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The Impact of Russia on Governance Structures in Ukraine

Oleksandr Sushko

The impact of Russia on governance structures in Ukraine

Oleksandr Sushko

DIE Research Project
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Abstract

Does Russia impact on governance structures in Ukraine? Does the Russian leadership have either a motive or leverage to shape Ukraine's political system? What has determined Russian foreign policy *vis-à-vis* Ukraine since the fall of the Soviet Union? This paper takes up these questions and investigates the historical background to the current relationship between Russia and Ukraine, outlines the dyadic dependencies and conflicting interests and analyses Russia's Ukraine policy with a special focus on political practices rather than formal policies.

On the one hand, Moscow's direct impact on Ukraine has declined since the country's independence in 1991 and its closer affiliation with European structures. On the other hand, Ukraine remains vulnerable to subversive Russian influence deriving from cultural, structural, organisational and societal similarities, as well as from a deep connection between the business elites and populations of both countries. Since the Orange revolution, Russian-Ukrainian relations were increasingly shaped by conflicting political processes under way in both countries with Russia aiming to retain Ukraine within its sphere of influence by creating and strengthening anti-western platforms inside the country.

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Abbreviations

CEC	Central Electoral Commission (of Ukraine)
CEPS	Centre of European Policy Studies
CIS	Commonwealth of Independent States
EU	European Union
EurAsEC	Eurasian Economic Community
FDI	Foreign Direct Investment
FTA	Free Trade Area
KGB	Committee for State Security (security agency of the USSR)
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organization
NIS	Newly Independent States
ORP	Oil-Refining Plant
ODIHR	OSCE Office for Democratic Institutions and Human Rights
OSCE	Organization for Security and Co-operation in Europe
SES	Single Economic Space
USSR	Union of Soviet Socialist Republics
WTO	World Trade Organization

1 Introduction

After gaining independence in 1991, Ukraine experienced ambivalent political developments and trends. The country's political system is considered to be a "hybrid regime" in which some evident elements of democratic governance, open society and pluralistic, competitive power structures co-exist with a general weakness of those institutions that usually ensure the rule of law and efficiency of government. When building its independent statehood and democratic institutions, Ukraine encountered numerous domestic and foreign challenges. The international environment as a whole and powerful foreign actors in particular played an important role in the process of shaping Ukrainian political structures and culture. The importance of Western actors has become evident especially in the context of Ukraine's membership in the Council of Europe since 1995 and through cooperation with the European Union. At the same time, Russia's impact should not be underestimated.

This study focuses on Russia's influence on Ukraine's political system and practices of governance. The relevance of this topic is determined by the need to reform the current system, especially in the face of Ukraine's consistently expressed ambition to eventually become an EU member state.

When researching this subject, it is important to stress the special nature of the Russian influence which is substantially less structured and institutionalised than the Western one, but not necessarily less powerful. The most important elements and tools of Russian influence in Ukraine are hidden behind formal relations; therefore they cannot be easily detected by a simple analysis of official activities, statements, documents etc. The methodology employed in this study thus combines traditional approaches of policy analysis with references to the historical background, using comparative methods and penetration theory as well as a special focus on political practices, rather than formal policies.

Moscow's direct impact on Ukraine has been consistently decreasing since the country's independence in 1991 and especially after the Orange Revolution in 2004. At the same time, Ukraine remains vulnerable towards hidden Russian influence characterised by a certain "legacy of the past", structural problems and incomplete reforms.

Ukraine, on one hand, consistently declares that European integration is its strategic choice, determining strong commitments in the areas of democracy, rule of law and human rights. According to international experts, Ukraine made substantial progress in securing political pluralism, multi-party democracy, open society and media freedom since 2004 (Freedom House 2007). In contrast to Putin's increasingly authoritarian Russia, Ukraine proves to be an emerging democracy with legitimate ambitions to secure its place among the democratic European nations. According to the 2008 "Freedom in the World" report, Ukraine is the only post-Soviet Newly Independent State (NIS) which is considered to be "free" (in contrast to Russia as "not free") (Freedom House 2008). The share of economic links with Russia is gradually declining, while shares and investments of other foreign trade partners increase.

On the other hand, Ukraine is still tied to Russia in terms of cultural, structural, organisational and societal similarities, as well as by a deep connection between business elites and ordinary people. Ukrainian dependence on Russia is usually described through the reference to gas supplies, unsettled border issues, tensions around the Russian Black Sea Fleet

based at the Crimean and trade conflicts. But the substance of this dependence is rooted in Soviet and partly in pre-Soviet times.

The recent military conflict in Georgia posed additional questions to the issue of Russian influence in Ukraine. The Russian Black Sea Fleet was directly involved in the military operation against Georgia and the Ukrainian government failed to prevent this. Evident Russian irritation by Ukraine's pro-Georgian position in this conflict resulted in strengthening its pressure to undermine the pro-Western leadership. So, the collapse of the governmental coalition in September 2008 was determined, to a large extent, by the exhaustive domestic debates on Russian policies in the region in connection to Black Sea Fleet and to the war in Georgia.

2 Historical background

Western perceptions of relations between Ukraine and Russia, that is Russia's role in Ukrainian affairs, vary from the stereotype that puts Ukraine into the so-called "Russian world" or "Wider Russia" to the recognition of a conflict within the relations with sometimes antagonistic national interests. In the first years of independence, many people were alarmed by the possibility of a violent conflict between Russia and Ukraine over territory, particularly with regard to Crimea, the Black Sea fleet, nuclear weapons and specific economic issues. Samuel Huntington argued that the potential of violent conflict between the two nations was rather low, as "they are two Slavic, primarily Orthodox peoples who have had close relationships with each other for centuries" (Huntington 1993). Recently, due to the developments in 2004 and beyond, Russia's growing authoritarianism and its failure to fulfil democratic commitments has lead the Western analytical mainstream to gradually turn towards the recognition of Ukraine as a potential member of the Euro-Atlantic community (Deugd 2007).

The historical connection between Ukraine and Russia is evident. However, the substance and content of this connection is disputed. Traditionally, Russian imperial historiography was characterised by the ambition to create the myth of a great and thousand-year-old empire rather than by historical facts. Until now, not only in Russia, but in Europe as well, Ukraine is often considered as "younger sister", which proves the strength of an ideologically driven version of history, produced by official Russian historians of the 18th and 19th century.

From a Ukrainian perspective, by contrast, the medieval state of the Kievan Rus' within the Dnieper basin appeared as early as the 10th century, at least four centuries prior to the state consolidated by Moscow in the North-East within the basin of the Oka and Volga rivers. The independent Moscow-centred entity, around which the modern Russian nation later appeared, was one of several late-medieval kingdoms separated from the Kievan Rus' after the Mongol invasion in the 13th century.

Between the 14th and mid-17th century, Ukraine and Russia experienced rather different developments. Ukraine was incorporated into the Great Lithuanian Kingdom, and partially into the Polish republic, the Rzeczpospolita. Later, in the mid-16th century, the Polish-

Lithuanian Commonwealth state was based upon a specific feudal "democracy" with local self-governance based on the Magdeburg Rights.[1] Being a part of this state, Ukrainian lands were involved in the formation of a governance culture typical for the time in Central Europe.

In addition, Cossacks appeared as a new specific self-governed entity since the 15th century in Ukraine's East. Enjoying privileges from the king in exchange for protecting the South-Eastern border of the Rzeczpospolita from Turks and Crimean Tatars, sometimes challenging central power with insurgent wars, Ukrainian Cossacks contributed to the formation of a specific national kind of self-governed quasi-republic with some substantial democratic rules and procedures.

Russia at that time, by contrast, experienced the formation of a strongly centralised state. Cities were deprived of instruments of self-governance. The system of power was totally subordinated to the prince of Moscow. From the 15th to the 17th century, the so called Moscovian Tsars gained unlimited power and European influence was very limited. Moscovia liberated itself from the Mongolian rule in the late 15th century. But the legacy of the Mongol hierarchical system of power and civic culture remained noticeable. Thus Ukraine was part of the common European experience of Renaissance, Reformation, Baroque culture and Enlightenment, while Russia was less immediately influenced by these developments. After all, the historical differences played a crucial role in the formation of different social, cultural and political features in Russia and in Ukraine.

The current link between Ukraine and Russia is rooted in the period following the year 1654, when Ukrainian Hetman Bohdan Hmelnytsky signed an alliance with Tsar Aleksiy in order to be supported in the exhaustive liberation war against Poland. In the aftermath of the war half of Ukraine to the left bank of the Dnieper and the city of Kiev became occupied by Russia, whereas the lands to the right bank remained under Polish rule.

Due to Poland's demise in the late 18th century the three neighbouring great powers divided the Polish territory, with the right-bank, (Central) Ukraine, given to Russia. In 1773 Russia succeeded against Tatars and Turks and gained the Northern Black Sea coast including Crimea.

Russian domination was marked by the gradual abolition of all features of independence such as the subordination of the Ukrainian church to Moscow in 1687, the liquidation of the hetman's power in 1764 and the termination of Zaporizhska Sich – the centre of the Cossack republic in 1775. Due to the efforts of official Russian historians, Ukraine's own history was incorporated into the history of the Russian Empire. As Volodymyr Vasylenko (1994) notes:

> *"Having established its colonial rule in Ukraine at the end of the 18th century, Russia not only captured Ukraine's territory but also appropriated the country's name and glorious history in an attempt to prove the antiquity of its own statehood, in order to create a basis for its claim to equal status with the other great European powers. For*

1 The "Magdeburg Rights" refer to a set of German town laws regulating the degree of internal autonomy within cities and villages granted by a local ruler. Adopted by numerous monarchs in Central and Eastern Europe, including Ukrainian rulers, this body of law was a milestone in the urbanisation of the region and enabled the development of thousands of villages and cities.

