

What will determine Ukraine's future scenarios?

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What will the geopolitical status of Ukraine be after Russian aggression? What is Russia's projected vision of Ukraine? Will Ukraine's political and economic system change? Are we going to witness the scenario of the Orange Revolution, which in any event did not bring any sustainable results? What will be the role of oligarchs in post-revolutionary Ukraine? What is the future of the EU Eastern Partnership policy? These are just a few of the questions that the research centres and analysts analysing processes in Eastern Europe seek to answer. The Eastern Europe Studies Centre is joining these discussions.

1. Russia's projected model of Ukraine: from federalisation to division of the state?

Russia's projected vision of Ukraine, at least in part, depends on the ideological, cultural and geopolitical concept that Vladimir Putin and key decision makers in his environment rely on. The "Putin doctrine" is the imperial idea of Ukraine as "Little Russia" or, more precisely, an interpretation of the idea proposed by Anton Denikin, the famous general of the White Guards. Putin mentioned the doctrine for the first time on 24 May 2009 at the graves of Denikin, Putin's favourite philosopher and writer Ivan Ilyin and writer Ivan Shmeliov at the Donskoy Monastery in Moscow. "Read it. It has reflections on Greater Rus, Little Russia and Ukraine. He says that nobody is allowed to interfere in our relationship, this has always been Russia's own business", Putin said after asking the journalists whether they had read Denikin's memoirs.¹

During Putin's appearance on the TV show "Interview with Putin" on 16 December 2010, the Russian President spoke more clearly and precisely. After Putin replied to Alexander Zaldostanov, a biker considered to be his friend, that **"he who does not regret that the Soviet Union broke up, has no heart, and he who wants to restore it in its original form, has lost his head"**, he then developed **his doctrine on Ukraine as "Little Russia"**.

¹ „Путин возложил цветы к могилам "государственников" - Деникина, Ильина, Солженицына“, *Newsru*, 24 May 2009. Retrieved from: <<http://www.newsru.com/russia/24may2009/spo.html>>

“Undoubtedly, when we were together, we were a far greater power. That is why our healthy- and patriotically-minded statesmen never even thought of the break up of such a unified formation as Russia, Belarus and Ukraine. During Soviet times we loved to curse the leaders of the White Guards movement. One of them, General Denikin, vehemently opposed even discussing with his then-allies, Western countries – even when their support and help in the fight against the Red Army was critical – the break up of the unified Russian state. Categorically rejecting all such proposals, he emphasised that it will always remain the business of the Russian nation, the united Russian nation. Today the situation is different. Today there is an independent Ukraine, Belarus and other former Soviet republics and we need to look at everything from the position of historical reality. However, we have the opportunity and necessity to proceed along the path of economic integration for the sake of our national interests, as we are doing now”, Putin said.²

On 19 September 2013, this idea was essentially further developed during Putin’s meeting with members of the Valdai Club.³ Based on “Putin doctrine” and the Russian President’s long-time reputation as “pragmatic”, it can be assumed that Putin does not necessarily aim at annexing eastern Ukraine or bringing down the Ukrainian state, as is publicly declared, for instance, by such an ideologue of current events as Aleksandr Dugin.

The doctrine of Ukraine as “Little Russia” allows Ukraine to be recognised as a quasi-independent state, provided it has close ties with Russia and is “within the same integration space”. However, any attempts of Ukraine to move towards another integration space (not just NATO, which is generally considered a “red line”, but also towards the European Union) are assessed on the basis of Denikin’s idea – “nobody is allowed to interfere in our relationship, this has always been Russia’s own business”. This phrase is conceivably to be considered the core of “Putin doctrine” for Ukraine.

Therefore, one can assume that Putin’s aims and plans in Ukraine are accurately reflected and openly declared in the document-proposal “On Ukraine’s support group”⁴ publicly circulated by the Russian Foreign Ministry, which in many ways repeats the deal of 21 February mediated by Germany, France, Poland and Russia and concluded between the then President of Ukraine, Viktor Yanukovich, and opposition leaders.

