECONOMICS/ukrayina_i_kipr_likviduvali_podatkovy_ray_dlya_ukrayinskih_oligarhiv-111792.html}.
\textsuperscript{135} Прямі інвестиції з України в економіки країн світу (31.12.2012), \url{http://www.ukrstat.gov.ua/operativ/operativ2012/zd/izu/izu_0412.html}.
\textsuperscript{136} “Колишні чиновники оцінили український капітал на Кіпрі у 12-25 млрд доларів”, \url{http://dt.ua/ECONOMICS/kolishni-chinovniki-nbu-ocinili-ukrainskiy-kapital-na-kipri-u-12-25-mlrd-dolariv-118885_.html}.
\textsuperscript{137} “Українці, що тримають гроші на Кіпрі можуть втратити до €2,5 млрд”, \url{http://zaxid.net/home/showSingleNews.do?ukrayintsi_shho_trimayut_groshi_na_kipri_mozhut_vтратiti_25_mlrд&objectId=1280531}.
“NADRA”\textsuperscript{138}, probably to hide and secure money before the state tax institutions, when Yanukovych has started to monopolise his power. This sum is higher than the state budget for 2012 or sum of total FDI located in the country since 1991.

To sum up, it is possible to identify divisions at both internal and external dimensions of Ukraine’s economy which causes the state manoeuvre in external relations. Taking into consideration trade with foreign partners Kyiv is similarly divided between the EU and Russia, and simultaneously dependent on both. Then it is impossible to choose just one path withdrawing cooperation with the second partner. Paul D’Anieri points out that if Moscow’s power over Kyiv is the ability to narrow its range its possible economic options, Ukraine’s internal situation narrows this range of choices even further\textsuperscript{139}. At domestic level, the eastern regions are crucial for the state economy, however they are controlled by oligarchs and political preferences of society which lives there is much less pro-European than in the western parts.

\textbf{3.2. Socio-political factors}

In this section I will examine the relation between economic and socio-political factors and how they together create the background for the decision-making process. The possible role of the narrow political elites and business lobbies in the decision-making process will be analysed in chapter 4.

The dissolution of the Soviet empire had further, deeper structural effects on the state’s development. Ukraine became an independent country lacking all traditional attributes of a nation: there was no single language, no sense of common destiny, and no national and deep-

\textsuperscript{138} “Острови скарбів для олігархів”, \url{http://www.epravda.com.ua/publications/2012/06/6/324644/}.
\textsuperscript{139} D’Anieri, “The Impact of Domestic Divisions…”, 101.
rooted institutions which could formulate and effectively implement state policies. Its regional diversity can be explained by historical development, which has significant sociocultural and economic dimensions. Kuzio stresses that the immobility of the state has its roots in low levels of national integration, weak state capacity, weak national unity, and in two competing visions of Ukraine’s identity. He continues that stagnation which was the effect of such immobility was under each Ukrainian President and is characteristic for the previous 22 years of independence.

The state passive foreign policy, as D’Anieri points out has its roots in balancing in three spheres. The first is an external balance between Russia and the West. The second is an internal balance between state’s regions. And finally is an internal balance between democratisation and authoritarianism, which rather should be understood as the domestic struggle for power between particular institutions and business groups.

Ukraine has no institutional memory and no democratic and statehood experience before 1991. It has existed in its contemporary borders since 1954, while previously in the history the state was divided and always subordinated to neighbouring empires. These divisions caused different governance types and different understanding what state is and what are responsibilities of decision-makers. The eastern regions have been part of Russian and Soviet empires since the 17th century, and the central and southern parts from late 18th century. The absolutist, bureaucratic and highly centralised form of governance have created collective memory which influence even contemporary political scene. This heritage is visible predominantly among the

---

140 van Zon, The Political Economy …, 18.
142 Taras Kuzio, The Ukrainian immobile state two decade after the disintegration of the USSR, Communist and Post-Communist Studies, 45 (2012), 413.
143 Paul D’Anieri, Ukrainian foreign policy from independence to inertia, Communist and Post-Communist Studies, 45 (2012), p. 447.
144 van Zon, The Political Economy, 9.
most influential decision makers in Ukraine, but also in other post-Soviet countries, each of which has close to authoritarian form of governance. In 2005 van Zon pointed out that during the Orange Revolution not all oligarchs supported Yankuovych because they were aware that he may copy his authoritarian attitude to power from (eastern) Donetsk region to the state level, and Ukraine will be ruled just by the one clan. Actually Yanukovych has been doing so since 2010 when he won Presidential elections. This strengthens the argument presented in chapter 1. about influence of culture and individuals on policy outputs. As Kudelia points out, patrimonial bureaucracy, limited government liability and weak rule of law emerged as the structural features of Ukrainian state. The contrast between the eastern and western Ukraine is not only related to different economic, political and national features, but also to attitudes to foreign policy and then who is defined as a potential ally and who is defined as an enemy or “the other”.

Foreign policy preferences of the population vary according to ethnicity and region, and for many Ukrainians, differ from the foreign policy implemented by the state. Kyiv has to choose which part of society preferences will not be satisfied, even if some decisions or actions are limited to rhetoric. Shulman claims that attempts to balance foreign policy orientation still leave large number of citizens unsatisfied with their foreign policy preferences. As presented in chapter 2, Ukrainian society does not take an active part in state governance, however, as Victor Chudovsky and Taras Kuizo point out it makes itself evident before and during elections or internal crisis (i.e. Orange Revolution). Some decisions, which have an impact on external policy,....

---

147 Kudelia, 417-418.
149 Shulman, 110.
150 Chudovsky, Kuzio, 276.
relations, might be limited taking into consideration societal support or lack of it. An example is the on-going negotiations on another loan from the International Monetary Fund (IMF). The IMF requires higher natural gas prices for the population (households)\textsuperscript{151} and to reduce a deficit of the Pension Fund\textsuperscript{152}. The current administration taking into consideration upcoming Presidential elections at the beginning of 2015 refused to implement this increase, and then refused the IMF loan. The importance of external relations to the average citizen is relatively low in comparison to the economic issues\textsuperscript{153}. As the second example might presented resignation from NATO membership in 2010. Kyiv had little chance for the Membership Action Plan after Bucharest Summit in 2006 and in comparison to the EU, NATO was and remains highly unpopular within society.

The public opinion and its preferences have generally not been recognised as a proper indicator of the state foreign policy in Ukraine\textsuperscript{154}. It creates, however, bigger problem which is the lack of common and coherent societal idea about external preferences (Appendix 6.). Such phenomenon is closely interrelated with geographical location and economic and political importance of each region. Furthermore, preferences are often presented or are understood as contradictory, which maintains the image of Ukraine as divided country.

The eastern and southern regions are simultaneously the least pro-European, support the Eastern dimension of foreign policy and produce the highest share of GDP and exported goods. They are the most populated, where people are mainly Russian speaking, or are members of the substantial Russian minority, which in Ukraine consist around 17.8\% of citizens\textsuperscript{155}. Furthermore

153 Chudovsky, Kuzio, 287.
154 Ibidem, 283.
they represent the most concrete electorate of the ruling President and the Party of Regions (Appendix 7.). The Western oblasts, where support for the European integration is the highest, do not support the current administration and are relatively economically less relevant than the eastern counterparts.

Ukraine has its internal divisions which do not allow it to implement coherent policies without neglecting preferences of the half of the country. These divisions, however, are preserved by the decision makers who build their political and economic careers on them. Garnett in 1999 wrote that “in proclaiming these (EU, NATO) ambitious goals, the Ukrainian foreign policy leadership has created a long term dilemma for itself and its policy. For while it pursues westernisation abroad, it appears content with political and economic stagnation at home”\textsuperscript{156}. It seems that after almost 15 years nothing has changed in Kyiv’s “multidimensional” foreign policy. After over 20 years of independence these divisions have not been solved or softened and questions of language (Ukrainian - Russian)\textsuperscript{157}, historical attitude (to Russia, Soviet legacy and to western-Ukrainian nationalism)\textsuperscript{158}, civilizational and external choices (Ukraine as a part of Europe or Eurasia) are coming back often artificially and with rather political purposes\textsuperscript{159} mainly before crucial domestic decisions or when societies’ attention has to focused on emotions and withdrawn from worsening domestic situation. Riabchuk points out that this identity split profoundly influences Ukraine’s post-Soviet development\textsuperscript{160}. Richard Lebow claims that regional and international orders are set up as a result of the basic human need to develop social cohesion

\textsuperscript{157} “Мовний закон і його втілення: гроші не було і немає”, http://www.pravda.com.ua/columns/2013/01/18/6981713/.
\textsuperscript{160} Riabchuk, 439.
through distinction between “us” and “others”. In Ukraine, however, the creation of the “other” is created not externally but internally, within the state. This phenomenon continues and on-going regionalisation of the country is noticeable and preserved. For examples in the past three years the eastern regions of Ukraine are supported from central budget more generously than the western parts. The Party of Regions promotes mainly districts, where support for the party is the highest and where oligarchs’ assets are located.