> *more than 300 years Russia did everything to convince itself and others that Ukraine constitutes merely a part of Russia and that Ukrainians are a sub-group of Russians. This is the reason for distortion and hushing up of Ukrainian history, a continual policy of Russification aimed at depriving Ukrainians of their historical memory and national identity*."

Simultaneously, a major part of Western Ukraine (Galicia, Bukovina and Transcarpathia) became part of the Austrian Empire until the end of World War I. These regions were given further impact of more mature civic culture and governance, which contributed a lot to the further development of the tradition of local self-government. For a long time, Ukrainian representatives were present in the Austrian (later Austro-Hungarian) parliament. The Unionist Ukrainian Greco-Catholic Church – the biggest unionist church in the world, subordinated to the Holy See – dominated this part of the country, whereas the rest was dominated by the Eastern Orthodox Church.

The division between the former Russian and Austrian parts of Ukraine by many analysts was considered a crucial challenge to the unity of the nation. In Samuel Huntington's "Clash of Civilisations" Ukraine is interpreted as a "cleft country" (Huntington 1996, 166) with an evident internal boundary along the Zbruch River, which coincides with the former Russian-Austrian border.

However, the present situation does not confirm such a division of Ukraine: the historical connotation of differences mentioned above may be important, but nowadays the internal political map of the country is characterised by other circumstances. Major political differences can be detected not between the former Russian and Austrian parts of Ukraine, but between the part that experienced the late-medieval culture of self-governance based on the Magdeburg Rights (West, North and Centre) and the remaining part (South and East) mostly deprived of such historical experience. Proof of this divide can be seen at any recent national election: as for example in the 2004 presidential election and the 2006 and 2007 parliamentary elections (CEC).

In the early 20th century, Ukraine had the opportunity to gain independence and national unity due to the collapse of the Russian and the Habsburg Empires. Independence was proclaimed in January 1918. However, national elites were too weak and divided and internal circumstances so unfavourable that attempts to establish independent statehood proved to be short-lived. According to the Riga Treaty of 1921 between Soviet Russia and Poland, Ukrainian territory was incorporated into those two countries.

In 1922, Ukraine became one of the founding members of the Soviet Union and enjoyed far-reaching autonomy, nominally including the right of secession. The Ukrainian Soviet Socialist Republic was also one of the founding members of United Nations (1946) but this membership was rather fictive as Ukraine's position was strictly subordinated to the USSR. Although some symbols of a sovereign Ukrainian state existed (parliament, government, constitution, flag and anthem) all important decisions were made in Moscow, even if they related exclusively to Ukraine. The Ukrainian leadership's inability to defend the republic's basic national interests became evident within the period of agricultural "collectivisation" and in the abolition of a nation-oriented policy of "Ukrainisation" (1929–33). The great famine known as "Holodomor" (1932–33) and Stalin's repressions (1936–39) were the horrendous hallmarks of this period.

Regardless of the fact that the right of secession was fixed in the Soviet Constitution, any attempts to raise this issue were considered a crime against the state and long-term imprisonment or even death penalty were prescribed for those who openly argued or were suspected of standing for the independence of Ukraine. Many Ukrainian dissidents, as their fellows from other Soviet republics, spent long years in prisons and camps, continuing to fight for the independence of their nation.

After the Second World War, Ukrainian territories were re-unified under the Soviet umbrella: East-Galicia had been withdrawn from Poland, Transcarpathia from Czechoslovakia, the Northern Bukovina and South Bessarabia from Romania. Finally in 1954, the Crimean peninsula was transferred from the Russian Socialist Federative Soviet Republic to Ukraine. This fact finalised the formation of Ukraine's present-day borders, which were recognised by the international community after the country's declaration of independence.

The Soviet Union's system of governance varied in its degree of authoritarianism over time, but stood fast to the central role of the Communist Party and a strong Security Service (KGB). The historical legacy of the Soviet culture of governance still remains evident in Ukraine – certainly without a totalitarian core, but with some specific habits and traditions in different elements of politics and public administration.

Ukraine proclaimed its independence on 24th August 1991, which was confirmed by a national referendum on 1st December the same year. Since that time, Ukrainian-Russian relations proved to be one of the most important and indicative issues for Ukraine. The contents of these bilateral relations went far beyond the traditional sense of interstate relations. Therefore, the study of Ukrainian-Russian relations gives an opportunity to better understand not only the foreign policy of both countries but also to understand the link between domestic and foreign policy making and the phenomenon of foreign influence on domestic politics.

3 Russia's importance for Ukraine

Russia has at least in four ways been of special importance to Ukraine. First and most importantly, Ukrainian and Russian societies, business and to a smaller extent also political elites are deeply interconnected due to the countries' common historical past. Second, Ukraine is dependent on Russian energy resources and their transportation via Russian territory. Third, Russia is a big market for Ukrainian goods, consuming about 25 % of overall Ukrainian exports in 2007 (SCS). Fourth, for some time the majority of Ukrainians lives in the Russian information space. In consequence, the lack of mature statehood, the relative weakness of institutional capacity of government and civil society make Ukraine susceptible for Russian influence.

3.1 "Mental" importance and identity issues

The relationship with Russia has traditionally been the source of some of the sharpest political discussions in Ukraine, where ethnic Russians account for 17 % of the population and an even greater percentage of ethnic Ukrainians orient themselves toward Russia

(Russian-speaking, Russian-cultural Ukrainians). Determining the exact size of the segment of Ukraine's citizenry which is oriented towards Russia is impossible. It can fluctuate considerably. Using divisions during elections held in 2004, 2006 and 2007 as a basis for calculating this figure reveals that 39 to 44 % of the electorate voted for parties and candidates that supported the idea of rapprochement towards a special partnership with Russia (CEC). The overwhelming majority of these citizens live in the eight provinces of Southern and Eastern Ukraine (from Odessa to Kharkiv) and on Crimea.

Given that the "pro-Russian electorate" is significant in number, competition for its votes is one of the focal points of political campaigning. Ideological clichés employed to mobilise this electorate include "Official State Language Status for Russian", "special relationships with Russia" and "anti-NATO" sentiments. While a considerable number of political forces has taken advantage of this rhetoric, only a few of them have achieved success in elections.

Towards the end of the 1990s, it seemed that the pro-Russian segment of the electorate was firmly oriented toward the Communist Party of Ukraine and that it would not accept any attempts by big business and its political representatives to gain broad trust among the population. However, this situation changed during the electoral cycle of 2004-2006, when the political leadership in this sphere was seized by Victor Yanukovych's Party of the Regions, which represents the industrial capital interests of Southern and Eastern Ukraine. This shift revealed that "leftist" ideology and Soviet nostalgia were no obligatory components for the mobilisation of the Russian-oriented electorate of the East and South.

Based on the results of the 2006 and 2007 parliamentary elections it is possible to establish that the Party of the Regions consolidated the Russian-oriented electorate of Southern and Eastern Ukraine. On one hand, this consolidation provided the Party of the Regions with a relatively easy victory ranging between 32 and 34 % (CEC). On the other hand, however, the consolidation of the pro-Russian vote made it impossible for other political forces which had relied on the support of this segment of the population to win seats in parliament, most notably, the radical pro-Russian Progressive-Socialist Party led by Nataliya Vitrenko.

In relation to European integration, there has been a detectable decline in support among the Russian-oriented electorate. While in 2004 the idea of Ukraine's membership in the EU was supported by a majority of the population in all Ukrainian regions, presently, in regions where the Party of the Regions won the parliamentary elections, the amount of support for membership in the EU is low (20–30 %) and yields considerably to the percentage of those opposed to membership (50–60 %). This trend certifies that in today's electoral environment the notion has spread that European integration is in direct conflict with the idea of Ukraine's rapprochement with Russia. Fewer citizens here (as well as in the rest of Ukraine) believe in the idea of "multi-vectoralism" and the possibility of simultaneous integration both Westward and Eastward.

Accordingly, there is every reason to believe that the pro-Russian orientation of a considerable segment of the Ukrainian population will, in the future, influence the domestic policy situation in Ukraine. While the political elite has a chance between electoral cycles to decrease the influence of artificial stereotypes and to offer citizens of Eastern and South-

ern Ukraine a project for the future of Ukraine that even they would find attractive, pro-Russian influence is most apparent during electoral campaigns.

It is, however, worth mentioning, that the "mental aspect" of the Russian factor in Ukraine sometimes was exaggerated. When President Putin visited Ukraine twice prior to the 2004 presidential election to publicly advertise Viktor Yanukovych, it did not lead the pro-Russian candidate to success. After all, prior to the Orange Revolution Putin enjoyed a confidence level of 44 % in Ukraine, a rating which was higher than that of any Ukrainian politician (Lapkin 2007). Therefore, when he appeared on television and tells viewers he likes a particular Ukrainian politician, the latter can expect a popularity boost. Nevertheless, after the 2004 event none of the leading Ukrainian politicians or parties tried to involve Russian support in such a direct manner.

3.2 Energy dependence

In addition to the mental dimension, Russian impact is felt in the sphere of energy policy. Ukraine is depending on Russia for most of its oil and natural gas, both from Russia's own oil and natural gas fields and from Russian-controlled pipelines for supplies from Central Asia, especially gas from Turkmenistan. In 2004, these imports accounted for 80 % of Ukraine's oil consumption and 78 % of its natural gas consumption (Woehrel 2007). Experts estimate that the country needs to import US$ 15 billion worth of fuel annually, which makes Ukraine the world's largest gas importer (Balmaceda 2008).