² Путин встал под знамена Белой гвардии: Россия неделима! *Livejournal*, 17 December 2010. Retrieved from: <<http://malorossijanin.livejournal.com/19950.html>>

³ President of Russia, “Meeting of the Valdai International Discussion Club”, 19 September 2013. Retrieved from: <<http://eng.kremlin.ru/news/6007>>

⁴ „Документ “О группе поддержки Украины”, *Delo*. Retrieved from: <http://delo.ua/get_file/id/o-gruppe-podderzhki-ukrainy.pdf>

The key points of this document provide for Ukraine's federalisation by granting broad powers to regions even in foreign relations (with Russia as can be expected), entrenching of the Russian language as the second official language in Ukraine's Constitution, and Ukrainian neutrality. As a result, Russia would essentially secure Ukraine's status according to the "Little Russia" doctrine. In this case it can be assumed that Putin in conjunction with the West (according to a pre-arranged plan, even with participation of the United Nations) would agree to guarantee Ukraine's formal independence and territorial integrity. However, the West, still trying to negotiate with Russia on Ukraine's future (even on the basis of the said document "On Ukraine's support group"), should understand that implementation of such a plan would not be the final goal to all Russia's political forces capable of influencing decisions. This was demonstrated by the occupation and annexation of the Crimea.

The Kremlin has had the current plan for Ukraine's federalisation for a long time and promoted it in Ukraine itself through the lips of oligarch Viktor Medvedchuk, who is personally close to Putin, and other pro-Russian forces back at the time when none, at least publicly, discussed the victory of the Maidan protest movement in Kiev or any occupation of the Crimea or destabilisation of eastern Ukraine. It was argued that federalisation was the best way out of the political crisis. The fact that similar ideas continue to be entertained would suggest that one or other form of Ukraine's federalisation has been and remains the Kremlin's key plan.

Yet, on the contrary, there are also a number of indications that Putin did not have any plan to annex Crimea. He refused to send Russian armed forces to Ukraine when this was requested by Viktor Yanukovich, the then legitimate president with real powers and support of the Verkhovna Rada. At that time, voting at the Federation Council on 1 March concerning the right to use Russian armed forces in Ukraine was arranged so hastily that there was even a threat that there would be no quorum.

This would even allow to assume that if an agreement between Yanukovich and opposition leaders was reached through the mediation of Germany, France, Poland and Russia, Russian aggression may not even have started. Such sequence of events would correspond with the doctrine of Ukraine as "Little Russia" reflected in Putin's approach to Ukraine. Furthermore, when the plan for an agreement failed, it seemed for some time that the Kremlin was simply confused, rather than trying to implement a pre-defined specific scenario.

The ideologue of current aggression, Dugin, however, from the very beginning had his scenario. On 20 February in his *Vzgliad* interview he stated that **“this fight against Ukrainians in some respects has nothing at all to do with it – they are just the pawns”**. Developing the doctrine of Ukraine as “Little Russia” so dear to Putin, in his interview Dugin made it clear that his and his comrades’ goals reach much further – to control the whole of southern and eastern Ukraine, because we **“are not going to assimilate the Western enclave”**.

On the other hand, despite continued efforts of Russian saboteurs to destabilise the situation in Ukraine and Dugin’s open statements that if Russia’s requirements are not fulfilled, armed forces will be sent to Ukraine,⁵ Viktor Ozerov, chairman of the Committee on Security and Defence of the Federation Council, said that Russia cannot send its armed forces to Ukraine without the UN mandate.⁶ True, later, when he was forced to explain his position in the Russian media, Ozerov acknowledged that the powers granted to Putin by the Federation Council to send armed forces to the territory of the entire Ukraine remain valid and in the event of bloodshed this may happen. Since Ozerov is one of the major political companions of Russian Minister of Defence Sergei Shoigu, it can be assumed that his initial statement was related to the internal struggle in Russia concerning further action in Ukraine and **Ozerov’s disapproval of the army deployment also means Shoigu’s opposition to such a scenario**. Earlier, there were reports that Russian military analysts were sceptical about the possibility of the invasion into eastern Ukraine without major Russia’s casualties, like it was in the Crimea.

Well-known Russian political analyst Dmitry Oreshkin has eloquently illustrated the fact that the Russian political elite is far from being unanimous regarding any further action in Ukraine. He argued that the decision by Rosneft CEO, Igor Sechin, to purchase one billion roubles worth of Rosneft shares in mid-March showed that the Kremlin did not intend to send the army to eastern Ukraine. According to him, if the invasion had been planned, this very well informed figure close to Putin would have waited until, due to the invasion and subsequent sanctions against Russia, the price dropped even more.