The economic and demographic weight of the eastern and southern regions ensures their importance in both electoral and informal calculations, which contradicts with official rhetoric of westernisation or europeisation of Ukrainian politics. Furthermore the role of the richest Ukrainians and lobby groups in the decision-making process is substantial. Hence almost any strategic decision, which has been undertaken in the past 22 years did not change Kyiv’s “multidimensionalism”. In the next chapter I will argue that domestic policy remains crucial mainly regarding division of public assets between decision makers, who treat the state as a source of wealth. Hence, foreign policy is treated rather as second-class policy or as a potential source of income for a limited group of people, who control export routes.

Chapter IV: The role of the big business in preserving “multidimensional” foreign policy

Ukraine’s path dependency on the dissolution of the Soviet Union has been presented in previous chapters. The deep structural challenges which Kyiv faces influence its domestic and foreign policy. The state preserved tradition of the highly centralised decision-making process which substantially narrows the group of decision-makers. Alexander Tchoubarian points out that any analysis of foreign policy in the region should take into account aspects of the Soviet past, such as “over-ideologisation, over-politicisation, irreproachability and alleged superiority” all of which eroded the principles of this policy. All these aspects are clearly visible in the contemporary Ukrainian foreign policy decision-making process presented in chapter 2. Karina Korostelina argues that the lack of a proper political, economic and social transition from Soviet to independent state deepened the state crisis in Ukraine. Furthermore, high industrialisation of the eastern part of the state, export oriented production (mainly to other Soviet republics), migration of Russians to eastern cities what increased a number of this minority, and long lasting anti-Western propaganda are phenomena inherited from the Soviet Union.

In this chapter I argue that strong economic position of oligarchs allows them to influence domestic politics and uses the state institutions mainly for their own benefits. It limits Kyiv’s policymaking possibilities, also in the foreign policy decision-making process, mainly due to the divergent interests of particular business groups. This, however, is a continuation of previous systemic problems in this region which privilege political and economic malversations and allow business groups to subordinate state institutions to individual interests.

165 Korostelina, 41-44.
The lack of transition in Ukraine preserved old habits and principles of the governance, which are also visible in the influence of non-state actors on the decision-making process. Hans van Zon points out that the “Ukrainian polity emerged organically out of the Soviet polity and is characterised by lack of transparency, an absence of a clear division of power, a predatory state and a parasitic bureaucracy that exhibits a control mania”\(^{166}\). The role of business elites in the decision-making process has its roots in the Soviet times, in that it reflects the high centralisation of power and access to the state institutions just for the most influential people. One of the theories of the dissolution of the Soviet Union argues that the USSR was divided intentionally by the ruling elite, which wanted to preserve its political power and influence on the economic sectors\(^{167}\). John Willerton points out that political engagement in the Soviet system was always motivated by private interests\(^{168}\) and such “oligarchisation” of Soviet elite was noted even before Gorbachev. Adam Ulman similarly argues that since the beginning of 1980s Leonid Brezhnev and the highest party apparatus were interested not only in preserving the Communist party’s role as the only source of political power, but also in recouping the narrower group of oligarchy’s prerogatives as the final arbiter in policymaking\(^{169}\). Kuzio agrees that elites in particular republics in the end of 1980s experienced further differentiation which was the result of growing pluralism of Brezhnev era, and a shift of power to economic elites\(^{170}\). According to Alexander Dallin, analysts of the Soviet foreign policy can be divided for those who saw Soviet decision-making as a vertical, authoritarian system, and those who saw it as a “conflict model”, in which various actors (mainly members of the Soviet elite) – had different foreign and domestic policy


\(^{167}\) Hillel Ticktin, “Theories of Disintegration of the USSR”, in: ed. Paul Hare, Systemic Change in Post-Communist Economies, 1999, 148. Ticktin presented five viewpoints which describe dissolution of the USSR as the accidental, the economically necessary, non-market illegitimacy, the elite’s subjective desire, and multifactoral.

\(^{168}\) Willerton, 223-241.


\(^{170}\) Taras Kuzio, Ukraine: state…, 27.
preferences\textsuperscript{171}. These two models remained in the majority of former republics. Analysing development of Russian oligarchy Jakob Rigi points out that “oligarchs dream of having their own state rather than a state that has been organised for them by political elites”\textsuperscript{172}. He argues that in Russia during the Yeltsin Presidency oligarchs intervened in politics directly. When Putin came to power he took from them this privilege\textsuperscript{173} strengthening the state (KGB/FSB) power to control them. Anders Aslund defining an oligarch uses such description “a very wealth and politically well-connected businessman, a billionaire, or nearly so, who is the main owner of a conglomerate and has close ties with the President”\textsuperscript{174}. Similarly describes them Rosaria Puglisi as “powerful economic actors who interact with the political institutions and establish with them a continued relation through which to pursue its own narrow interests”\textsuperscript{175}. However, the role of oligarchs and big business is different in each post-Soviet republic and any generalisation about their role in transition should be avoided\textsuperscript{176}.

The contemporary understanding of oligarchs in Ukraine emerged during the 1990s, particularly after 1994 when a new group started to replace so called “red directors”, the former Communist elite which preserved its positions after the collapse of the USSR. Lucan Way points out that Ukrainian politics since its independence has been substantially influenced by longstanding national divisions and the emergence of semi-autonomous and highly regionalised economic oligarchy. He stresses that strong economic position of business elites and its capability to support potential opposition to the ruling party (the President, the Government) made them

\textsuperscript{173}\textsuperscript{173} Ibidem, 64.
\textsuperscript{174}\textsuperscript{174} Anders Aslund, Comparative Oligarchy: Russia, Ukraine and the United States, CASE 2005, 6, \url{http://www.case-research.eu/upload/publikacja_plik/4931074_SA%202096last.pdf}.
\textsuperscript{175}\textsuperscript{175} Puglisi, 101.
\textsuperscript{176}\textsuperscript{176} Oleh Havrylyshyn, Divergent Paths in Post-Communist Transformation. Capitalism for All or Capitalism for the Few?, 2006, 178.
influential domestic players. Oligarchs were/are able to balance internal politics by a provision of financial support to counterparts of the ruling regime, often in their own interests, which prevented Ukraine before authoritarianism in Belarusian style, where economy is highly nationalised and private sector is weak\textsuperscript{177}. Oligarchs in Ukraine created an alternative to the state decision-making centre, even more influential at the regional level. This phenomenon is predominantly visible in the eastern and southern parts of the country, where business and local politics are even stronger interconnected.