Ukraine receives its energy supplies from Russia through the Druzhba oil and the Soyuz gas pipelines passing through Ukraine on their way to Central Europe. Much of the Ukrainian industry is structurally dependent on these pipeline systems. The cost of switching to alternative oil and gas suppliers is prohibitively high due to massive investments required for the development of new pipelines and oil terminals and the high transportation costs associated with imports through other routes, e.g. carriage of Gulf oil by sea (Gatev 2004).

The sensitivity of Ukraine in the natural gas sphere is determined not only by the exclusive role of Russia as supplier and transit country, but also by its dependence on discount prices. Ukraine still pays less for gas than its EU neighbours (see Chapter 7.5 on energy policy) so that a fast increase in energy prices would have far-reaching effects for the country's economic stability. Both Ukrainian metallurgy and chemistry are currently not ready to accept prices higher than 200–250 US$ per 1000 cubic meters[2] without facing bankruptcy. At the same time it should be mentioned that discount prices for gas are supplemented with discount transit fares: Gazprom pays only 1.7 US$ per 1000m³ for 100 km via Ukrainian territory, which is half as expensive as the average transit fare in the EU. Would Ukraine decide on rising transit fares to the European level, it could compensate for up to 60 % of the losses from higher gas prices. Therefore the "discount price" for Gazprom's gas for Ukraine is just an element of traditional policy of mutual preferences introduced by Ukraine and Russia in the 1990s and should not be over-dramatised. This practice discloses the connection between energy business and the specific nature of eco-

2 The average price in the EU exceeded 350 US$ per 1000 cubic meters in early 2008.

nomic governance in both countries, which still uses some non-transparent instruments unusual for European market economies.

Ukraine's reliance on Russian energy subsidies may, however, be threatened. Russia is working on developing new energy export routes through the Baltic Sea and the Balkans to Western Europe that could bypass Ukraine, at least in part. If successful, these efforts could reduce Ukraine's leverage over Russia on energy issues even further. Consequently, the role of Ukraine as the monopolistic transit country could be eliminated.

3.3 Russia as export market for Ukrainian goods

In 2007, Russia accounted for approximately 25 % of total Ukrainian exports (January-October 2007) (SCS). In the mid-1990s this indicator was essentially higher at around 40–45 %, but dropped to 19–20 % between 2001 and 2003. Within the last five years, however, the share of Ukrainian exports to Russia slightly recovered due to an increased demand for Ukrainian food and agricultural products, chemical goods and pipes on the Russian market. In 2007, exports from Ukraine to Russia increased by 49.7 % to 10.3 billion US$ compared to the same period in 2006, while total Ukrainian exports increased by 27.9 %. Russia therefore remains the single largest export market for Ukraine. Only the EU as a common market has a higher share.

Ukrainian industrial and agricultural exporters are highly interested in further penetrating the Russian market, in the abolition of trade barriers and in the creation of a free-trade zone that would remove the various exceptions which currently restrict Ukrainian exports. Shuttle trade between the two countries is particularly active, with as many as 20 million border crossings recorded annually in recent years (Gatev 2004).

Table 1: Ukrainian exports of goods to selected countries in million of US$ and as percentage of total exports

	1996		1999		2004		2006	
Russia	5577	38.7 %	2366	20.4 %	5888.6	18 %	8650.7	22.53 %
Italy	769	5.34 %	498.8	4.3 %	1620.5	4.97 %	1893.9	5.54 %
Germany	417.6	2.9 %	568.4	4.9 %	1891	5.80 %	1286.2	3.76 %
EU total	3019.2	21 %	3277.3	28.5 %	9779.3	30 %	10866.4	28.4 %

Source: SCS

3.4 Media

Since independence, Russian presence on the Ukrainian media market was evident due to the weakness of national media structures. In the early 1990s, most citizens preferred to watch Russian TV channels and read Russian newspapers rather than national ones. This, however, is not the case anymore. Currently just about 5 % of the population prefers Russian TV channels. At the same time the printed media market is further dominated by Russian outlets, due to the large number of Russian-founded newspapers and magazines or their Ukrainian issues.

Russian investors and media groups have taken advantage of the limited Western competition on the Ukrainian media market and publish Ukrainian versions of Russian newspapers in Russian, in order to avoid import duties and other costs. The content of newspapers such as *Komsomolskaia Pravda v Ukraine*, *Argumenty i Fakty v Ukraine* and *Izvestiya-Ukraina* is only marginally different from their better-known Russian counterparts (Wächter 2001).

In Ukraine, about two thirds of the periodicals are Russian or bilingual (Karpachova 2000). In 2005 of all printed media registered in Ukraine, 4351 were produced in Ukrainian and 2343 in Russian language (Ukrainian Association of Periodical Media 2005). However, the circulation of Ukrainian printed media constitutes only 34 % of the total, whereas Russian media account for 63 % (Medvedev 2007). Furthermore, Russian-language programs are still common and popular on television, especially in the East of the country.

Since the early 1990s, Ukrainian authorities tried to limit the influence of the Russian media, considering them as an instrument of foreign influence. But in practice, administrative solutions proved ineffective. Only the rise of the national media market and the improvement of average national media products made it possible to compete successfully with Russian TV, radio broadcasting and print media, a development evident in the last five to seven years.

4 Ukraine's importance for Russia

4.1 Identity, history and stereotypes

Ukraine's importance for Russia encompasses not only purely rational, but also symbolic meanings. In order to understand the complete picture, both matters need to be addressed. Russian imperial ideology placed Ukraine in a very special position. Since the 17th century, Ukrainian lands were in the centre of Russian efforts to build a super-state in the conflicts with Poland and Turkey. Gaining the territory of Ukraine was a symbolic key to Russia's imperial status. The legacy of this ideology is still valid for the Russian nation and for Russia's international standing. As Zbigniew Brzezinski (1997) maintains

> *"It cannot be stressed strongly enough that without Ukraine, Russia ceases to be an empire, but with Ukraine suborned and then subordinated, Russia automatically becomes an empire."*

Accordingly, the dissolution of the Soviet empire has been a painful and complicated process for Russia. Many Russians have found it difficult to come to terms with the fact that Russia's empire has now been dissolved (van Ham 1994). President Putin referred to this in his annual address to parliament in 2006 when stating that "The collapse of the Soviet Union was the largest geopolitical catastrophe of the 20th century" (Putin 2005). The loss of Ukraine is still considered one of the major components of this "catastrophe".

In consequence, Russia, unable to challenge Ukrainian independence as such, tried to conduct assertive policies in humanitarian areas, permanently expressing concern about such sensitive areas as language, religion, the evaluation of history etc. It seems important to the Russian leadership to promote the Russian language in Ukraine, to maintain the primacy of the Orthodox Church subordinated to the Moscow Patriarchy and accusing Ukrainian authorities of "wrong" assessments of historic events such as the Second World War and its aftermath (Rosbalt 2008) and the Holodomor of 1933.

4.2 Economic importance

Despite the strong asymmetry in trade relations, Ukraine also plays an important economic role for Russia. First, as mentioned before, Ukraine is the largest transit country for Russian oil and, more importantly, gas to the EU. 80 % of Russian gas determined for the European market pass through Ukraine.

Second, Ukraine is an important market for Russian FDI, even though official statistics put Russia only in 7th place. Some Russian businessmen prefer to invest their money in Ukraine in order to diversify risks, especially after various Kremlin attacks against oligarchs, as seen in the Khodorkovsky case in 2003. They consider the Ukrainian market as more convenient and Ukrainian authorities as more reliable than the Russian leadership. Russian investment in Ukraine can be found in all sectors of the economy from heavy industry to food production and telecommunication.

Russian presence in the Ukrainian economy is especially evident in the oil-refinery sector. Out of the six Ukrainian oil-refining plants (ORPs), four are owned by Russian companies.[3]

5 Common and conflicting interests

Sharing a common border, Ukraine and Russia are determined to have natural common interests, namely peace and security in the region, stable economic development, the elimination of trade barriers, combating terrorism, illegal migration and illicit trade as well as conflict prevention, in particular in dealing with the so-called "frozen conflicts". In numerous bilateral and multilateral documents, including the basic "Agreement on Friendship and Cooperation" of 1997, both parties expressed their commitment to build some

3 One is a joint enterprise with Tatneft (Ukrtatnafta), founded on the base of Kremenchuk ORP. TNK-BP controls Lysychansk ORP; Lukoil–Odessa ORP; Alliance group – Kherson ORP. Only two smaller ORPs are not Russian-owned, Nadvirne ORP and Drohobych ORP in the Western Ukraine.

kind of privileged partnership based on mutual respect and the mutual recognition of independence and existing borders. But in practice both countries have much more conflicting priorities than common goals.

"Russia needs a strong Ukraine and Ukraine needs a strong Russia" – such were the words of President Putin when preparing to be elected for a second term in 2004. Although the wording of this statement sounds positive, the interpretation of the terms "strong Russia" and "strong Ukraine" may be quite different, depending on the values applied. A "strong Russia", as seen by Russian mainstream thinking, is a country able to pursue its own domestic and foreign policies without restrictions and limitations imposed by the West, including values such as democracy, human rights, and civil society. A "strong Russia" by this definition should be able to secure its sovereignty and protect its "natural" sphere of influence which would include Ukraine. A "strong Ukraine" in this sense is understood as Russian forefront capable to resist Western attempts to spread their democratic system of values eastward.

During the second term of President Leonid Kuchma (1999–2004) Russia was close to turn Ukraine towards an autocratic path, supporting the developments which were extending the political distance between Ukraine and the West. Accepted as part of the former Soviet elite, Kuchma was welcome in Russia, more so since he had made Ukraine's political structures similar to Russia. Russia's influence during Kuchma's second term was directed at least at preservation of a status-quo in Ukraine and at best at a "Belarusation" of Ukraine.