However, the doctrine of Ukraine as “Little Russia” acceptable to Putin – despite tactical differences as to whether there is a need to annex the whole of eastern Ukraine to Russia or it is sufficient to

⁵ Мария Степанова, „Если киевская хунта затеет гражданскую войну, России придется начать контртеррористическую операцию“, *Nakanune*, 8 April 2014. Retrieved from: <<http://www.nakanune.ru/articles/18866>>

⁶ „Українська правда, Российский депутат: Нельзя просто так взять и ввести войска в Донецк“, *Украинская правда*, 7 April 2014. Retrieved from: <<http://www.pravda.com.ua/rus/news/2014/04/7/7021641/>>

keep it in Russia's area of influence and “not to allow anyone to interfere” (prevent integration into NATO and the EU) – finds support not only among the so-called “hawks” of the current regime, but also among relative “liberals” (D. Medvedev, I. Shuvalov and others). Moreover, it is supported by a significant portion of the forces opposed to the current regime. It can therefore be concluded that Russia will not stop until all of its goals corresponding to the concept of Ukraine as “Little Russia” are implemented or until Russia itself is stopped. All other objectives – disruption of elections, incitement of civil war in Ukraine and even military intervention – would be the only means of implementing such a concept.

2. Will Russia gain an informal veto right over EU and NATO expansion into Eastern Europe?

The concept of “Little Russia” (the model of federalised and neutral Ukraine) at some stage envisages negotiations between Russia and the West (EU and USA) on Ukraine's geopolitical future. At the very least Ukraine should accept the status of the buffer zone. On the other hand, Russia also seeks to gain an informal veto right over further EU and NATO enlargement to the east.

The 2008 post-conflict situation scenario in Georgia allows Russia to assume that, at the end of the conflict in Ukraine, Russia in any case will hold more than it had at the beginning of the conflict. This is guaranteed to Moscow by those Western European countries that support the position of “coexistence” with Russia (and the recognition of its natural interests in the post-Soviet space). It is likely that such logic of action was affected by Putin's diplomatic success in 2013 and the decline of the international role of the United States. After all the Syrian crisis is being “solved” according to the scenario proposed by Russia and Obama appeared to have come to terms with disregard to his own “red lines”. This created sufficient premises for Russia's attempts to conduct a revision of the European security system.

The first signal that Russia's informal veto right may be possible was the EU's refusal to sign the economic part of the Association Agreement with Ukraine – an enhanced free trade agreement. It was from the moment of signing this contract that Ukraine could no longer, even in theory, become a member of the Eurasian Union. In addition, it is increasingly believed that Russia should be included in the debate on the Eastern Partnership policy (for example, in the debate on the implementation of the Association and Free Trade Agreement). Perhaps Putin's idea about the common economic space from Lisbon to Vladivostok, which has been kept well hidden, could after all see daylight and this in practice would mean EU negotiations regarding a free trade agreement

with the Russian-controlled Eurasian Customs Union. Under these conditions, the Eastern Partnership policy would be a complete failure.

The following aspects could be named as indicators as to whether Russia will gain the opportunity to block the EU and NATO enlargement to the east: first, granting (or failure to grant) of EU membership prospects to Ukraine and, second, granting (or failure to grant) NATO Membership Action Plan for Georgia.

It should be noted that the neutrality status imposed on Ukraine at the international level would first of all mean that Russia's ability to use Russian domestic policy tools to affect the current *status quo* in this country in ways favourable to Russia is much more powerful than the abilities of EU let alone USA (even assuming that the EU has interest to act in Ukraine and change its formal and informal rules). **In order to keep Ukraine in the post-Soviet space Russia only needs to maintain the existing rules of the political and economic game; meanwhile in order to expand its European regulation, the EU must change these rules fundamentally.** The status of the buffer state would certainly be the factor causing a stalemate in the current situation.