Groups of oligarchs which emerged in the post-Soviet space achieved their position by different paths. Oleh Havrylyshyn enumerates four main roots of oligarchs such as higher nomenklatura including so called Red Directors of the Soviet period, younger members of nomenklatura families who started its career in the 1980s mainly in Komsomol, new businessmen previously unaffiliated with nomenklatura but who started to create new networks early after collapse of the USSR, and finally, representatives of underground economy often related to ‘mafia’ networks\textsuperscript{178}. Aslund distinguishes three different groups of oligarchs which emerged in Ukraine after 1991. The first group appeared around 1994, after election of Leonid Kuchma for the President and were closely connected with him. Kuchma was previously a head of the biggest Ukrainian arms factory in Dnipropetrovsk. His program of privatisation, started during deep the economic crisis in 1994 allowed the old-new elite to buy a number of state enterprises mainly in eastern industrial regions. The second group showed up around 1996/1997 and was connected to gas trading (eg. United Energy Systems of Ukraine\textsuperscript{179} – Yulia Tymoshenko, Pavlo Lazarenko; Ihor Bakai, Hryhoriy Surkis, Victor Medvedchuk, Oleksandr Volkov, Dmytro Firtash). They

\footnotesize
\textsuperscript{177} Lucan Way, The Sources of Authoritarian Control after the Cold War: East Africa and the Former Soviet Union, Post-Soviet Affairs (2012), 28, No.4.
\textsuperscript{178} Havrylyshyn, 187.
\textsuperscript{179} UESU was destroyed by Kuchma in 1998 and on its place has been established NAK Naftogaz - Aslund, How Ukraine…, 108.
were mainly replaced by another, the third group of oligarchs who emerged in the late 1990s or at the beginning of 2000s and whose assets were/are concentrated in the coal and steel industry and corporate structures (System Capital Management – Rinat Akhmetov; The Industrial Union of Donbas – Serhiy Taruta, Oleg Mkrtchan; EastOne – Victor Pinchuk; Pryvat Group – Ihor Kolomoiskyi, Giennadiy Boholiubov). Since the beginning of the 2000s Ukraine has become dominated by four large industrial groups all located in eastern Ukraine, two in Dnipropetrovsk (EastOne, Pryvat Group) and two in Donetsk (System Capital Management, The Industrial Union of Donbas). This division is also linked with the struggle for power between two clans represented by local business elites from Dnipropetrovsk and Donetsk, which even led to murders of state officials (i.e. Vadym Hetman), influential businessmen (i.e. Yevhen Shcherban), or mafia bosses (Akhat Bragin). During the 1990s Dnipropetrovsk clan (Kuchma, Lazarenko, Bakai) connected to gas trading dominated over Donetsk. Since the beginning of 2000s, and emergence of Yanukovych at the state level politics, representatives of Donetsk are achieving stronger position. A few new oligarchs built their position and influence during 2000s such as Dmytro Firtash, Valeriy Khoroškovskyy, Andriy Kluyev, or Borys Kolesnikov, predominantly in energy, industry and in media sectors. What is also worth noticing, 25 of the 100 richest Ukrainians live in the Donetsk region, 11 in the Dnipropetrovsk region, which additionally strengthen presented in previous chapter leverage of the eastern regions.

---

Welfare and monopolistic control over the economy give oligarchs strong position in domestic politics. The journals Korrespondent (Appendix 8.) and Forbes Ukraine\textsuperscript{188} present every year a ranking of the richest and the most influential citizens. Figures of both journals differ, because they are based on estimations, however they present the importance of a small number of people who actually control the state economy. The richest 100 Ukrainians have assets equal to 38\% of state GDP, when this figure for the neighbouring Russian Federation is around 20\%\textsuperscript{189}. Within this group the leading position has Rinat Akhmetov, the richest Ukrainian, who is also recognised as the second or the most influential person in the state (Appendix 9.). In ranking of the 500 the most influential people of the world published by the magazine “Foreign Policy” only Rinat Akhmetov represented Ukraine\textsuperscript{190}. In the last Bloomberg Billionaires Index Akhmetov was ranked on 25\textsuperscript{th} place, being recognised as the wealthiest person in Eastern Europe. The role of big business in Ukraine and its influence on the decision-making process is substantial.

The importance of the strong financial background and membership in oligarchs’ club in Ukrainian politics might be analysed based on current activity of Victor Yanukovych after he came to power in 2010. Yanukovych just after election started to build his own clan called by observers of Ukrainian political scene “Simya” (which in Ukrainian means the “Family”), which is based on a new wave of young businessmen who are very close and loyal to the head of state and started their career in the Donetsk region. This group became a relatively strong new actor in domestic politics and, due to Victor Yanukovych’s position and his influence on the state apparatus, his clan’s importance constantly grows\textsuperscript{191}. The President uses financial, political and

\begin{footnotesize}
\begin{enumerate}
\item[188] “100 богатейших”, \url{http://forbes.ua/ratings/1}.
\item[189] Золотая сотня 2012 – Про…\url{http://www.foreignpolicy.com/articles/2013/04/29/the_500_most_powerful_people_in_the_world?wp_login_redirect=0}.
\item[190] «Сім’я» Януковича розширила свій вплив – експерт”, \url{http://www.radiosvoboda.org/content/article/24805612.html}.
\end{enumerate}
\end{footnotesize}
administrative resources to strengthen his group and simultaneously weaken other alliances\textsuperscript{192}, which creates a new balance in Ukrainian domestic politics before the next elections in 2015. A few examples can present the scale of this phenomenon. First, Yanukovych’s son, Oleksandr Yanukovych, doubled his official assets to 187 mln USD in 2012 in comparison to 2011\textsuperscript{193}. For the first time he appeared on the list of the richest Ukrainians in 2011, a year after his father became the President. An easy access to the state budget allowed his enterprises to won the highest value of the state tenders\textsuperscript{194}. Second, the power is in President clan’s hands, while the role of other groups has been relatively limited\textsuperscript{195} or at least the balance of power has been established. For example in the new Government, which was formed in December 2012, all executive institutions responsible for financial flows, budgetary issues and security are headed by the “Family” representatives\textsuperscript{196}. Thus the President can influence not only his political counterparts but also may try to limit other oligarchs’ role mainly by usage of administrative resource, control over which substantially strengthen player position within Ukraine’s political system\textsuperscript{197}. Third, he tries to strengthen his power towards oligarchs using the state apparatus. Some observers describe Yanukovych’s behaviour as the “putinisation” of domestic politics\textsuperscript{198}. This, however, may sharpen conflict of interests between oligarchs and the President what further on may cause destabilisation of Ukraine, predominantly before the next elections, when he will

need also oligarchs’ support to preserve power\textsuperscript{199}. However, it is rather not possible to copy in Ukraine the Russian model, where oligarchs became subordinated to the government\textsuperscript{200}.

These attempts by Yanukovych to centralise power in his hands has already caused the fall of Ukraine in international rankings which negatively influence the state’s external image. In 2012 Freedom House decreased the ranking of democracy in Ukraine to just “partly free”\textsuperscript{201}. Heritage Foundation described the Ukrainian economy as “repressive”, and ranked it 163-rd of 179 classified worldwide – the lowest position among European states\textsuperscript{202}. Transparency International described Ukraine as the most corrupt state in Europe and ranked Kyiv 144-th out of 182 worldwide\textsuperscript{203}. These rankings partially reflect the domestic situation and create a quite negative image of the state abroad which makes the job of Ukrainian diplomats much harder.

Analysing each new group of oligarchs it is possible to notice that each new wave emerged after changes in power on Presidents post. The first occurred around 1994 when Kuchma came to power as the first representative of eastern Ukraine. The second wave emerged after adoption of the Constitution in 1996, which gave to the President strong power over Parliament and the ability to rule the in economic sphere by decrees. The third group emerged and strengthened its position after next Presidential elections in 1999 when Kuchma started his second period. The last group of oligarchs build their wealth on mass privatisation of state assets (mines, factories) which took place at the beginning of 2000s. Currently (since 2010) we can observe emergence of a new group, the Yanukovych’s “Family”, in domestic politics.

\textsuperscript{199} “Путін і діти. Янукович може наважитись на узурпацію влади за білоруським сценарієм”, http://tyzhden.ua/Politics/74626.
\textsuperscript{200} Matuszak, 7.
\textsuperscript{202} Heritage Foundation, http://www.heritage.org/index/ .
\textsuperscript{203} “Україна стала найкорумпованішою країною на Старому континенті”, http://tv.ua/new/ukrayina_stala_naykorumpovanishoyu_krayinoyu_na_staromu_kontynenti .
The role of oligarchs and business elites is not judged by whom in the same way, however negative opinions about their activity dominate. On the one hand, Serhiy Kudelia points out that one of the reasons for the state weakness is the constant domestic struggle for dominance between non-state actors who lay claim on the state resources\(^\text{204}\). Korostelina shares view that oligarchs and business groups treat Ukraine as a colony, exploit the state and are not interested in its further development. Their main interests lay in short-term capital gains\(^\text{205}\), privatisation of the state assets, and further control over financial flows. Vitaliy Melnyk similarly agrees that Ukraine became oligarchs’ colony in which modernisation processes are not predicted\(^\text{206}\). On the other, Anders Aslund argues that just oligarchs poses both enough money and “know-how” to invest in Ukraine’s economy and are able to restructure large industrial enterprises\(^\text{207}\), and has enough assets in divergent sectors (industry, media, finance) to balance each other position.