When in 2005 the new leadership of Ukraine started to change Kuchma's authoritarian policies and practices, promoting real democracy instead of "managed democracy", the reaction was definitely negative (Petrov 2005). These new policies were regarded as threat to the interests of the Russian government.

Today Russian economic strength is firmly connected with Russian political strength, therefore an increase in Russia's economic presence automatically means a degradation of political sovereignty of the recipient country.

In the energy sphere, one of the most evident patterns of conflicting interests between the two countries can be observed. If Russia manages to create an "energy empire" to the East of the European Union, there will be an energy-transit region with an exclusive decision-making centre in Moscow. This situation presents a real danger for the energy security not only of Ukraine, but of all states of Central Europe, including Poland, Slovakia, Hungary and the Baltic states.

To understand the success of the measures taken by Russia, one has to understand the instruments of domestic political lobbyism. Compared to Europeans, Russians are more competitive in dealing with the existing regulatory environment and archaic bureaucratic practices in Ukraine. Hence, they are interested in the preservation of a corrupt business environment and in the continuation of practices, which ensure their advantageous standing *vis-à-vis* Western business in Ukraine.

One of the most sensitive components of Ukrainian-Russian relations, indicating essential differences in national interests, is the fate of Crimea. The peninsula hosting a large ethnic Russian population, resorts and a naval base was handed to Ukraine as a gesture of friend-

ship in 1954 by the Soviet leader Nikita Khrushchev to mark the 300th anniversary of the Russian-Ukrainian alliance. The new border became salient again after the break-up of the Soviet Union, as Russian nationalists regularly demanded that Crimea be returned to Russia.

Many pro-Russian political organisations became active in Crimea. Ethnic tensions in 1992 prompted some to advocate the secession of Crimea from Ukraine and its annexation by Russia. In July 1992, the Crimean and Ukrainian parliaments determined that the peninsula would remain under Ukrainian jurisdiction while retaining significant cultural and economic autonomy.

The most challenging events happened in January 1994, when Crimea's first (and last) presidential elections resulted in the election of Yuri Meshkov, a member of the Republican Party of Crimea advocating closer ties with Russia up to secession from Ukraine. The results of a non-binding poll on 27th March 1994, demonstrated voters' overwhelming support for Meshkov, dual Russian-Ukrainian citizenship for Crimeans and a treaty to govern relations between Crimea and Ukraine on the basis of a *de facto* confederation. However, on 17th March 1995, the Supreme Rada, the Ukrainian parliament, abolished the 1992 Crimean constitution and dissolved the local presidency.

Currently Crimea remains to be indicative for Ukrainian-Russian relations. Within the Crimean leadership there are no persons or groups openly backing separatism. But some of the parliamentary leaders, such as the deputy speaker of the Crimean parliament Serhiy Tsekov have a reputation to be strongly pro-Russian activists and presumably to be substantially supported by the Kremlin.

Following the Orange Revolution, branches of some radically pro-Russian NGOs were established in Ukraine, which started an aggressive campaign for the renovation of a Russian super-state, the "Slavic union", "canonic orthodoxy" and so on. Some of them, such as "Proryv" (Breakthrough) and the "Sevastopol-Crimea-Russia" movement call for territorial decomposition of Ukraine and the reunification of the Crimea with Russia.

In addition to these examples of subversive Russian influence, a case of direct involvement of Russian politicians in Ukrainian domestic affairs was detected in Feodosia in June 2006, where anti-NATO actions were attended by a number of Russian citizens, including members of the Duma, with events being reported in the headlines of the Russian media.

Russian friendship comes as part of a package and so do the commitments with the West, namely with EU and NATO. What Ukraine has to decide is which of the two packages is more attractive and, thus, more compatible with the country's basic values and national interests.

Ignoring extremes at either end of the Russian spectrum, the dominant view on EU-Ukraine relations is that Ukraine's integration into the EU is not compatible with Russian strategic interests. Moreover, this view applies not simply to Ukraine's hypothetical and rather far off full membership in the EU but also to "integration without membership", because such integration would lead to irreversible structural and institutional changes inside Ukraine, thereby making Ukraine's reintegration into the post-Soviet space dominated impossible.

Examples of irreversible stages would be a customs union with the EU along the lines of the Turkish model which Ukraine could hypothetically achieve in five to seven years, or even an intensified Free Trade Area (FTA) – a "deep free trade" model as proposed recently by a CEPS study and adopted as a common priority by both Ukraine and the EU. The possibility of creating a FTA is currently being discussed in expert circles and negotiations could begin in 2008 immediately following Ukraine's accession into the World Trade Organization. Such an intensified FTA would prevent economic reintegration between Ukraine and Russia, since its framework would call for legal harmonisation and adaptation of EU standards.

Analysis of Ukrainian-Russian relations over the last decade proves that despite common problems and challenges, strategic national interests of the neighbours are substantially different: Ukraine's main objective is to achieve European standards in all areas of its political, social and economic life in order to eventually become a fully fledged member of the EU and NATO. In contrast, Russia's mainstream interest is to restore regional dominance, to prevent Ukraine from the move towards the West and returning it into Russia's sphere of geopolitical influence.

Understanding the conflicting nature of these interests is neither easy nor comforting for Ukraine itself. Ukraine's ordinary citizen would prefer not to make the choice and instead remain closely linked to both the West and Russia. However, there are less and less chances to achieve such equilibrium.

6 Constitutional order revised: Russia's 1993 Constitution and its impact on Ukraine

Russian influence on Ukrainian politics was, however, not exclusively intentional, but also based on the Ukrainian leadership's ambition to imitate Russia's political system.

In 1993, President Boris Yeltsin re-shaped the constitutional order in Russia in favour of strengthening presidential power, thus establishing a hierarchical presidential republic taking over the mixed presidential-parliamentary model which had previously existed. This shift indicated a remarkable trend towards consolidation of power around the president's figure and a decline of parliament as an independent body. With the 1993 constitution Russia started to move from an initially pluralistic order of 1991-1992 towards a semi-authoritarian model under Yeltsin and later authoritarian regime under Putin. The 1993 constitution encouraged the leaders of neighbouring countries to build similar political systems based on presidential domination in both domestic and foreign policy. This model was substantially different from the pluralistic parliamentarian systems established in the early 1990s in East Central European countries.

Between 1994 and 1996 presidential political systems based on personal power were established in a number of CIS countries which had used mixed models before. Ukraine was one of them. A system similar to Russia's presidential model was introduced in 1995-1996 and existed until 2005.

Previously, the Ukrainian constitutional model consisted of an amended version of the 1978 Ukrainian Soviet Socialist Republic's constitution. Between 1991 and 1994, all at-

tempts to elaborate and adopt a new constitution failed due to the lack of consensus and permanent conflicts between political forces. There were disputes over the political model which led to early presidential and parliamentary elections in 1994.

The newly elected president Leonid Kuchma expressed a will to change the constitution in order to strengthen the role of the president in the political system by transferring some substantial powers from the Supreme Rada to the presidency. Experience drawn from Russia, which, by that time, had finalised its move towards a strong presidential model, was an appropriate engine to strengthen Kuchma's position. The level of public confidence in the parliament and in parliamentarianism was extremely low due to permanent public conflicts broadcasted live on TV, which had a negative impact on public opinion.

In 1995, after exhaustive debates between reform-oriented parliamentarians and President Kuchma, the parties reached a temporary consensus by signing a "Constitutional Agreement" which replaced some chapters of the constitution providing more power to the president.

During the spring of 1996, the President urged the parliament to adopt his version of the constitution which transformed Ukraine into a purely presidential republic based on the Russian model. In order to facilitate the constitutional process, the President threatened to put his draft to a national referendum, thus, bypassing parliamentary procedures.

On 28 June 2006, the new draft constitution was finally adopted by the Supreme Rada. It was a compromise document, but the main features of the presidential model were incorporated replacing parliamentary-presidential characteristics which had existed before.

According to the 1996 constitution the President was in a position to issue decrees, equal to laws adopted by parliament.4 In practice, this gave the President legislative power, which was often used to avoid legislative procedures, where the president had no control over the parliament.

The President played a crucial role in forming the government. In order to appoint the prime-minister he needed the approval of parliament, but other members of the government could be appointed without submission to the Rada. All members of the government including the prime-minister could as well be dismissed by him.

Initially, this model played a positive role in the consolidation of the executive in Ukraine as a young and fragile state. At the same time, however, this system encouraged an authoritarian trend, which later posed a serious challenge for the democratic development of the country.

As a result, Ukraine experienced a rather negative political trend towards the erosion of democratic institutions, including the restriction of the opposition and of media freedom, a stagnation of the rule of law and of related reforms in a way that was similar to developments in Russia.

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4 See article 106 of the 1996 Constitution of Ukraine: "The President of Ukraine, on the basis and for the execution of the Constitution and the laws of Ukraine, issues decrees and directives that are mandatory for execution on the territory of Ukraine." (http://www.rada.gov.ua/const/conengl.htm).

The 1996 presidential model in Ukraine came to an end in December 2004, when the Rada, within the compromise legislative package of the Orange Revolution, adopted an amendment to the constitution, returning major powers to parliament, including the right to install the government. These changes were fully implemented after the 2006 parliamentary elections.

7 Russia's policy towards Ukraine

7.1 Yeltsin's and Putin's Russia: different approaches?

There is a widespread perception that the policies and practices of Yeltsin's and Putin's Russia are very different, representing different types of political attitudes and even values. Such perception is rather valuable when describing the domestic policy of Russia. However, with regards to Russia's policy towards Ukraine differences are not so evident. Due to domestic changes in the context of overall change of Russian policy making, Russia's policy toward Ukraine became more consolidated, better managed and well organised, assertive and proactive. But the conceptual background, the objectives and instruments governing policy were only slightly modified. Here, the *Realpolitik* approach of the 1990s continued to be the dominant background of this policy.