3. Ukraine's domestic political and economic structure: continuing dependence on oligarchic trends?

At the beginning of 2014, when the Ukrainian government was formed, the newly appointed Prime Minister Arseniy Yatseniuk said that the country's budget was almost empty. This situation is the result not only of the geopolitical instability caused by Russian aggression, which further complicates the situation, but also of the development of the country's economy over a period of time and the recession that the country has experienced since mid-2012.

According to the International Monetary Fund (IMF), in January-September 2013 (before the start of the unrest) due to decreasing export demand and falling investments, Ukrainian economy shrank by 1.25%, the country's currency hryvnia depreciated by nearly a fifth (the exchange rate to the USD fell from 1:8 to 1:12), and the current account deficit reached a record 8%, which will require about 25 billion this year alone to cover it.⁷ Moreover, this led to the increased cost of borrowing: short-term interest rates reached 15%.⁸

⁷ IMF Executive Board Concludes 2013 Article IV Consultation, First Post-Program Monitoring, and Ex Post Evaluation of Exceptional Access with Ukraine, IMF, 19 December 2013. Retrieved from:

Such situation reflects complex transformation of the country's economy after the collapse of the USSR. Being the second largest Soviet Republic in terms of population, Ukraine was also one of the poorest countries: in 1991, the gross domestic product (GDP) per capita was only USD 1,300 and was higher only than that of Azerbaijan, Georgia, Kyrgyzstan, Tajikistan and Uzbekistan; soon after the collapse of the Soviet system, over a few consecutive years it fell by 7-22%. Hyperinflation, dependence on Russian gas, and economic shocks hindered its growth, and to this day, Ukraine's real GDP at purchasing power parity per capita is less than 50% of the 1992 level.⁹ **According to *Forbes*, in 2011 Ukraine was the fourth worst economy in the world with "rich farmland and generous mineral resources and could become a leading European economy, yet it trails far behind even countries like Bulgaria".**¹⁰

This was caused by systemic reasons, which can be summed up broadly in two blocks of factors. The first relates to the failure to implement reforms: no required political, administrative, economic, social and educational system structural changes were implemented. In addition, the country embattled with social and cultural fragmentation has not so far selected any socioeconomic development scenario most beneficial for the specific circumstances and the resulting disagreements became the impetus to stagnation. **Oligarchs, who are estimated to actually own about half of the country's GDP and are not interested in change, play a significant part in this process.**¹¹

The second block of factors is related to the large-scale corruption, which was emphasised by academics studying Ukraine's economy. In 2013, Ukraine came only 144th out of 177 countries in the Freedom House Corruption Perceptions Index.¹² This was due to four factors: political culture, lack of political will and active civil society, weakness of authorities which have to fight corruption, and dependence of political parties on business. Therefore the political spectrum is dominated by populism aiming to retain the elite in power.

<<http://www.imf.org/external/np/sec/pr/2013/pr13531.htm>>

⁸ "Why is Ukraine's economy in such a mess?" *The Economist*, 5 March 2014. Retrieved from:

<<http://www.economist.com/blogs/freeexchange/2014/03/ukraine-and-russia>>

⁹ Ibid.

¹⁰ "Worst Economies", *Forbes*. Retrieved from:

<<http://www.forbes.com/pictures/mlj45eiil/ukraine>>

¹¹ Andrew Wilson, "Ukraine: Political and Economic Lessons From Democratic transitions", Council on Foreign Relations, 18 June 2013. Retrieved from:

<<http://www.cfr.org/democratization/ukraine/p30818>>

¹² Corruption Perceptions Index 2013, Transparency International. Retrieved from: <<http://www.transparency.org/cpi2013/results>>

The lack of structural reforms and the highest corruption levels are the consequences of the oligarchic state structure. Business stratum in post-Soviet Ukraine never developed as an autonomous power segment. This led to the involvement of business structures in political decision-making in order to gain state protection.

In many Central and Eastern European countries, including the Baltic States, the first democratic elections were won by reformist forces, which started fast transition to a market economy and democratisation. Meanwhile in Ukraine, where the former Soviet nomenclature won the elections, the transition period followed along the path of the so-called step-by-step strategy. This gave rise to the formation of oligarchy.

The roots of the business-politics symbiosis lie in early privatisation processes, where old communist nomenclature turned its bureaucratic powers into financial and economic capacities. This is how a certain post-Soviet Ukrainian version of oligarchy came into being where relations between business and political elite became relationships between “rent-seekers” and “rent-givers”.