Oligarchs, through close connections with ruling political parties try to influence policy- and decision-making process. Figure 1. presents the richest Ukrainians and its relations with the Party of Regions and the President. Among them just one, Konstantyn Zhevago, is not directly linked with the ruling party, while strength of others’ connotations depends on the situation (issue). Simultaneously oligarchs probably support also oppositional parties, however due to the lack of financial transparency of any political party in Ukraine it is hard to estimate the scale of this phenomenon\(^\text{208}\). However, the emergence of each new political party causes rather questions “which oligarch finances it?” or “whose party it is?” which make Ukrainian domestic political scene even more “virtual”. Oligarchs’ balancing makes any decision harder to make, because

\(^{204}\) Kudelia, 418.
\(^{205}\) Korostelina, 37.
\(^{206}\) “Віталій Мельник: «Маємо не національну, а олігархічну економіку, яка перетворює Україну на сировинну колонію»”, \(\text{http://tyzhden.ua/Economics/69980}\).
\(^{207}\) Aslund, How Ukraine…, 111.
\(^{208}\) “Королевську фінансують Ахметов, Фірташ і СО. «УДАР» теж бізнес-проект але «ющенкізований»”, \(\text{http://expres.ua/video/2012/08/03/71019}\).
sometimes it causes a zero-sum result – ones benefit is other’s loss. Their interests and relation to the state limit rather to domestic politics, which however in the long perspective weaken the state. In relations with the state institutions business lobby groups are, first, interested mainly in promotion of adoption of state acts suitable for oligarchs by subordinated to them politicians or parties (i.e. new Tax Code adopted in 2010). Second, they are interested in the division of budgetary subsidies for their enterprises and funds for development of regions where their assets are located, which just deepens regional economic divisions due to enormous differences between amounts located in eastern and western regions. Third, oligarchs compete in tenders from the state budget. In 2011 Parliament adopted the act which substantially liberates the organisation of state tenders limiting open competition. Since then, the amount of so called one-participant tenders has grown, which simply means that the institution is able to choose who will get the contract. In the past year 21% of all state tenders were won by President’s son, 19% by Rinat Akhmetov’s companies, while the third Dmytro Firtash won “just” 4%. The majority of these groups’ interests are export-import oriented, and access to state tenders allows them to achieve higher than market prices for their products, which are sold officially by their private institutions to the state often without open competition. Finally, oligarchs are interested in further privatisation of the state assets. In January 2012 Parliament adopted the act “National program of privatisation 2012-2014”, which predicts extensive privatization till the pre-election year.

209 Willerton, 7.
211 “Дотаційний Донбас. Чи справді регіон годує Україну?”, http://tyzhden.ua/Society/73608.
213 Рейтин тендерных….
Taking into account that only oligarchs can afford to buy national companies they are collecting more and more assets, becoming more and more influential. For example Dmytro Firtash’s companies, are focused on privatizing regional gas companies\textsuperscript{216} and chemical enterprises, while Akhemtov is particularly interested in monopolizing electricity and coal sector\textsuperscript{217}. Strong position of oligarchs makes them crucial decision-makers in Ukraine. Their interests then are focused on preservation influence on the state institution, however mainly at the domestic level.

**Figure 1: Oligarchs relations with the President and the Party of Regions**

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Oligarchs relations with the President and the Party of Regions}
\end{figure}

Source: Matuszak, 56.

\textsuperscript{216} “Dmytro Firtash’s companies are monopolising the retail gas market in Ukraine”,

\textsuperscript{217} “Akhmetov’s expansion onto the Ukrainian electricity market”,
The big business controls almost entire sectors of the state economy (and since 2010 economy is becoming more and more monopolised\textsuperscript{218}) and all electronic media (almost all TV channels are in oligarchs’ hands of Akhmetov, Kolomoyskyi, Pinchuk, and Firtash). They also have vast influence on political parties\textsuperscript{219}, which function in Ukraine rather as means for self-interested individuals\textsuperscript{220}. Slawomir Matuszak points out that oligarchs’ influence on the Ukraine’s foreign policy is, however, limited in comparison to its impact on the domestic political and economic situation. On the one hand, due to divergent interests within this group it is hard to identify their common external strategy, what strengthen “multidimensional” option of the state policy. On the other hand, their individual actions on domestic level influence Ukraine’s foreign relations\textsuperscript{221}. Ukrainian oligarchs’ external interests are as diversified as the Ukrainian export is (chapter 3.), then common denominator on further integration processes towards Russia or the European Union will be hard to achieve. In relations with Brussels further economic cooperation can be just estimated as far the DCFTA Agreement has not been published yet. However, Matuszak claims that “none of the oligarchs is interested in introducing free and fair competition in Ukraine, since this would mean a major change in the nature of their business activity”\textsuperscript{222}. It is often claimed in Ukraine that the EU is a bigger market, and thus this dimension should be developed in external relations\textsuperscript{223}. The majority of oligarchs have their interests in both Russia and the EU, while Russian market creates more opportunities for less clear trade.
behaviours and money laundering. Furthermore, business groups are able to block any process of negotiations which they will see as undesirable, giving their private interests an advantage over the state foreign policy goals. This behaviour is connected with elite attitude, who according to Benjamin Goldsmith, value economic independence and sovereignty over openness and efficiency.

The problem remains at the level of thinking about interests and clear divergence between private and state spheres which in Ukraine overlaps very much. Considerably business groups think first and foremost in terms of private benefits, not state interests and support decisions which are beneficial for them but not always for the state. Furthermore, oligarchs support just economic branch of the state foreign policy, while other fields such as security, welfare, or image are left for the state institutions. Oligarchs interested in developing their monopolies do not reinvest money to strengthen, renovate or make their enterprises more competitive. Ukrainian economy is not developing and is becoming less and less attractive for foreign investors, also regarding quality of produced goods.

Ukrainian observers point out that any change in Ukraine’s domestic and international politics might be possible just in case when linkages between business groups and the state will be broken. This is, however, hardly possible. Van Zon points out that state institutions’ activity and implemented policies reflect the balance of power between various groups at a specific stage.

---

224 Matuszak, 71.
225 Benjamin Goldsmith, Imitation in International Relations. Observational Learning, Analogies and Foreign Policy in Russia and Ukraine, 2005, 108.
rather than Government’s strategy\textsuperscript{229}. Ukrainian oligarchs need the state to preserve their privileged position, and the state needs oligarchs’ money to exist and as the balance against possible authoritarianism. In maintaining this symbiosis are more interested business groups than the state institutions. Aslund argues that introduction of property rights for their businesses may decrease oligarchs’ interests in politics because their assets will be safe\textsuperscript{230}. However, it is quite naïve thinking that, first, oligarchs will resign from trying to influence the state institutions, and second, that anyone will rule the state without support of the big business.

This group of actors existed under different configurations since the beginning of independence of Ukraine. They control both the state power and the state economy, while changes in power causes relative changes in their position towards other groups. Access to the state institutions means for oligarchs both personal and economic security and till basic principles in Ukrainian domestic politics will not change it is naïve to expect that anything will change in its foreign policy\textsuperscript{231}. Ukraine is a state in which the Presidential principle of governance since at least 1994 has been “divide and rule” (of public goods and influence among oligarchs). Hence it is hard to imagine that the state will ever be able to develop and implement any coherent policy in the state interests, because, first the “state interests” are not defined and, second they always will contradict someone’s private preferences. Taking into consideration oligarchs’ position in domestic policy and their foreign economic interest they can be recognised as another factor which weaken internal cohesion of the state, makes common objectives harder to define and implement, which finally strengthen “multidimensionality” of Ukrainian foreign policy.