Under Yeltsin, Russia's behaviour on the international stage was often erratic, befuddled and contradictory. Relations with Ukraine were no exception (Gatev 2004). By contrast, a prognosis of Russia's policy towards Ukraine under Putin's rule, issued in 2000, stated that "Russian policies towards Ukraine will become less ideological, more pragmatic and tougher on economic relations" (Kuzio 2000). After eight years of Putin's rule, however, there is still not enough evidence to fully confirm this forecast. While it is fair to conclude that Russia's economic policy is now focused mostly on realistic and pragmatic motivations, the ideology of "post-imperial" domination remains to be a core policy principle. Large Russian corporations, depending on and supported by the government, still try to play geo-economic games in Ukraine, rather than making transparent business. It is true, that the language of "brotherhood" and other quasi-sentimental rhetoric has largely been discarded. At the same time, however, the language of normal international relations between two sovereign states has not yet become the mainstream behaviour of bilateral relations. Respect for an independent domestic and foreign policy of neighbouring states has generally not become a standard of Russian political behaviour. The most frequently used messages, officially delivered from Moscow to Kiev are still related to purely domestic affairs: Attitudes towards the past, evaluations of certain historical figures, the erection and removal of monuments, matters of the Orthodox Church, education, the use of languages and so on.

The bilateral debate focused mostly on Russia's irritation on the idea of Ukraine's potential NATO membership and on Black Sea fleet issues. Progress has been achieved in the demarcation of the land border. At the same time, Russia refused to recognise a formerly existing administrative border in the Kerch Strait, which provoked a crisis around Tuzla Island in the year 2003.

Given such incidents and the total failure of Russian direct interference in Ukraine's presidential elections of 2004, it might be misleading to characterise Putin's policy as

more pragmatic than Yeltsin's. Despite the presence of a large Russia-oriented segment in Ukrainian society, Russia failed to find reliable allies in Ukraine. Sympathy from a certain segment of the Ukrainian citizenry towards Russia is motivated rather by personal respect towards Putin and historical sentiments than by Russian policy.

Pro-Russian NGO's in Ukraine such as "Proryv", the "Eurasian Youth Union" and others behave usually in a provocative manner, demonstrating a low cultural level and disrespect towards Ukrainian symbols, heroes and language.

Further, Russian media mostly provide negative coverage of events in Ukraine. To the Russian TV news audience, Ukraine is presented as a failed, extremely poor state led by a "Russo-phobic" elite, unable to deal with permanent conflicts and crises, deeply divided between hostile East and West and in sharp contrast to a strong, consolidated re-emerging Russia.

It is also noticeable that the Russian leadership avoids regular contacts on the highest level. The intensity of contacts is still dependent on how certain leaders are perceived by their Russian counterparts: Those who are considered to be more pro-Russian have better access to the Kremlin. Contacts with others are kept to a minimum. Between 2005 and 2008, Putin paid just one visit to Ukraine, in December 2006.

The official Russian attitude is strongly motivated by the names of those who are in power in Kiev. According to Russian analysis, Putin's policy aims towards being allies with Ukraine as a whole rather than exclusively with pro-Russian or ethnic Russian forces. However, such an observation calls for clarification: It would be true if Russia was satisfied with Kiev's international and domestic politics. Under current conditions, however, such a trend can hardly be identified.

Russian mainstream political analysts, such as Eduard Popov, would, with regard to Putin's course toward Ukraine, argue that the Russian leadership has insufficiently supported Russia-oriented segments in the Ukrainian society:

> *"Considering there is an emerging «new course» [...] we may have a deep disillusionment awaiting us. Instead of continuing attempts to make friends with the «entire» Ukraine which is bound to fail, it would serve Russia's interests better to establish closer ties with ethnic Russian and pro-Russian forces in the Ukraine. In other words, while preserving reliance on Viktor Yanukovich and the Party of Regions, cooperation should be expanded with more pro-Russian though less potent forces. One fine day, Vladimir Putin's partners in Kiev are going to demonstrate their loyalty to the West and NATO and our allies in the Ukraine may by that time feel sorely disappointed about Russia's willingness to protect their interests in their land."*
>
> (Popov 2006)

Further more, in Popov's perception, the reform-oriented segment of the Ukrainian establishment is not willing to follow Russian intentions and policies. President Yushchenko's declarations of strategic partnership remain declarations, especially since fundamental issues in Russian-Ukrainian relations regarding (sea-)border demarcation and the Russian Black Sea fleets presence in Crimea are unresolved (Popov 2006).

7.2 Penetration strategy

The core of Russia's policy on Ukraine is to prevent or at least to slow down Ukraine's turn towards the West. This strategy went beyond the institutional framework of the CIS and reflected pragmatism. The Russian elite emphasised the primacy of Russia's national interests and especially their economic component above any ideology. For instance, the idea of brotherly nations, or indispensability of the Soviet Union's revival, elements which dominated during Yeltsin's presidency were discarded. On the other hand, this strategy abandoned the inept practices that were popular during Yeltsin's era, such as open pressure, "hidden war" ideology, and excessive politicisation of all spheres of bilateral relations.

Most Russian scholars analysing Russia's policy towards Ukraine have used imperial theory or theories of influence zones and geopolitical analysis (Popov 2007). In contrast, Ukrainian analysts prefer to use a different methodological background. They rather refer to the penetration *approach* as to understand the nature of the Ukrainian-Russian relations, which explains why Ukraine, in particular under the presidency of Leonid Kuchma, has been heavily dependent on Russia in its internal and foreign policy.

As Shapovalova (2006) states, Russia's

> *"Penetration strategy towards Ukraine is part of Russia's penetration strategy towards the whole CIS. Its aim is to reintegrate the post-Soviet states by imposing Russian political, economic, security, cultural, language and media on the post- Soviet countries. Such a big strategy towards the CIS consists of separate strategies towards the CIS states. But all these strategies have the same objectives and a tool kit to achieving them. This kit depends on a specific character of penetrated systems and their internal and external environments."*

The elite is not homogeneous enough to certify a solid consensus on Ukraine. The relevance of different views becomes evident through discrepancies within Russian politics e.g. with regard to the instruments applied on relations between the EU and Ukraine. Officially, Russia is not opposed to Ukraine's ambition to join the EU. Moreover, in April 2006 during his visit to Bratislava, Russian Foreign Minister Sergey Lavrov stated that the EU and Russia have common interests in Ukraine such as being a "stable and democratic" nation (ProUA 2006). Lavrov also stated that the EU and Russia should not be competing for Ukraine. However, reality does not reflect those declarations.

The main feature of Russia's presence in Ukraine is the non-transparent character of capital inflows and the wide use of corruption. Some Russian oligarchs, most notably the heads of Lukoil and RUSAL Vagit Alekperov and Oleg Deripaska, enjoyed direct ties with former political leaders of Ukraine and were preoccupied with their own business in President Kuchma's office. Russia invests not only money in the Ukrainian economy, but is also trying to administer a system of business and political relations that is far from European standards. The problem starts with the assessment of the scale of Russian FDI in Ukraine. According to official statistics, Russia reduced its part in total FDI stock in Ukraine from 7 % in the year 2001 to 5 % in October 2007 and took only 7th place among foreign investors as compared to 4th in 2001 (SCS). At the same time Russia's economic presence in Ukraine becomes more obvious (IST 2002), in particular, in the banking sector (Finance.ua. 2007) and is defined by businessmen, experts and politicians themselves. It

is, however, noteworthy, that there is an essential shady or "grey" expansion of Russian capital in Ukraine, which is not reflected in the official statistics.

7.3 Regional integration projects under Russian patronage

One of Russia's most consistently used instruments is to promote a regional policy in an attempt to build a regional integration framework, aimed primarily to prevent other NIS from active participation in Western integration projects.

First attempts to move the former Soviet satellites towards regional integration started almost immediately following the collapse of the Soviet Union. In December 1991, the heads of the Republic of Belarus (Stanislav Shushkevich), the Russian Federation (Boris Yeltsin), and Ukraine (Leonid Kravchuk) established the CIS to provide an appropriate transitional formula for multilateral cooperation after the USSR's dissolution. Although Ukraine interpreted this act as a "civilised divorce", others believed the CIS to become a substitute for the Soviet Union without central authority and Communist Party rule. On 21 December 1991, the heads of eleven of the fifteen newly independent states (all except the three Baltic states and Georgia) approved the Almaty Declaration, which confirmed their participation in the CIS. Georgia signed two years later, bringing the club's membership to twelve, leaving only the Baltic states outside the Commonwealth.

The Agreement on the Formation of the Economic Union, created by nine CIS members in September 1993, provided the following three underlying principles for integration within the CIS: (1) a multilateral FTA and a customs union; (2) a common market for goods, services, capital, and labour; and (3) a monetary union. Turkmenistan and Georgia signed three months later, while Ukraine remained the only CIS state not to sign, although joining as an associated member in 1994.

Building on this, in April 1994, the heads of the CIS-states signed the Agreement on a Free Trade Area to realise the gradual formation of an FTA among CIS member states, to reduce trade barriers and foster economic integration. All CIS states have since ratified this agreement and protocol except for the Russian Federation, whose failure to sign has prevented the FTA from being implemented. Russia's desire to establish a large list of unilateral exclusions from the FTA, particularly on oil and gas, as well as to introduce restrictive quotas for sensitive exports such as metallurgy, chemical, and agricultural products led to the Duma's refusal to ratify the FTA.