It is interesting that after the Orange Revolution formal power changes did not bring about fundamental changes in the informal rules of the game. **After the 2004 Orange Revolution, the importance of the rival groups of oligarchs in the political life did not lessen, because many promises of the “orange coalition” to reform the country’s party system due to their oligarchic nature failed to be implemented.**

All this determined that the rules of Ukraine’s political and economic system are formed and supported by oligarchic business groups. They are the power centres within the country and their cost-benefit balance determines both Ukrainian foreign policy and integration into the international markets (EU’s internal market vs. Eurasian Economic Union).

It should be noted that competition between oligarchs guaranteed a certain quasi-democratic model and did not allow establishing the type of Belarusian authoritarian model in Ukraine and also prevented the formation of the so-called vertical politics according to the Lukashenka or Putin model. However, the vulnerability of oligarchs became the vulnerability of the entire state, while their interests became the guiding factor in the country’s economic policy. Naturally, the guiding factor for oligarchs is “freezing” the current economic and political structure and retaining informal rules of clientelism.

Somewhat different trends in Ukraine's political development could be observed during Yanukovich's presidency. Starting from 2010, he embarked on building vertical politics. Yanukovich's power in the country's political system became different from that during the Orange Revolution. Then he was just a project of oligarchs of eastern Ukraine (more precisely Renat Akhmetov) and was entirely dependent on their support. In 2013, he was, however, much more independent. Over the three-year presidency, he had created a strong and independent power structure, the so-called "family", whose members were taking over control of various industries, strengthened positions in the banking sector, and increased their control over the media. "Penetration" of political power into the state economy started. As a result, the directions of the fusion between politics and business started to change. **If previously big corporate structures and their owners ruled the country, so during Yanukovich's rule, it was the opposite – the "taking possession" of the country's economy and at the same time of power resources by the country's political elite.**

3.1. Structural Ukraine's dependence on Russia: what could the consequences of a "shock therapy" be?

Lack of structural reforms and corruption in Ukraine directly caused not only chaos in the country's strategic energy sector, but also revealed structural flaws in the country's economy. To maintain the stability of the government, the state gas company Naftogaz subsidises about 75% of the gas price for final customers from the state budget.¹³ Due to subsidies, for the most part gas is used inefficiently (Ukraine is among the most intensive gas consuming countries, but domestic output is declining), which precludes investment, particularly in the supply system and places an enormous burden on public finances.¹⁴

The country managed through the 2009 economic crisis, during which Ukraine's GDP fell by 15%, with the help of the IMF loan in the amount of USD 15 billion. This was expected to boost the reforms in the energy sector, however Kiev continued with subsidies.¹⁵ Russia, which exports about 60% of gas consumed in Ukraine, played an important part in this process. One can predict that this will become one of the most important short-term economic challenges

¹³ "Why is Ukraine's economy in such a mess?" *The Economist*, 5 March 2014. Retrieved from: <http://www.economist.com/blogs/freeexchange/2014/03/ukraine-and-russia>

¹⁴ Pritha Mitra, Ruben Atoyan, "Ukraine Gas Pricing Policy", IMF Working Paper, 2012. Retrieved from: <http://antville.org/static/infam/files/IMF%20-%20Ukraine%20Gas%20Pricing%20Policy.pdf>

¹⁵ "IMF presses Ukraine government to raise gas prices at home Euractive", 31 October 2013. Retrieved from: <http://www.euractiv.com/europes-east/imf-presses-ukraine-government-r-news-531471>

for Ukraine, because the price of gas for households will increase by about 50%.¹⁶ Another factor is also important: for a long time now the traditional Ukrainian economic growth model relied on the principle of unsustainability. **According to this principle, relatively cheap Russian energy raw materials were utilised in the manufacture of industrial products, which because of lower costs acquired a competitive advantage and were sold at global market prices.** Although this impeded innovation development and did not promote efficiency (exports of industrial production in 2000–2009 also shrank from 45.1% to 36.1%), this helped to maintain a certain economic stability. Gas prices eventually increased, Ukraine did not implement further reforms to change the economic model and patched up gaps with higher budget expenditure.¹⁷ **Politically, this led to even greater structural dependence of Ukraine's economy and, due to fusion between business and politics, dependence of Ukraine's entire political system on Russia.**