\textsuperscript{229} van Zon, The Political Economy, 47.
\textsuperscript{230} Aslund, How Ukraine..., 254.
\textsuperscript{231} Puglisi, 108-109, 116-117.
Conclusions

This thesis has examined the influence of domestic factors and their impact on continuity of Ukraine’s “multidimensional” foreign policy. Since Kyiv has gained independence from the Soviet Union it has not followed declared European path of development and has not got closer to the European Union as was presented in official strategies. Simultaneously it was balancing between the EU and Russia without giving an advantage to one dimension. While during the 1990s neither Moscow nor Brussels required from Kyiv to decide, in the 2000s situation changed. After 2004 Ukraine became common neighbourhood for both actors and started to drawn it into their sphere of influence. Ukraine, however, due to internal constrains is not able to implement long lasting and effective policy other than “multidimensional”.

The analysis reveals that Ukraine has well developed legal background and official strategies which define European path as the crucial one. However, these goals are formulated in wish-thinking terms in two ways. First, they do not exactly reflect domestic political situation, geography of economic cooperation and socio-political preferences within the society. Second, these goals were not possible to be implemented even during formulation and its presentation.

In this thesis I have shown that Ukraine’s “multidimensional” foreign policy has its roots first and foremost in its internal situation. Unfinished transition from the Soviet period in both economic and political terms and emerged to extreme level phenomena of clientelism and patronage led to the state capture by a narrow groups of business and political elites. This approach was previously widely described regarding domestic politics; I applied this concept to analyse Ukraine foreign policy combining it with empirical analysis of economic and socio-political situation.
Analysing possible challenges which might occur in implementation of foreign policy goals and which should be taken into consideration by the Ukrainian policy-maker, I have shown that Ukraine’s decision-making process in foreign policy is highly centralised in the Presidents hands, while other institutions are directly subordinated to the head of state or their influence is limited. This allows the head of state to decide almost unilaterally within this field and he often does so using also foreign policy in domestic political debate. Furthermore, the head of state tries to use his position to play an arbitrary role between oligarchic groups according to “divide and rule” principle and balance its influence on the state institutions, which additionally weakens the state. The final decision in foreign policy then lies on the President, who can use his position both to preserve equilibrium between different groups of oligarchs, often in clientelistic way.

The second balancing which strengthens “multidimensional” foreign policy concept is caused by economic and socio-political diversity of the state and divergent foreign orientations of these two factors. Ukraine has strong economic ties with both the EU and Russia, however the majority of products of export-oriented economy is produced in pro-Russian eastern regions of the state. The most strategic sectors of economy and media sector are monopolised by oligarchs, which give them strong bargaining position in the decision-making process. This process, however, remains highly informal and based on private connections. This is why I examined patronage and clientelism linkages, which are heritage from the Soviet period, and have developed during the 1990s to state capture level. After analysis of the business elites (oligarchs) in Ukraine’s decision-making process I may conclude that Ukraine is ruled by a very narrow group of interconnected political and business elites, who control both crucial decision making bodies within the state and the strategic economic sectors. This leads to emergence of alternative to state power decision making centre, which lobby their private interests.
All described factors, centralisation of power, domestic divisions and oligarchs’ position in Ukraine can be described through the lenses of the concept of state capture. Elites focus mainly on implementation of policies which reflect private interests of high officials or businessmen and by then often have little in common with state interests. The domestic struggle for power over the influence on the institution weakens Ukraine as the state and does not allow to implement coherent polices, predominantly in fields where wide consensus is required, as in the foreign policy. A divided state with weak institutions and private interest-oriented elite might be easily manipulated by external players which can easily use internal divisions as a tool to spread their influence in Ukraine and on its external positions.

It is hard to predict any changes in Kyiv’s foreign policy in forthcoming years. Internal constraints and its interconnection make decision making process longer and unpredictable. Position of the richest Ukrainians is not clear and requires further examination and research. Nevertheless in the second part of 2013 and 2014 Kyiv will face a few challenges which may influence its domestic foreign policy. First, in November 2013 during the Eastern Partnership Summit the European Union maybe will sign the Association Agreement with Ukraine. However, neither Brussels nor Kyiv has “plan B” if the Agreement will not be signed. Furthermore, 2014 will be pre-election year in Ukraine before Presidential elections, during which may a new balancing and new alliances between oligarchs may occur which strengthen the domestic struggle for power for the highest post in the state. Simultaneously, the current President will have respond to its electorate in eastern and southern Ukraine, which is rather pro-Russian and its support for the EU integration is much lower. Nevertheless, any changes in Ukraine’s “multidimensional” within the next years cannot be foreseen and Kyiv probably will drift

anywhere. The biggest influence on conservation and continuation of this situation have domestic challenges presented in this thesis. It is also hard to predict whether linkages between the state and business will be broken. State capture allows oligarchs to implement their own principles, subordinate public institutions to their private interests and use budget money to develop their business empires. The question which remains and requires further research is whether any President, particularly not related with industrial east, may rule the state independently from oligarchs and implement any changes in Ukraine’s domestic and foreign policies.
Appendices

Appendix 1. – Interviews questions

(I conducted 13 interviews during my field research in Kyiv and Zaporizhzhya in April 6-24, 2013)

1. How looks the decision-making process in Ukraine’s foreign policy?
2. Which institutions are responsible for the formulation and implementation of foreign policy?
3. Which factors are taken into consideration in the formulation of foreign policy goals?
4. Why do decision makers refrain from implementing state acts which define foreign policy priorities?
5. Do state institutions pursue state or private interests in formulation and implementation of foreign policy?
6. Which domestic factors causes status quo in Ukraine’s foreign policy?
7. Then, is “multidimensional” foreign policy of balancing justified?
8. Is societal support taken into consideration by decision-makers?
9. Do you see differences in foreign policy in Tymoshenko’s and Azarov’s (2010-…) governments?
10. Have domestic factors changed over time? What kind of changes we can identify?
11. Which factors do you think were taken into consideration by decision-makers before signing the Agreement after gas crisis with Russia in 2009 an before signing the Kharkiv Agreements in 2010?
### Appendix 2.

**Regional share of GDP production in Ukraine in 2011**

<table>
<thead>
<tr>
<th>Region</th>
<th>mln UAH</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>1302079</td>
<td>-</td>
</tr>
<tr>
<td>Kyiv (city)</td>
<td>223774</td>
<td>17.19%</td>
</tr>
<tr>
<td><strong>Eastern part - 33.42%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donetsk region</td>
<td>161021</td>
<td>12.37%</td>
</tr>
<tr>
<td>Dnipropetrovsk region</td>
<td>140020</td>
<td>10.75%</td>
</tr>
<tr>
<td>Kharkiv region</td>
<td>76866</td>
<td>5.90%</td>
</tr>
<tr>
<td>Luhansk region</td>
<td>57202</td>
<td>4.39%</td>
</tr>
<tr>
<td><strong>Southern part - 17.26%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Odessa region</td>
<td>61499</td>
<td>4.72%</td>
</tr>
<tr>
<td>Zaporizhzhia region</td>
<td>49525</td>
<td>3.80%</td>
</tr>
<tr>
<td>Autonomous Republic of Crimea</td>
<td>38220</td>
<td>2.94%</td>
</tr>
<tr>
<td>Mykolaiv region</td>
<td>27633</td>
<td>2.12%</td>
</tr>
<tr>
<td>Kirovohrad region</td>
<td>20041</td>
<td>1.54%</td>
</tr>
<tr>
<td>Kherson region</td>
<td>18448</td>
<td>1.42%</td>
</tr>
<tr>
<td>Sevastopol (city)</td>
<td>9359</td>
<td>0.72%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>mln UAH</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central part - 19.69%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kyiv region</td>
<td>59154</td>
<td>4.54%</td>
</tr>
<tr>
<td>Poltava region</td>
<td>52252</td>
<td>4.01%</td>
</tr>
<tr>
<td>Vinnytsia region</td>
<td>29099</td>
<td>2.23%</td>
</tr>
<tr>
<td>Cherkasy region</td>
<td>27012</td>
<td>2.07%</td>
</tr>
<tr>
<td><strong>Western part - 12.53%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lviv region</td>
<td>52103</td>
<td>4.00%</td>
</tr>
<tr>
<td>Ivano-Frankivsk region</td>
<td>26752</td>
<td>2.05%</td>
</tr>
<tr>
<td>Rivne region</td>
<td>19302</td>
<td>1.48%</td>
</tr>
<tr>
<td>Zakarpattia region</td>
<td>19054</td>
<td>1.46%</td>
</tr>
<tr>
<td>Volyn region</td>
<td>17637</td>
<td>1.35%</td>
</tr>
<tr>
<td>Ternopil region</td>
<td>16294</td>
<td>1.25%</td>
</tr>
<tr>
<td><strong>Autonomous Republic of Crimea</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sevastopol (city)</td>
<td>9359</td>
<td>0.72%</td>
</tr>
<tr>
<td>Chernivtsi region</td>
<td>11969</td>
<td>0.92%</td>
</tr>
</tbody>
</table>