As the FTA was never implemented, trade among CIS states has been regulated in practice by bilateral agreements and by sub-regional multilateral agreements, in particular the 2002 agreement on free trade among the states of Georgia, Ukraine, Azerbaijan, and Moldova temporarily also including Uzbekistan. These agreements within the Commonwealth have introduced some generally recognised mechanisms of free trade, such as cancelling import tariff and quota restrictions between states, while enabling states to adopt measures-such as subsidies to protect their internal markets, if necessary in accordance with the norms and principles of the World Trade Organization (WTO). Some existing bilateral agreements also contain exceptions and restrictions concerning the most sensitive sectors, such as Moldova's sugar exports to Ukraine.

Trade integration has thus been sporadically implemented throughout the region, without the universal application of these mechanisms at multilateral level, which an official, regional FTA would have brought about.

The Russian Duma's unwillingness to create an effective and mutually beneficial FTA mirrors contrasting points of view regarding the role and function of economic integration within the Commonwealth. Most CIS-countries have taken a traditional, step-by-step approach towards regional integration. This means no talks on customs or economic unions have been held before the FTA would be fully implemented. In contrast, the Russian Federation and Belarus see economic cooperation as a fast track towards political reintegration of the Post-Soviet space, leading Russia to conclude at least nine international agreements with various CIS-member states since 1993. These treaties reflected patterns of Russian post-Soviet diplomacy *vis-à-vis* the so-called "near abroad", which provided a mix of direct pressure and conditional benefits for those countries that continued to remain Russian satellites.

Of these nine agreements, the four between the Russian Federation and Belarus provide a sketch of how Russia would like its relations with its neighbours to evolve. Formal integration began with the above mentioned Agreement on the Formation of Economic Union of September 1993. The next step was the January 1995 Agreement on a Customs Union. This led to an agreement in April 1996 to form a community between Russia and Belarus, a political arrangement close to confederation between the two countries, to the April 1997 Treaty on the Union of Russia and Belarus (a framing document of a new federal state formation, according to which the national legislation of Russia and Belarus would be subordinated to one Union), and finally, to the December 1999 Treaty on the formation of a Union State. This last treaty is a purely political document that declares the arrival of a new state and provides for the establishment of state bodies, including a High State Council, a bicameral parliament, a Council of Ministers, a court and so forth. The prospect of a monetary union is declared here too. It is noticeable that acceleration from low stages of economic integration to the highest forms of political integration was based not upon the incremental achievement of integrationist policy, but on post-Soviet political nostalgia.

Among the other Russian agreements, one, in January 1995, integrated Kazakhstan into the initial Russian-Belorussian customs union, while Kyrgyzstan joined this agreement in 1996 and Tajikistan in 1999. Three other agreements provide multilateral initiatives, including the May 1996 Agreement among the Russian Federation and the Republics of Belarus, Kazakhstan, and Kyrgyzstan on the Intensification of Integration in the Economic and Humanitarian Spheres; the February 1999 Agreement on a Customs Union and a Single Economic Space of the Russian Federation and the Republics of Belarus, Kazakhstan, Kyrgyzstan and Tajikistan; and the October 2000 agreement among the same group of five on the formation of the Eurasian Economic Community (EurAsEC).

All these agreements, concluded between Russia and members of the CIS, have significant drawbacks. And all of them failed to achieve the goals proclaimed, economic and political ones alike. Neither a free trade regime nor a customs union really exist within the CIS. Numerous exceptions and administrative restrictions constrain business relations between member states, including the supposedly deeply integrated Russian and Belorussian relationship.

Despite the nominal ambition of EurAsEC to be an economic community, it is simply an incomplete free-trade regime without developed provisions for a customs union. EurAsEC has also not eliminated trade discrimination problems between member states, as Russian anti-dumping investigations into the export of steel from Kazakhstan demonstrate (Ministry of Economic Development and Trade of Russian Federation 2008).

It is worth mentioning, that some proclamations of the 2000 EurAsEC agreement were identical to those of the 1999 Agreement on the Customs Union and Common Economic Space, thus providing evidence that these agreements towards regional integration have been hastily promulgated and politically motivated.

What has been the driving force behind this integration strategy and who has benefited from the numerous projects within the CIS? According to international trade statistics, Russia's export volume to a number of CIS countries increased by 20–30 % after the formal introduction of free-trade regimes through EurAsEC in 2000. At the same time, exports from CIS-countries to Russia have failed to match this rise, resulting in an increasing trade deficit between most of the customs union and EurAsEC countries, on one hand, and Russia on the other. Statistical data indicate that, for example in 2006, exports from Kazakhstan, the second largest EurAsEC member state, to Russia were growing slower than imports from Russia to Kazakhstan: while Russian exports rose by 37,3 %, total bilateral trade only increased by 31,2 % (Embassy of the Republic of Kazakhstan to Russian Federation 2007). Thus, for Russia's "satellites" the essential benefits of economic integration within the CIS remain unclear. Although Russia reaps more benefits, they seem to be more political by nature than economic as the total share of all CIS-states in Russia's foreign trade accounts for less then 18 %.

The most ambitious project of this sort was the Single Economic Space of Russia, Ukraine, Belarus and Kazakhstan. In September 2003, the presidents of these four countries signed an Agreement on the Establishment of a Single Economic Space (SES), the concept of which had been announced initially in Moscow. Drafts for the SES were negotiated by high-level groups in August in Astana. Although drafts were initially approved by Russia, Belarus, and Kazakhstan, Ukraine ultimately approved the SES introducing a provision stating that the SES must adhere to the Ukrainian constitution and to Kiev's strategic goal of European integration. These documents rather represent a mission statement for the SES than a specific plan. They do not establish any concrete regimes or institutions. Nevertheless, the very idea of the SES led to the most intensive foreign policy debates in recent memory in Ukraine. The principle innovation of the SES is the involvement of Ukraine, a state that previously avoided participation in unions providing for the creation of supranational bodies and profound forms of integration beyond an FTA.

Early in the SES drafting process, Russia and Ukraine had noticeably different approaches toward the SES's mandate. In March 2003, Russian Prime Minister a Mikhail Kasyanov stated that the ultimate objective of the SES was to create a monetary union based on a common currency (NewsRu.com 2003). Other Russian officials confirmed this vision on multiple occasions. In the Russian view, the common currency would be the ruble because the Russian economy was four times larger than the economies of the other three states combined. President Nursultan Nazarbayev of Kazakhstan meanwhile supported the idea of a common currency but one other than the Russian ruble. Belarus generally shares Russia's view of the proposed monetary union and on paper aims to create a bilateral mone-

tary union with Russia regardless of the SES's future. Another integral part of the Russian version of the SES is a customs union, which may emerge as the initial stage of the project or the minimum requirement for the creation of the SES.

Ukraine from the very beginning diverged significantly from Russia in its view on the SES. It rejected the idea of a monetary union. In response to Kasyanov's statement on a common currency, President Leonid Kuchma called the idea a "mythical project." The head of the National Bank of Ukraine, Serhiy Tyhipko, who was also the leader of the Russian-oriented centrist party Labour Ukraine, stated that Ukraine had no intention of joining the ruble zone. "We have our own currency. It is quite stable," he said in Moscow in response to the proposal that Ukraine may join the Russian-Belorussian monetary union (Tyhipko 2003).

The idea of a customs union had few supporters in Ukraine even during Kuchma's presidency. The head of Ukraine's high-level negotiation group for the initial talks, Deputy Prime Minister Mykola Azarov, stressed that, in his opinion, the customs union was no necessary component of the SES. Ukraine's strong domestic opposition to a customs union, a monetary union and other stages of integration within the SES was determined by the obvious contradiction between the country's intention to enter the SES and its strategic ambition to join the European Union. As no country can join two customs or monetary unions at the same time, the emergence of a customs union within the SES would preclude Ukraine from ever becoming part of the EU.

Instead, Ukraine's officially proclaimed objective for the SES became an FTA without any exceptions and limitations. The Russian position did not foresee such a scenario but rather regarded the formation of the customs union as the initial stage of SES-integration.

The logic behind such an approach seems absolutely clear since the customs union itself signaled a stage of economic integration that prevents members from implementing their own sovereign foreign economic policy. This is one example of a policy that blocks even the primal stages of Ukraine's integration into the EU such as an agreement on a Free Trade Area.

After the Orange revolution, the Ukrainian approach envisaged few changes. President Yushchenko confirmed several times that Ukraine was still interested in the SES as a form of free-trade zone. As such an approach did not fit Russia's intentions, Russia gradually lost interest in further promoting the SES. Although the SES has not been officially declared dead yet, negotiations have been suspended and their continuation seems unlikely.

In summary, Russian-inspired projects for deep regional integration within the CIS amaze in their numbers, ambitious character, short duration and continuous failure. Russia, the main promoter of these processes, changed the "brands" of its ideas nearly annually, desperately continuing to sell the same empty concepts to its neighbours, in an attempt to draw them into Moscow's sphere of influence. Nevertheless, Russia's politics are also reinforced by the readiness some of the CIS leaders to become objects of the Kremlin's manipulations. Ukraine was among these states before December 2004, but gradually turned away from Russia with the Orange Revolution.

Russia's strategy towards Ukraine had two main goals. The first one was to demonstrate to European partners the lack of seriousness and coherence in Ukrainian politics in area of

European integration. The mere signing of the formative documents on the SES in September 2003 already had put pro-European declarations made by Ukrainian politicians into doubt. The second goal is to create structural and functional obstacles to Ukraine's integration into the EU, as seen in the case of the customs union.