In the current situation – whereby in a short period of time the price of gas dramatically increased making the fragile economic model completely non-functional – **the economic “shock therapy” is suggested to Ukraine before the window of opportunity closes.** This direction was delineated by the IMF, which promised a USD 20 billion grant to Ukraine. The fund's experts highlighted the need to reduce public spending by stopping energy subsidies, curtailing pensions and other welfare programmes, reducing the number of civil servants, enabling foreign investors to buy state property and assets, etc.¹⁸ Although politically this package of reforms will be very difficult to implement (in the short term, inflation could peak at 14% and the economy would shrink by 3%),¹⁹ consistent progress along this path would help Ukraine solve its first systemic economic problem, i.e. stagnating reforms, and in the long run is likely to solve and contribute to the reduction of corruption.

¹⁶ “Naftogaz: Ukraine plans from May 1 to increase gas price for public by 50%” *Kyiv Post*, 26 March 2014. Retrieved from: <<http://www.kyivpost.com/content/ukraine/naftogaz-ukraine-plans-from-may-1-to-increase-gas-price-for-public-by-50-340998.html>>

¹⁷ Pekka Sutela, “The Underachiever: Ukraine's Economy Since 1991”, Carnegie Endowment, 9 March 2012. Retrieved from: <<http://carnegieendowment.org/2012/03/09/underachiever-ukraine-s-economy-since-1991/a1nf#>>

¹⁸ Michel Chossudovsky, “Regime Change in Ukraine and the IMF's Bitter ‘Economic Medicine’”, *Global Research*, 24 March 2014. Retrieved from: <<http://www.globalresearch.ca/regime-change-in-ukraine-and-the-imfs-bitter-economic-medicine/5374877>>

¹⁹ “Shock Therapy Would Traumatize Ukraine, Bloomberg View”, 30 March 2014. Retrieved from: <<http://www.bloombergvie.com/articles/2014-03-30/shock-therapy-would-traumatize-ukraine>>

However, the scenario should not be excluded, whereby **swift reforms could further social upheaval, threaten state partitioning, and contribute to further growth of Russian influence in the region.** Fragmentation of Ukraine's ruling elite, which could be caused by the "shock therapy", would allow Russia to increase its influence on Ukraine's internal processes. Therefore, it is proposed to postpone reforms at least until a stable government is formed.²⁰ Due to exclusive political circumstances, the core element of the "shock therapy" is the availability of the window of opportunity for the implementation of reforms, which under normal circumstances would be unenforceable (as evidenced by failure to transform Ukraine's economy for over two decades). **So there is no answer as to what effect the "shock therapy" would have on the domestic policy and national security in the face of geopolitical pressures and military intervention of external forces.**

3.2. Post-revolutionary Ukraine: the role of the oligarchy, fragmentation of the political elite, and Russia's interests

The fact that the overwhelming majority of the major Ukrainian oligarchs financed or otherwise supported the Maidan protest movement is an open secret. While many of them did not do it as publicly as the current leader of the presidential election campaign, the "chocolate king", oligarch and politician Petro Poroshenko, at the beginning of the movement, the support from oligarchs was best illustrated by television programmes.

While all Ukrainian TV channels belong to oligarchs, at the beginning of the Maidan protest movement they demonstrated their sympathy for the protesters and criticised the government. Later, however, the situation slightly changed, some of the oligarchs began to manoeuvre between the government and the opposition. **But in retrospect it can be said that it is the lack of support from oligarchs that prevented Viktor Yanukovich from creating the foundation for the government that would help overcome the crisis and protests.** Yanukovich's "family" was simply too weak to survive in power.

It was obvious that oligarchs were interested in the success of the Maidan protest movement – President Yanukovich's "family" not only began to encroach on the interests of even the richest and most powerful oligarchs, but increasingly threatened that the former Ukrainian rulers would become the same servants to the regime like, say, the oligarchs in Belarus.

²⁰ Ibid.

Therefore, after the victory of the movement it is natural to expect that the oligarchs will try to regain their power and the positions lost during Yanukovich's rule. Particularly since the experience of the 2004 Orange Revolution is still fresh. After the victory of this revolution, people related to the environment of former Prime Minister Yulia Tymoshenko, also considered an oligarch and one of the leaders of the Orange Revolution, came to power.