---

233 Further division for parts of Ukraine as in this table.
Appendix 3.

**Arms exporters 1992-2012**

<table>
<thead>
<tr>
<th>country</th>
<th>1992-2012 figures*</th>
<th>share in total</th>
<th>2012 figures*</th>
<th>share in total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>507130</td>
<td>-</td>
<td>28172</td>
<td>-</td>
</tr>
<tr>
<td>USA</td>
<td>198875</td>
<td>39,2%</td>
<td>8760</td>
<td>31,1%</td>
</tr>
<tr>
<td>Russia</td>
<td>103393</td>
<td>20,4%</td>
<td>8003</td>
<td>28,4%</td>
</tr>
<tr>
<td>Germany</td>
<td>37988</td>
<td>7,5%</td>
<td>1193</td>
<td>4,2%</td>
</tr>
<tr>
<td>France</td>
<td>35866</td>
<td>7,1%</td>
<td>1139</td>
<td>4,0%</td>
</tr>
<tr>
<td>UK</td>
<td>26553</td>
<td>5,2%</td>
<td>863</td>
<td>3,1%</td>
</tr>
<tr>
<td>China</td>
<td>16530</td>
<td>3,3%</td>
<td>1783</td>
<td>6,3%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>10821</td>
<td>2,1%</td>
<td>760</td>
<td>2,7%</td>
</tr>
<tr>
<td>Italy</td>
<td>9471</td>
<td>1,9%</td>
<td>847</td>
<td>3,0%</td>
</tr>
<tr>
<td>Ukraine</td>
<td>9232</td>
<td>1,8%</td>
<td>1344</td>
<td>4,8%</td>
</tr>
<tr>
<td>Israel</td>
<td>8519</td>
<td>1,7%</td>
<td>533</td>
<td>1,9%</td>
</tr>
</tbody>
</table>

*Figures are SIPRI Trend Indicator Values (TIVs) expressed in US$ m. at constant (1990) prices.

**Source:** Stockholm International Peace Research Institute,

Appendix 4.

**Import and export of regions of Ukraine in 2012**

<table>
<thead>
<tr>
<th>region</th>
<th>export mln USD</th>
<th>export share</th>
<th>import mln USD</th>
<th>import share</th>
<th>Balance (mln USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>82337,5</td>
<td>-</td>
<td>91364,3</td>
<td>-</td>
<td>-9026,8</td>
</tr>
<tr>
<td>Kyiv (city)</td>
<td>16367,3</td>
<td>19,9%</td>
<td>28694,8</td>
<td>31%</td>
<td>-12327,5</td>
</tr>
<tr>
<td>Eastern part</td>
<td>32045,1</td>
<td>38,9%</td>
<td>16761,4</td>
<td>18%</td>
<td>15283,7</td>
</tr>
<tr>
<td>Southern part</td>
<td>12426,9</td>
<td>15,1%</td>
<td>9825,3</td>
<td>11%</td>
<td>2601,6</td>
</tr>
<tr>
<td>Central part</td>
<td>14545,6</td>
<td>17,7%</td>
<td>10016,7</td>
<td>11%</td>
<td>4528,9</td>
</tr>
<tr>
<td>Western part</td>
<td>5495,4</td>
<td>6,7%</td>
<td>8614,4</td>
<td>9%</td>
<td>-3119,0</td>
</tr>
</tbody>
</table>

Appendix 5.

Import and export of goods and services in Ukraine, 2007-2012

<table>
<thead>
<tr>
<th></th>
<th>export</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>goods</td>
<td>services</td>
<td>total</td>
<td>mln USD</td>
<td>share</td>
<td>mln USD</td>
<td>share</td>
<td>mln USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>49248,1</td>
<td>9038,9</td>
<td>58287,0</td>
<td>64%</td>
<td>16%</td>
<td>84%</td>
<td>16%</td>
<td>58287,0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>66967,3</td>
<td>11741,3</td>
<td>78708,6</td>
<td>85%</td>
<td>15%</td>
<td>85%</td>
<td>15%</td>
<td>78708,6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>39695,7</td>
<td>9598,3</td>
<td>49294,0</td>
<td>81%</td>
<td>19%</td>
<td>81%</td>
<td>19%</td>
<td>49294,0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>51430,5</td>
<td>11759,4</td>
<td>63189,9</td>
<td>81%</td>
<td>19%</td>
<td>81%</td>
<td>19%</td>
<td>63189,9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>68394,2</td>
<td>13792,2</td>
<td>82186,4</td>
<td>83%</td>
<td>17%</td>
<td>83%</td>
<td>17%</td>
<td>82186,4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>68809,8</td>
<td>13527,5</td>
<td>82337,3</td>
<td>84%</td>
<td>16%</td>
<td>84%</td>
<td>16%</td>
<td>82337,3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>import</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>goods</td>
<td>services</td>
<td>total</td>
<td>mln USD</td>
<td>share</td>
<td>mln USD</td>
<td>share</td>
<td>mln USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>60669,9</td>
<td>4980,6</td>
<td>65650,5</td>
<td>92%</td>
<td>8%</td>
<td>92%</td>
<td>8%</td>
<td>65650,5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>85535,3</td>
<td>6467,9</td>
<td>92003,2</td>
<td>93%</td>
<td>7%</td>
<td>93%</td>
<td>7%</td>
<td>92003,2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>45433,1</td>
<td>5173,5</td>
<td>50606,6</td>
<td>90%</td>
<td>10%</td>
<td>90%</td>
<td>10%</td>
<td>50606,6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>60739,9</td>
<td>5447,6</td>
<td>66187,5</td>
<td>92%</td>
<td>8%</td>
<td>92%</td>
<td>8%</td>
<td>66187,5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>82608,2</td>
<td>6235,1</td>
<td>88843,3</td>
<td>93%</td>
<td>7%</td>
<td>93%</td>
<td>7%</td>
<td>88843,3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>84658,1</td>
<td>6706,2</td>
<td>91364,3</td>
<td>93%</td>
<td>7%</td>
<td>93%</td>
<td>7%</td>
<td>91364,3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Appendix 6.

Geographical division of Ukraine’s trade of goods in 2011

<table>
<thead>
<tr>
<th></th>
<th>export</th>
<th>import</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mln USD</td>
<td>share</td>
</tr>
<tr>
<td>Total</td>
<td>68394,2</td>
<td>-</td>
</tr>
<tr>
<td>CIS</td>
<td>26177</td>
<td>38,3%</td>
</tr>
<tr>
<td>*Russia</td>
<td>19819,9</td>
<td>29,0%</td>
</tr>
<tr>
<td>EU</td>
<td>17970,0</td>
<td>26,3%</td>
</tr>
<tr>
<td>Asia</td>
<td>17737,8</td>
<td>25,9%</td>
</tr>
<tr>
<td>Africa</td>
<td>3344,2</td>
<td>4,9%</td>
</tr>
<tr>
<td>America</td>
<td>2552,3</td>
<td>3,7%</td>
</tr>
</tbody>
</table>

Appendix 7.