7.4 Managed democracy and the Orange Revolution: The limits of Russian impact

Has the Russian leadership had a significant impact on Ukrainian politics? Despite the fact that the concept of sovereign democracy can safely be located in Russia, it is worth considering that the concept emerged due to developments in Ukraine (Krastev 2006). According to Krastev, managed democracy has its origin in the Kremlin's conception of the Orange Revolution, which is referred to as Orange Technologies in Kremlin terms. This line can be traced back to a statement by the Kremlin's chief ideologist Vladislav Surkov made in February 2006. Sovereign democracy, in his view, is Moscow's response to the dangerous combination of populist pressure from below and international pressure from above that destroyed the Kuchma regime.

However, in the author's opinion the phenomenon of managed democracy appeared already during Putin's first term as President 2000-2004. The Russian political regime under Putin's leadership presented a crucial turn from the semi-authoritarian rule under Yeltsin to the consolidated non-pluralistic autocracy of present-day Russia. The main features of this regime appeared prior to 2004 and took the form of a *de facto* nationalisation in the energy sector, total control of the media, *a* criminalisation of Western-funded NGOs, Kremlin-sponsored party-building, the criminal prosecution of the Kremlin's opponents as seen in the case of Mikhail Khodorkovsky and, after 2004, the creation of structures such as the Nashi [Ours] movement that help to secure active support for the regime in times of crisis (Krastev 2006).

The events of the Orange Revolution of 2004 were triggered by attempts of the ruling elite (most notably president Leonid Kuchma, Premier Minister and presidential candidate Victor Yanukovych) to establish an authoritarian political regime based on the principles of managed democracy, which was successfully introduced in Putin's Russia. There, a trend away from European liberal democracy could be observed leaving behind the hybrid semi-authoritarian regime previously in existence. A scenario of forced succession of power from Kuchma to Yanukovych, openly supported by Russia, would have lead to the establishment of a regime similar to Putin's. The role of the opposition would have been marginalised, the free media would have been definitively suppressed. In terms of international standing, Ukraine would have returned completely under a Russian political and economic umbrella.

Ukraine's turn away from democracy became visible when President Kuchma was accused of murder of the journalist Georgiy Gongadze in 2000, which led to serious deterioration of Kiev's relations with the West. Starting with the Gongadze crisis, the Ukrainian leadership's dependence on Russian political support rose substantially. Parallel, Ukraine's vulnerability towards Russian demands and expectations increased in different areas, reaching from economic integration (see 7.3), political penetration to a shared approach to major foreign policy issues. During this time, Russian enterprises benefited im-

mensely from privatisation of strategic branches of the Ukrainian economy, a gas-transport consortium, an officially declared "Year of Russia in Ukraine", Ukraine's presidency of the CIS and, at last, the creation of the "Single Economic Space". All this was possible due to an unprecedented crisis in Ukraine's relations with the West.

While Western institutions such as the Council of Europe, the EU, OSCE (ODIHR) and others criticised the erosion of democratic institutions in Ukraine, Russia did not share these concerns. Instead the Russian leadership undertook efforts to pursue opposite objectives. In July 2003, for example, Russia initiated (and Ukraine supported) a campaign against involvement of ODIHR in election observation. In this context OSCE missions were accused of double standards and "interference in the domestic affairs" of post-Soviet states. Russia and Ukraine, together with other CIS-countries established separate CIS election observation missions, which issued only positive statements regarding all elections in CIS countries, even if most international observers detected serious violations.[5]

During Ukraine's 2002 parliamentary and 2004 presidential elections Russian state-run media were conducting a campaign to support pro-authoritarian parties and candidates in Ukraine, accusing the opposition of extremism, nationalism and anti-Russian intentions. A number of Russian political technologists and consultants, close to the Kremlin, such as Gleb Pavlovsky, were directly involved in the campaign siding with ruling groups.

In consequence, Ukraine's democracy, human rights, rule of law and media freedom ratings decreased consistently between 2000 and 2004.[6] The year 2004 proved to be crucial, as the authorities, threatened by the possible victory of the democratic opposition in the presidential elections in autumn, tried to rig election results in favour of the "official successor" Victor Yanukovych. The failure to turn the election resulted in the general neglect of further consolidation of a model of managed democracy, based on Russian experience.

This failed attempt demonstrates Russia's limited capacity to export its political culture and system of governance, despite the fact that this kind of "export" was actively demanded by the ruling Ukrainian elite. Therefore, the events of 2004 underlined the growing gap between Ukraine and Russia. Ukrainian society did not accept the model of managed democracy which was enthusiastically welcomed by the majority of the Russian population.

Between 2000 and 2004, a trend towards authoritarianism in Ukraine coincided with growing political dependence on Russia. Russia presented itself as a country which openly supported non-democratic developments in neighbouring countries. Even after the Orange Revolution, Russia's role as a promoter and defender of non-democratic regimes was consistently demonstrated in other post-Soviet states such as Belarus, Armenia and Uzbekistan.

5 Those missions are still active, but Ukraine has not participated since 2005.

6 See for example Freedom House's annual reports: Nations in Transit 2000–2004. Democratization in East Central Europe and Eurasia.

7.5 Energy policy

While Russian political influence has waned since 2004, the country's economic leverage persisted. In particular, Russia's energy policy mirrors the fragility of Ukraine's national security and its conflicting interests with Russia. At the same time, the energy issue discloses a strong connection between Russian and Ukrainian business and political elites, which in the author's opinion poses an evident threat to the national interests of the country.

Energy issues have played a key role in Ukrainian-Russian relations since the break-up of the Soviet Union in 1991. Already in the early 1990s, Russian firms occasionally cut off gas supplies to Ukraine due to unpaid energy bills.

With the state's reassertion of control in the energy sector, the major objective of present-day Russia is to establish control over gas- and oil-transit pipelines - not just in Ukraine, but in the EU as well. Confirmation of this can be found in the "Russian Energy Strategy to 2020" (Russian Business-Newspaper 2003), which stipulates 'a consolidation of [Russian] presence in the internal energy markets of foreign countries, co-ownership of sales networks for energy resources and ownership of the energy infrastructure in these states. Regarding this, Russia has continued to pursue its long-standing goal of ownership of Ukraine's natural gas pipelines and storage facilities, as well as its local gas distribution network. In February 2007, Putin announced that he and Prime Minister Yanukovych had agreed on joint Russian-Ukrainian control of Ukraine's natural gas assets, in exchange for a Ukrainian stake in Russia's natural gas fields. However, this statement provoked a strongly negative reaction in Ukraine so that in February 2007 parliament approved a law banning any transfer of control over the pipelines by a vote of 430:0 (Woehrel 2007). Nonetheless, Russia has tied its potential support for building new pipelines in Ukraine to greater ownership of Ukraine's pipeline system by Gazprom.

Currently the Russian leadership promotes the creation of facilities to bypass traditional transit states; first of all Ukraine, Poland and the Baltic states. This policy of diversifying transport routes is seen in projects such as the Nordstream project in the Baltic Sea, in the extension of the Novorossiysk oil transport system which bypasses the Bosporus in the Black Sea region (Burgas–Aleskandrupolis, Kiyikey–Ibrikhaba). In the gas sphere, the Russian–Turkish pipeline 'Blue Stream' provides alternative options.

A special case of Ukrainian-Russian relations in the gas sphere is an activity of the officially Swiss-based intermediary company "RosUkrEnergo", which is exclusively authorised to supply Russian and Central Asian gas to Ukraine. Nominally, Gazprom owns 50 % of RosUkrEnergo, Ukrainian businessman Dimitry Firtash owns 45 %, and another unnamed Ukrainian businessman owns 5 %. Since 1 January 2005, the company has acted as an operator of Turkmen natural gas transportation from Turkmenistan and Uzbekistan to the borders of Russia and Ukraine. The company has a contract with Gazprom for gas transportation on the territory of Uzbekistan, Kazakhstan and Russia. Naftogaz of Ukraine (Ukrainian state-owned company, client of RosUkrEnergo) handed over 37.5 % of the volume of gas transported for Naftogaz to the company as services payment.

As has been mentioned before, Ukraine's vulnerability on the natural gas market results not only from Russia's role as exclusive supplier and transporter, but also from Ukraine's

dependence on discount prices. Despite frequent rises in the gas price, Russia continues to subsidise Ukraine's energy consumption. While in 2005, Ukraine paid only 50 US$ for 1000 cubic meters of gas the average price for Europe at that time was about 230 US$. In 2006 the price was raised to 95 US$ and in 2007 to 130 US$ (Expert 2006). According to the contract for 2008, Ukraine will pay 179.5 US$ for 1000 cubic meters. This price is closer to European average, but still at least 100 US$ lower.

The specific nature of the Russian-Ukrainian relations in the energy sphere threatens Ukraine's economic security by eroding market instruments and replacing them with grey schemes. According to experts, the existing format of gas supply to Ukraine is non-transparent and stimulates corruption (Kuzio 2006). Furthermore, it is also a product of corrupted relations between power and business structures of both countries, so that Ukraine's energy policy became subject to manipulation and conflict. The negative political environment, based on the business-power merge, prevented companies from developing transparent policies. Further, mutual disagreement between both states also obstructed a number of prospective Russian-Ukrainian projects and delayed plans to increase the transit of Russian gas through the territory of Ukraine (Viter et al. 2006, 17).

7.6 Russian diplomacy in Ukraine: The case of Viktor Chernomyrdin

The official representative of Russia in Ukraine is Ambassador Viktor Chernomyrdin, former prime-minister of the Russian Federation. He personifies a set of values and certain standards of behaviour of Yeltsin's Russia. Chernomyrdin as a diplomat is said to be both, sharp and deliberate. Assessing this occurrence from a formal standpoint, we admit, that the paradigm of Chernomyrdin's behaviour is challenge and refutation of diplomatic tact. Probably, the appointment of a former Prime Minister as Ambassador to Ukraine aimed to remove certain features of diplomatic protocol from Ukrainian-Russian relations. However, Chernomyrdin was the only Ambassador of a foreign state in Ukraine, who was able to phone the President of Ukraine if necessary directly during Kuchma's time, or to contact other officials in contravention of established *jus gentium* procedures and standards.