So far, the said Poroshenko, also an oligarch, is considered the main candidate to win the upcoming presidential election. Moreover, in an attempt to resist Russia's efforts to destabilise the situation in eastern Ukraine, the new government gave the governor's seats to oligarchs, Igor Kolomoyskyi and Serhey Taruta, in Donetsk and Dnepropetrovsk. The positions of some oligarchs therefore further strengthened even without waiting for the new government after the presidential election.

All of these arguments would suggest that the most realistic future scenario for Ukraine (after solving the problems related to Russian aggression) is the arrival of new oligarchs who will claim back their all encompassing influence both on the country's economy and politics. Particularly since the restoration of the old Constitution of Ukraine shifted the centre of gravity from the president to the parliament, which is generally favourable for the implementation of such a scenario.

Meanwhile, the Maidan protest movement anticipated essential changes in the country's political and economic structure – independent, democratic, and oligarch-free Ukraine that could freely decide on its geopolitical orientation. **So it is very likely that today Ukraine witnesses a repetition of the scenario of the failed 2004 Orange Revolution where, despite huge public expectations, the oligarchic rule of the game remained unchanged.** Ukraine remains an oligarchic state, because one group of politically dominant large business structures was simply replaced by another group.

There are quite a few factors, however, which make us question such a scenario. First of all, Ukraine is basically a bankrupt state and the West, determined to engage in its rescue, does not intend to pour in huge sums of money this time and allow Ukraine to decide which path of development to choose. The IMF intends to monitor closely the implementation of reform in the country and how it is done. This is in itself a bit of a barrier to the return of the oligarchic system.

Before the start of the Maidan protest movement, Vitaly Klitschko, one of the Ukrainian opposition leaders, mentioned another important and increasingly resurfacing interest of oligarchs. He said that one of the main reasons for the

oligarch support to the Association and Free-Trade Agreements with the EU, that failed to be signed in Vilnius, was their desire for European rules of the game.

“Actually, even the oligarchs are tired of the fact that one day one group of oligarchs is close to the government, and another day – another group. With the change of the government, the rules change. Therefore oligarchs require one thing – clearly formulated rules. They are afraid of losing their capital. There were good times for Viktor Pinchuk and Konstyantyn Zhevago, but with the change of the government the monopoly passed onto others. Therefore now the oligarchs themselves say – we need clear rules that would not be changeable”, Klitschko explained.

Thus, the oligarchs themselves may be at least partially interested in the entrenchment of the “European rules of the game”, which in turn would limit their possibilities to bring back the old oligarch influence in Ukraine. It should also be remembered that Russian aggression significantly changed the situation in Ukraine. The Kremlin’s threat to the country for oligarchs is essentially a threat to their business empires. Therefore, it may be assumed that, if Russian aggression is repelled, one of the key objectives of the oligarchs and even forms of self-protection could be swift integration into the EU and strengthening of the state. For the sake of such self-preservation oligarchs may also decline the former influence and authority, and accept the “European rules of the game” instead.

However, the integration with the EU (as an incentive for transposition of European rules) is not possible without the substantial condition – the EU open door policy. Today, however, there are no signs that France and Germany will agree to grant Ukraine at least a distant prospect of EU membership. This scenario would become completely impossible, if Russia acquires an informal veto right over EU expansion into Eastern Europe.

Meanwhile, Russia is well aware that, despite the pro-Western position of oligarchs, clientelism and corruption will eventually allow Russia to restore its economic and political influence in Ukraine. Therefore, Russia is interested in “preserving” the oligarchic state structure in Ukraine. And it seems, at least partly, it succeeds in it – Tymoshenko’s supporters occupy the main positions in post-revolutionary Ukraine and this political figure and her political environment are products of the same oligarchic nature as the Party of Regions of the former President Yanukovich.