**Which foreign policy direction should be a priority for Ukraine? (November 2012)**

<table>
<thead>
<tr>
<th>Region</th>
<th>EU countries</th>
<th>Russia</th>
<th>other CIS states</th>
<th>other states</th>
<th>USA</th>
<th>difficult to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>40.8%</td>
<td>35.3%</td>
<td>4.8%</td>
<td>3.6%</td>
<td>1.2%</td>
<td>14.3%</td>
</tr>
<tr>
<td>East</td>
<td>23.9%</td>
<td>56.6%</td>
<td>5.2%</td>
<td>3.2%</td>
<td>0.6%</td>
<td>10.6%</td>
</tr>
<tr>
<td>South</td>
<td>21.6%</td>
<td>58.8%</td>
<td>5.6%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Center</td>
<td>47.7%</td>
<td>20.5%</td>
<td>5.7%</td>
<td>5.2%</td>
<td>1.8%</td>
<td>19.1%</td>
</tr>
<tr>
<td>West</td>
<td>72.8%</td>
<td>5.9%</td>
<td>2.1%</td>
<td>2.8%</td>
<td>0.5%</td>
<td>16.0%</td>
</tr>
</tbody>
</table>

Appendix 8.

Support for the Party of Regions in Parliamentary elections in October 2012

<table>
<thead>
<tr>
<th>region</th>
<th>support</th>
<th>place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>30%</td>
<td>1</td>
</tr>
<tr>
<td>Kyiv (city)</td>
<td>12.6%</td>
<td>4</td>
</tr>
</tbody>
</table>

**Eastern part - av. 49.73%**

<table>
<thead>
<tr>
<th>region</th>
<th>support</th>
<th>place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donetsk o.</td>
<td>65.09%</td>
<td>1</td>
</tr>
<tr>
<td>Dnipropetrovska o.</td>
<td>35.79%</td>
<td>1</td>
</tr>
<tr>
<td>Kharkivska o.</td>
<td>40.98%</td>
<td>1</td>
</tr>
<tr>
<td>Luhanska o.</td>
<td>57.06%</td>
<td>1</td>
</tr>
</tbody>
</table>

**Southern part - av. 39.74%**

<table>
<thead>
<tr>
<th>region</th>
<th>support</th>
<th>place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Odeska o.</td>
<td>41.90%</td>
<td>1</td>
</tr>
<tr>
<td>Zaporizska o.</td>
<td>40.95%</td>
<td>1</td>
</tr>
<tr>
<td>AR of Crimea</td>
<td>52.34%</td>
<td>1</td>
</tr>
<tr>
<td>Mykolaivska o.</td>
<td>40.51%</td>
<td>1</td>
</tr>
<tr>
<td>Kirovohradska o.</td>
<td>26.25%</td>
<td>2</td>
</tr>
<tr>
<td>Khersonska o.</td>
<td>29.34%</td>
<td>1</td>
</tr>
<tr>
<td>Sevastopol (city)</td>
<td>46.90%</td>
<td>1</td>
</tr>
</tbody>
</table>

**Central part - av. 20.05%**

<table>
<thead>
<tr>
<th>region</th>
<th>support</th>
<th>place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyivska o.</td>
<td>21.00%</td>
<td>2</td>
</tr>
<tr>
<td>Poltavska o.</td>
<td>21.91%</td>
<td>2</td>
</tr>
<tr>
<td>Vinnytska o.</td>
<td>17.38%</td>
<td>2</td>
</tr>
<tr>
<td>Cherkaska o.</td>
<td>18.65%</td>
<td>2</td>
</tr>
<tr>
<td>Sumsko o.</td>
<td>21.09%</td>
<td>2</td>
</tr>
<tr>
<td>Khmelnitskaya o.</td>
<td>18.69%</td>
<td>2</td>
</tr>
<tr>
<td>Zhytomyrska o.</td>
<td>21.61%</td>
<td>2</td>
</tr>
<tr>
<td>Chernihivska o.</td>
<td>20.09%</td>
<td>2</td>
</tr>
</tbody>
</table>

**Western part - av. 13.80%**

<table>
<thead>
<tr>
<th>region</th>
<th>support</th>
<th>place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lvivska o.</td>
<td>4.70%</td>
<td>4</td>
</tr>
<tr>
<td>Ivano-Frankivska o.</td>
<td>5.18%</td>
<td>4</td>
</tr>
<tr>
<td>Rivenska o.</td>
<td>15.80%</td>
<td>4</td>
</tr>
<tr>
<td>Zakarpatska o.</td>
<td>30.87%</td>
<td>1</td>
</tr>
<tr>
<td>Volynska o.</td>
<td>12.92%</td>
<td>4</td>
</tr>
<tr>
<td>Ternopilska o.</td>
<td>6.40%</td>
<td>4</td>
</tr>
<tr>
<td>Chernivetska o.</td>
<td>20.77%</td>
<td>2</td>
</tr>
</tbody>
</table>

Appendix 9.

The ten richest Ukrainians in 2012

<table>
<thead>
<tr>
<th></th>
<th>name</th>
<th>assets (billion USD)</th>
<th>sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rinat Akhmetov</td>
<td>25.6</td>
<td>Metallurgy, mining industry, finances, agriculture, machinery, energy, real estate, media</td>
</tr>
<tr>
<td>2</td>
<td>Ihor Kolomoyskyy</td>
<td>6.2</td>
<td>Metallurgy, finances, agriculture, media, chemical industry, energy</td>
</tr>
<tr>
<td>3</td>
<td>Vadym Novynskyy</td>
<td>-</td>
<td>Metallurgy, ship building, agriculture, finances, real estate</td>
</tr>
<tr>
<td>4</td>
<td>Hennadyy Boholyubov</td>
<td>6.6</td>
<td>Metallurgy, finance, chemical industry, agriculture, media, energy</td>
</tr>
<tr>
<td>5</td>
<td>Dmytro Firtash</td>
<td>2.25</td>
<td>Energy, finances, real estate, agriculture</td>
</tr>
<tr>
<td>6</td>
<td>Victor Pinchuk</td>
<td>5.9</td>
<td>Metallurgy, finances, media</td>
</tr>
<tr>
<td>7</td>
<td>Victor Nusenks</td>
<td>2.9</td>
<td>Metallurgy, coal industry</td>
</tr>
<tr>
<td>8</td>
<td>Oleh Bahmatyuk</td>
<td>2.2</td>
<td>Agriculture</td>
</tr>
<tr>
<td>9</td>
<td>Konstanyn Zhevaho</td>
<td>3.2</td>
<td>Metallurgy, chemical industry, pharmacy, agriculture, machinery</td>
</tr>
<tr>
<td>10</td>
<td>Oleksiy Martynov</td>
<td>1.52</td>
<td>Metallurgy, fuel and energy sector</td>
</tr>
</tbody>
</table>

Source: Золотая сотня 2012, [http://ua.korrespondent.net/journal/zolota_sotnya/y2012](http://ua.korrespondent.net/journal/zolota_sotnya/y2012)
## The most influential Ukrainians in 2012