The effectiveness of Chernomyrdin's activity in Ukraine is quantified by a number of privatised petroleum-refining enterprises which were sold to Russian enterprises at a reduced price and without opened tenders as well as by a constant increase in the quantity of Russian filling stations on Ukrainian roads.

At the same time Chernomyrdin cannot consider his career in Ukraine to be successful. Despite enormous Russian efforts, Ukraine is not involved in EurAsEC. Those who called him "Ukraine's governor" obviously overestimated the authority of the Russian envoy.

Due to personal ties with president Kuchma, Chernomyrdin gained a firm position in Kiev. He was a key communicator for Russia in supporting the "succession of power" based on the preservation of the *status quo*. Before the 2004 presidential election, Chernomyrdin was in favour of a third term for Kuchma and the expansion of the presidential authority (Mostova 2003).

Chernomyrdin possessed a reliable key to the psychological essence of Kuchma's Ukrainian power. In all discussions and conflict situations Chernomyrdin always agreed with the

President and critically expressed his opinion against his opponents. The Russian authorities tolerated his behaviour: When the Supreme Rada sent a letter of inquiry to the Russian Ministry of Foreign Affairs concerning incorrect statements of the Russian Ambassador at one of the round tables (e.g. in the year 2003 he called for Ukraine to ignore fundamental recommendations of the West), the Foreign Ministry protected him, referring to the "subjective features" of the Russian diplomat.

Chernomyrdin is the first Ambassador of Russia in Ukraine to promote PR measures as an integral part of his activity. Receptions at the Russian Embassy, held in Soviet style with the participation of old Soviet singers and artists, became a permanent element of life of the Ukrainian political *beau-monde*. So, Chernomyrdin, outcast by the new Russian elite, became an element of the Ukrainian political system and culture in 2001-2004. He represented not only the Kremlin's interests, but most of all those of a considerable part of the Russian domestic elite closely allied with the resources sector, capital and hybrid political values of "Ukraine Malorossia" (Ukraine as Russia's smaller sister).

The events of the Orange Revolution, representing Russia's failure to attract Ukraine towards its own path, surprisingly did not lead to Chernomyrdin's dismissal. Although, he became less active as a public person and spokesman, but the general style of performance remained the same. In a public statement issued in January 2007, he called upon Ukraine not to join NATO, Russia would otherwise "reconsider its relations with Ukraine" (BBC 2008).

After 2004, the direct forms of political influence that had been practiced in the past, ceased to exist. It seems that at present the Kremlin prefers to act by using more diversified instruments: in the form of political and business groups, whose Ukrainian satellites strive for control of the Ukrainian market.

In some sensitive cases however, Russia still uses its direct political, practical and media support in order to achieve its short-term Foreign policy goals, such as preventing Ukraine's accession to NATO.

8 Russia's impact on Ukraine's political organisation and stability

It is hard to detect a direct Russian impact on current developments in Ukraine. Unlike during the Kuchma period, Russian influence is more hidden than before 2004.

Political developments show that key political decisions in Ukraine since 2004 were taken independently from the Russian position. The application for NATO membership, the conclusion of the WTO accession process, the early parliamentary elections of 2007, the creation of a democratic coalition, the nomination of the new foreign minister Volodymyr Ogryzko, the commemoration of the 1933 famine victims and of Ukraine's Insurgent Army fighters – all these events demonstrate an increasing capacity of "Post-Orange" Ukraine to conduct policies principally independent from Russia, disregarding Russia's frequent nervous reactions on these matters.

At the same time "Russian influence" should be considered in wider terms. This means that there is an evident link between the limited success of reforms in Ukraine and close

ties with Russia as a pattern of the "Eurasian" or "Byzantium" model. The import of "bad governance" from Russia is seen in the prevalence of shadow politics instead of transparent ones, bureaucracy-controlled economy instead of liberal regulation, a strong connection between business and politics (*oligarchy* phenomenon) instead of a separation of business from politics, a large and inefficient state apparatus instead of a lean administration and a weak judiciary system.

The political structures lack an efficient system of checks and balances and provide a risk of a divided government preoccupied with internal fights for power and incapable to implement sustainable policies. The governments in power since 2005 have proven to be substantially more transparent and more democratic than the previous regime. However, according to Freedom House's "Nations in Transit 2006" report, "stable and mature institutions ensuring the rule of law and the irreversibility of democratic changes have not yet been built." (Freedom House 2006, 737)

The tradition of shadow politics remains an actual problem in Ukraine. Some substantial political decisions were made in an obscure manner even after the Orange Revolution. The energy market, deeply interconnected with the Russian energy business, remains the most devious part of the Ukrainian economy. Transparency of ownership, especially in the oil and gas sector has not been achieved yet. Energy sales have been conducted by obscure intermediary institutions, offering the elites of both countries opportunities to profit. Some analysts are concerned about a possible involvement of organised crime groups in RosUkr Energo, as well as corrupt links between Russian and Ukrainian officials.

The deep merger between big business and politics causes a high level of corruption. The majority of Ukrainian members of parliament are businessmen; the richest people of the country among them. Big businessmen are still seeking positions within the government, because these positions allow them to secure and extend their businesses.

Some Russian companies were involved in doubtful privatisation competition: The most recent case was the privatisation of the "Luganskteplovoz" company, Ukraine's biggest locomotive plant, purchased by the "Bryansk machine factory" in March 2007 by payment of approximately 40 Mio. €. According to Ukrainian experts, its real value is at least three times higher. Competitors of the Russian company were not allowed to participate in the competition due to artificial restrictions, installed by Ukraine's State Property Fund, led by Valentina Semenyuk, a member of the Socialist Party of Ukraine. Eventually, however, the Supreme Court of Ukraine nullified this deal in January 2008 (BBC 2008).

So far, Ukraine demonstrates no progress in the area of economic freedom. According to the "Cato Institute's" report on economic freedom Ukraine occupied the 111th position out of 130 countries in 2006, with a score of 5.4 which is a slightly worse than its 2005 score of 5.5. It is worse than the performances of Russia, Armenia, Georgia or Azerbaijan. The low level of economic freedom prevents a greater inflow of Western investment. On the other hand, the existing conditions are exploited by Russian business, familiar with such business environment.

Ukraine's political crisis of September 2008 – the collapse of the ruling coalition of pro-Western forces – contains an evident "Russian component". According to numerous sources, the Kremlin made consistent efforts to encourage Prime Minister Yulia Tymoshenko to challenge projects related to the diversification of energy sources (Glavred

2008) and finally to break the alliance with President Yushchenko, blaming him for "worsening relations with Russia" due to his position on Georgia and the Black Sea Fleet. Yushchenko, in turn, accused Tymoshenko of betrayal of national interests for the sake of Russia. Some non-official sources indicate direct interference of Russian officials under the leadership of Vladislav Surkov, Deputy Head of the Russian President's Administration, in an attempt to frame a new "anti-Yushchenko" coalition consisting of the former rivals. The Party of Regions, led by Victor Yanukovych, and the Block of Yulia Tymoshenko, including an approval of constitutional amendments aimed to diminish the president's power (Ukrainian Truth 2008).

9 Conclusion

Since the Orange revolution, Russian-Ukrainian relations were shaped by conflicting political processes under way in both countries. The change of power in Ukraine, unsanctioned by Moscow, and the continuing consolidation of the authoritarian regime in Russia defined both the general tenor and the specific contents of bilateral relations. In consequence, the trajectories of the two countries' development diverged, which inevitably stirred up a crisis, which most evidently manifested in the late 2005 gas controversy and the Kremlin's desire to challenge some domestic developments in Ukraine.

After the Orange Revolution, the "Kuchma era" sank into oblivion, together with the post-Soviet bilateral policy of behind-the-scenes agreements and no-tie diplomacy. Prerequisites for forging new types of ties emerged in the sense of fully-fledged international relations between two independent states. However, these ties are still in their infancy, and neither side has designed an effective and mutually beneficial way of fostering them. Hence the recurring temptation to pursue a traditional policy of substituting relations between the states with those between their elites.

Ukraine's transformation process meets numerous challenges, and the terms and quality of these developments remain uncertain. Despite the remarkable success in the different policy areas, especially after 2004, the socio-cultural legacy of the Russian and Soviet empires as well as informal traditions and habits are still an evident element of present-day Ukraine. That legacy was amended by Putin's "penetration strategy" aiming to prevent countries like Ukraine from a faster move towards the West.

After the war in Georgia in August 2008, this trend will become more obvious and Russian policy will continue to be more assertive due to the West's reluctance to extend its sphere of responsibility further eastward. This will most notably be reinforced by the lack of political will to continue with both EU and NATO enlargement.

Russia's major instrument to achieve penetration is the creation and strengthening of anti-western platforms within Ukraine. Building such platforms in different segments of Ukrainian society – business leaders, civil society and political elites – Russia will operate rather by informal means then by open policies. While Russia's role as re-emerging authoritarian power is unlikely to recede, the outcome Ukraine's transformation remains open. The possibility of a future democratic, western-oriented Ukraine is however perceived as threat to basic Russian interests, as it may represent an alternative to Russian society. Therefore, Russian-oriented actors will try and continue to discredit Ukrainian

developments after 2004 and constrain reforms which can bring Ukraine closer to European standards of politics, economy and social life.

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