Even Russian aggression reflects different scenarios for possible actions oligarchs may take – the Kremlin’s plans are nearly perfectly implemented in the Donetsk region, which was the “seat” of deposed President Yanukovich and is also the zone of influence of the strongest Ukrainian oligarch Akhmetov. It looks like Akhmetov does not resist aggression and just “keeps manoeuvring”, apparently hoping to be a winner in whatever the outcome of the current events is. Meanwhile, in Dnepropetrovsk, which is the “seat” of Kolomoyskyi and where he has become the governor, Russia failed to provoke any unrest. It may well be that this example illustrates possible different positions of Ukrainian oligarchs in relation to the development of Ukraine as a whole.

Russian military aggression, doubts in the authority of the new Ukrainian government in the face of the aggression, and internal watersheds in the Ukrainian political elite, “preserved” the anti-revolutionary oligarchic structure. This is attested by the re-emergence of the following processes in Ukraine’s domestic policy: rising competition between different business groups and, as a result, hindrance in adoption of the laws on the anti-crisis or the European integration agenda.

Some analysts note that the current coalition majority is beginning to crack. Only Batkivshchyna and Svoboda steadily vote for draft laws. Others see support for the initiatives of the Yatseniuk government as an attempt to implement interests of related business groups. After Klitschko’s decision not to stand in the presidential campaign, the UDAR party became the weak link in the ruling coalition. For example, UDAR did not support the amendment to withdraw the utilisation tax on cars imported from abroad. Withdrawal of this tax is extremely unhelpful to local car manufacturers. And their group includes Bohdan Oleh Svinarchuk, the owner of Bohdan Corporation and a business partner of the presidential candidate Poroshenko. At the beginning of 2013, Poroshenko was himself a co-owner of Boghdan Corporation. There is no secret that Klitschko’s UDAR entered into an alliance with Poroshenko for the presidential election and the election of the mayor of Kiev. Another case is that of Ihor Yermeyev, the leader of the group Sovereign European Ukraine, who came into conflict with Kolomoyskyi, the governor of Dnepropetrovsk region appointed by Oleksandr Turchynov. The essence of the conflict is the oil refining business and, specifically, who will take over control of the Kherson-Kremenchug oil pipeline. Meanwhile, parliamentary faction Economic Development blocked the reduction of import duties from 20% to 7% on imported medicinal products. They linked this to the review of the deposit taxation rates. But once it became clear that this was one of the conditions of the IMF loan, the decision on this issue was finally adopted.²¹ These are just a

²¹ „Коалиция дала трещину“, *Insider*. Retrieved from:
<<http://www.theinsider.ua/politics/53480228055f9/>>

few pieces of evidence of the fragmentation of the new political government. It is likely that these processes will exacerbate.

Conclusions

- Russia projected scenario: in the negotiations on the future of Ukraine, Russia seeks to acquire an informal veto right over NATO and EU enlargement to the east and to decentralise public administration (federalisation).
- Under Putin's projected doctrine of Ukraine as "Little Russia", the federalisation of Ukraine is planned by granting broad powers to regions even in foreign relations (with Russia), entrenching of the Russian language as the second official language in Ukraine's Constitution, and Ukrainian neutrality.
- Annexation of a part of or even the entire southern and eastern Ukraine to Russia cannot be totally excluded for which Deputy Prime Minister Dmitry Rogozin and nationalist ideologues with Dugin in the forefront are campaigning.
- Ukraine sees the repetition of the scenario of the failed 2004 Orange Revolution – most likely the development of the state will continue to be dependent on the fusion trend between business and politics (oligarchy).
- Continuity of oligarchic trends provides conditions for Russia to return to Ukraine's political life at any time, even if all objectives are not achieved at once, because Russia knows the "informal" rules of the game in Ukraine. To Europeanise Ukraine, the EU must fundamentally change Ukraine's political and economic structure, while Russia only needs to sustain oligarchic trends and "informal" rules of the game.
- The federalisation of Ukraine sought by Russia, together with the shift of the political centre of gravity to the parliament, strengthens oligarchic trends in Ukraine and supports their continuity.
- Oligarchic trends will determine the opportunities and limitation of Ukraine's integration with the EU. Even after signing the enhanced free trade agreement, "selective" practical implementation of the agreement is very likely (cherry picking scenario). The way out of this "vicious circle" is the prospect of EU membership (intermediate step to membership) for Ukraine, but the EU does not plan to grant it, at least not yet, and will strictly link any financial assistance to Ukraine with specific reform steps.