<table>
<thead>
<tr>
<th></th>
<th>name</th>
<th>position on the list of the richest Ukrainians</th>
<th>assets (mln USD)</th>
<th>party / associated with party</th>
<th>additional info</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Victor Yanukovych</td>
<td>-</td>
<td>-</td>
<td>Party of Regions</td>
<td>President of Ukraine</td>
</tr>
<tr>
<td>2</td>
<td>Rinat Akhmetov</td>
<td>1</td>
<td>17800</td>
<td>Party of Regions</td>
<td>businessman</td>
</tr>
<tr>
<td>3</td>
<td>Serhiy Lovochkin</td>
<td>-</td>
<td>-</td>
<td>Party of Regions</td>
<td>Head of President’s Administration</td>
</tr>
<tr>
<td>4</td>
<td>Oleksandr Yanukovych</td>
<td>61</td>
<td>133</td>
<td>Party of Regions</td>
<td>President's son</td>
</tr>
<tr>
<td>5</td>
<td>Dmytro Firtash</td>
<td>5</td>
<td>3200</td>
<td>Party of Regions</td>
<td>has a monopoly in gas industry</td>
</tr>
<tr>
<td>6</td>
<td>Mykola Azarov</td>
<td>-</td>
<td>-</td>
<td>Party of Regions</td>
<td>Prime Minister</td>
</tr>
<tr>
<td>7</td>
<td>Borys Kolesnikov</td>
<td>25</td>
<td>470</td>
<td>Party of Regions</td>
<td>Minister of Infrastructure</td>
</tr>
<tr>
<td>8</td>
<td>Andriy Kluyev</td>
<td>62</td>
<td>130</td>
<td>Party of Regions</td>
<td>Head of National Security and Defense Council</td>
</tr>
<tr>
<td>9</td>
<td>Arseniy Yatseniuk</td>
<td>-</td>
<td>-</td>
<td>opposition</td>
<td>Party leader – Batkivshchyna</td>
</tr>
<tr>
<td>10</td>
<td>Valeriy Khoroshkovskyy</td>
<td>26</td>
<td>395</td>
<td>Party of Regions</td>
<td>deputy Prime Minister</td>
</tr>
<tr>
<td>11</td>
<td>Victor Pinchuk</td>
<td>6</td>
<td>3190</td>
<td>-</td>
<td>businessman</td>
</tr>
<tr>
<td>12</td>
<td>Ihor Kolomoyskyy</td>
<td>2</td>
<td>3400</td>
<td>-</td>
<td>businessman</td>
</tr>
<tr>
<td>13</td>
<td>Yulia Tymoshenko</td>
<td>-</td>
<td>-</td>
<td>opposition</td>
<td>former Prime Minister</td>
</tr>
<tr>
<td>14</td>
<td>Victor Pshonka</td>
<td>-</td>
<td>-</td>
<td>Party of Regions</td>
<td>Prosecutor General</td>
</tr>
<tr>
<td>15</td>
<td>Vadym Novynskyy</td>
<td>3</td>
<td>3300</td>
<td>-</td>
<td>businessman</td>
</tr>
<tr>
<td>16</td>
<td>Vitaliy Klychko</td>
<td>93</td>
<td>50</td>
<td>opposition</td>
<td>Party leader – UDAR</td>
</tr>
<tr>
<td>17</td>
<td>Serhiy Tihipko</td>
<td>26</td>
<td>785</td>
<td>Party of Regions</td>
<td>Minister of social policy</td>
</tr>
<tr>
<td>18</td>
<td>Oleksandr Yaroslavskyy</td>
<td>13</td>
<td>930</td>
<td>-</td>
<td>businessman</td>
</tr>
<tr>
<td>19</td>
<td>Oleksandr Klymenko</td>
<td>-</td>
<td>-</td>
<td>Party of Regions</td>
<td>Head of National Tax Service</td>
</tr>
<tr>
<td>20</td>
<td>Hennadiy Boholyubov</td>
<td>4</td>
<td>3250</td>
<td>-</td>
<td>businessman</td>
</tr>
</tbody>
</table>

Source: “ТОП-100 самых влиятельных украинцев 2012”, [http://files.korrespondent.net/projects/top100](http://files.korrespondent.net/projects/top100)
1. English language sources


D’Anieri, Paul, Ukrainian foreign policy from independence to inertia, Communist and Post-Communist Studies, 45 (2012), 447-456.


Gladyshev, Benjamin, Imitation in International Relations. Observational Learning, Analogies and Foreign Policy in Russia and Ukraine, New York: Palgrave Macmillan, 2005.


Hudson, Valerie M., Culture and Foreign Policy, Boulder, Col.: L. Rienner 1997.


Kuzio, Taras, The Ukrainian immobile state two decade after the disintegration of the USSR, Communist and Post-Communist Studies, 45 (2012), 413-415.


Puglisi, Rosaria, The rise of the Ukrainian oligarchs, Democratization, 10:3, 2003, 99-123.

Riabchuk, Mykola, Ukraine’s “muddling through”: National identity and postcommunist transition, Communist and Post-Communist Studies, 45 (2012),


“Yulia Tymoshenko imprisonment ‘politically motivated’“, http://www.guardian.co.uk/world/2013/apr/30/yulia-tymoshenko-jailing-politically-motivated (last accessed: 27.05.2013).


2. Ukrainian and Russian language sources

“100 богатейших”, http://forbes.ua/ratings/1, (last accessed: 25.05.2013).


Закон України «Про Службу зовнішньої розвідки»,

Закон України «Про основи національної безпеки України»,

Закон України «Про Раду національної безпеки і оборони України»,

Закон України «Про розвідувальні органи України»,


“Івано-Франківськ слідом за Львовом заборонив радянську символіку на 9 травня”,

Індекси промислової продукції за регіонами за січень-березень 2013 року,

“Київ накриє хвиля вихідців з Донбасу”,

“Київ та Москва говорять про двосторонній газовий консорціум”,

“Колишні чиновники оцінили український капітал на Кіпрі у 12-25 млрд доларів”,

“Колоси на глиняних ногах. Олігархічні конгломерати в Україні можуть припинити існувати у будь-який момент”,


“Королевську фінансиють Ахметов, Фірташ і СО. «УДАР» теж бізнес-проект але «ющенкізований»”,
http://expres.ua/video/2012/08/03/71019, last accessed: 27.05.2013).


“Мовний закон і його втілення: гроші не було і немає”,

“Незважаючи на заяву Януковича, МВФ вимагає підвищення тарифів на газ”,

“Новий уряд Азарова-Арбузова: сім’я, фінанси, бізнес-інтереси”,

Обсяги експорту-імпорту товарів/послуг за регіонами України за 2012 рік,


“Податкова перевіряє ТВі на вимогу слідчого”,


Постанова Верховної Ради України «Про основні напрями зовнішньої політики України»,

Постанова Верховної Ради Української РСР «Про реалізацію Декларації про державний суверенітет України у сфері зовнішніх зносин»,


“Путін і діти. Янукович може наважитись на узурпацію влади за білоруським сценарієм”, [http://tyzhden.ua/Politics/74626](http://tyzhden.ua/Politics/74626), (last accessed: 25.05.2013).

“Рай для олігархів. В Україні панують ідеальні можливості для процвітання монополій”, [http://tyzhden.ua/Economics/57500](http://tyzhden.ua/Economics/57500), (last accessed: 25.05.2013).


“Російський ринок «важить» 20% українського виробництва молока””, [http://www.bbc.co.uk/ukrainian/business/2012/02/120207_cheese_ukraine_russia_int_a_z.shtml](http://www.bbc.co.uk/ukrainian/business/2012/02/120207_cheese_ukraine_russia_int_a_z.shtml), (last accessed: 25.05.2013).

“Росія схвалила українські санкції, борючись за Україну з ЄС”, [http://www.radiosvoboda.org/content/article/24953058.html](http://www.radiosvoboda.org/content/article/24953058.html), (last accessed: 25.05.2013)
Статистична інформація за січень-травень 2012, Міністерство палива та енергетики, 
http://mpe.kmu.gov.ua/fuel/control/uk/publish/article?art_id=231058&cat_id=35081, 
(last accessed: 25.05.2013).

Товарна структура зовнішньої торгівлі за 2012 рік, 

“Топ-25 найбільш спонсорованих з держбюджету округів”, 

“ТОП-100 самых влиятельних украинцев 2012”, 
http://files.korrespondent.net/projects/top100, (last accessed: 25.05.2013).

Транспортування пртродного газу, НАК Нафтогаз України, 

(last accessed: 25.05.2013).

“Сергій Лещенко: У Хорошковського валіза з компроматом на президента”, 

Соціологічні опитування – “Чи довіряєте Ви політчним партіям?” (12.2011), 

Соціологічні опитування – “Якою мірою ви впливаєте на владу?”, 

Соціологічні опитування – “Чи почувається Ви господарем своєї держави?” (08.2012), 

Соціологічні опитування – “Чи підтримуєте Ви діяльність Верховної Ради України?” (03.2013), 

Соціологічні опитування – “Чи підтримуєте Ви діяльність Президента України? (03.2013)”, 

Соціологічні опитування – “Чи підтримуєте Ви діяльність Уряду України? (03.2013)”, 


“Україна і Митний Союз: проблеми інтеграції”, http://gazeta.dt.ua/internal/ukrayina-i-mitniysoyuz-problemi-integraciyi_.html?fb_action_ids=553374691360818&fb_action_types=og_likes&fb_source=timelini_e_og&action_object_map=%7B%22553374691360818%22%3A229575520516919%7D&action_type_map=%7B%22553374691360818%22%3A22og_likes%22%7D&acti_on_ref_map=%5B%5D, (last accessed: 25.05.2013).


“Українська економіка ввійшла у фазу рецесії”, http://tvi.ua/new/2013/05/06/ukrayinska_ekonomika_uviyshla_u_fazu_recesiyi, (last accessed: 25.05.2013).


