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Ukraine's New Time of Troubles

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Note on the author

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Introduction

In his address to the opening session of the newly elected *Verkhovna Rada* (Supreme Council) on 12 May, 1998, Ukraine's President, Leonid Danyelovich Kuchma stated:

[T]he fact that Ukraine does exist and that it will remain a sovereign and independent state is not subject to any debate. The question is to what extent it will be a democratic, socially-oriented and law-governed state and to what extent the integrity of the fundamental constitutional formula will be ensured.

The question is not a new one. What is new is the fatalism it arouses. For in Ukraine as well as abroad, the conviction is growing that the authorities lack the will, and the country's broader elite the consensus necessary to answer the question affirmatively. The parliamentary elections of 29 March — which produced not only a parliament of the left, but one in which Communists secured 28 per cent of the seats — would have demonstrated this lack of consensus to anyone who had hitherto doubted it.¹ Yet to the well-rehearsed dangers of stalemate between the branches of power — a stalemate which seems doomed to persist until the presidential elections in October 1999 — a growing body of Ukraine's friends abroad are morosely coming to the conclusion that the executive authorities have lost their appetite for reform — and that it is the West, rather than Ukraine's President and government, who are now the real hostages of 'political games' in Ukraine. In Ukraine itself, where cynicism usually keeps anxiety under control, the claim that the authorities wish 'to ensure the existence of the hard-line left' to deflect criticism from themselves is becoming commonplace² — as is the belief that Ukraine's foreign policy has 'exhausted its possibilities' and can no longer make up for the country's internal weaknesses.

Yet the answer to the President's question is far from predetermined. In comparison to Belarus, where democratic, pro-market and pro-Western forces are few, fragmented and confused, such forces in Ukraine continue to be sizeable, well placed

and capable. In security and defence terms, these forces have not only advanced co-operation with the West; they have institutionalised it to a degree that will be difficult to reverse. In contrast to the Russian Federation, where preoccupations with status often impede judgement, Ukraine has no great power ambitions and is more easily demoralised by the West's indifference than aroused by its 'encroachments'. The elite of the country, less dynamic and less sure of itself than its Russian counterpart, also lacks the gambler's instincts which, more than once, have produced bloodshed and ruin. Finally, this country — not only more modest and tolerant than its eastern neighbour, but economically and geographically more compact — is one in which a positive Western influence stands a good chance of being appreciated by broad sections of society and not just narrow circles of people.

Does this mean that if Ukraine's decline is not reversed, it will at least be halted? If Ukraine *has* reached the bottom, there is no doubt that its people have the spiritual resources, resourcefulness (and food), to live on it. But in the land of the Chernobyl catastrophe — a metaphor not only for executive irresponsibility, but its potentially dire consequences — the prospect that the bottom will give way cannot be discounted. The Russian financial crisis, gathering steam as these lines are written, makes it almost certain that it will drop some more. 'Ukraine does exist', but its future is as much of an open question as it was in 1991. If the West is to have a significant impact on this future, it must work to secure short-term conditions that make long-term battles worth fighting. It must also attract the attention of *tomorrow's* leaders, it must draw lessons from *its own* policy failures, and it must act quickly.

Ukraine's place in western interests

When Xavier Solana, Secretary-General of NATO, stated in April 1996 that Ukraine 'has an absolutely unique role to play in the stability of Europe', he was expressing what had already become the conventional wisdom in both the Atlantic Alliance and the new democracies of Central Europe. During his

visit to Ukraine on 8-9 July, 1998 he tactfully hinted that this role posed risks to Europe as well as benefits:

*We will enter the new millennium together [...] Stability, security and accordingly prosperity in Europe cannot be achieved without stable relations between Ukraine and NATO member countries.*³

Ukraine's security — its cohesiveness, health and tranquillity, and not simply its independence — will make five important contributions to the security of Europe as well as two important ones outside it. Often perceived in the West as a foil to or 'buffer' against Russia (and in Russia perceived as a vehicle for Western 'geopolitical games'), Ukraine not only has 'geopolitical' roles to play. These roles are:

(1) *The intrinsic benefits of stability* in a country of some 50 million people bordering five Central European states, two of them designate members of NATO. One of Ukraine's neighbours, Poland, is burdened already with two arguably abnormal neighbours: Kaliningrad Oblast' (part of the Russian Federation) and Belarus; it has one potentially problematic neighbour, Slovakia — and, if courtesies are put aside, Lithuania: a country which has not yet acquired the strength or confidence to halt the activities of Russian criminal structures operating within the country or across it. Today, with Poland's blessing, an estimated two million people per month (the majority of them Ukrainian) cross the Polish-Ukrainian border *and return*. Given this context, there is an obvious interest that Ukraine should be a secure and viable state, integrated into European society and commerce, and not (to quote the worst case scenario of a senior analyst attached to Ukraine's National Security and Defence Council), 'a source of additional threats to European countries in terms of drugs, weapons, illegal immigrants, prostitutes and ecological disasters'.⁴ Poland's interest is shared by Hungary, a state whose menu of geopolitical complexities — borders with Romania, Slovakia, Croatia and Serbia — is rich enough as things stand. NATO as a whole has a clear interest in ensuring that its ability to meet 'new security challenges' not be put to the test in this historically troubled part of the

world, where so many national interests intersect.

(2) *Inter-ethnic accord* in a multi-ethnic Ukraine bordering seven countries is bound to be a constructive factor in a region where many of these neighbours face the risk of conflict along ethnic, regional or economic lines. Like Ukraine itself, several of its neighbours suffer from the attributes of weakness: a lack of national self-confidence, effective political institutions, strong civic traditions and a firm basis of trust between state and society. Despite or perhaps because of these weaknesses, Romania and Hungary are conscious of the condition of their own minorities in Ukraine (400,000 and 186,000 respectively). With the exception of ethnic Russians residing in Crimea (less than half of the 11.4 million who reside in Ukraine), those residing in the country's 24 *oblasti* lack the minority consciousness and often the distinct ethnic consciousness of their Romanian and Hungarian counterparts;⁵ but this has not prevented nationalist and even centrist forces in Russia from demanding their 'protection'.⁶ Albeit lacking external protectors, the position of the 240,000 strong Tatar minority has aggravated tensions between Kyiv and the pro-Russian population of Crimea — and hence indirectly, the relationship between Kyiv and Moscow. A Ukraine able to maintain civic tolerance and strengthen its own cohesion would certainly not weaken the advocates of restraint and tolerance elsewhere. But serious instability in Ukraine, whether provoked by ethnic tensions or not, would raise questions about the safety of 'co-nationals' and might even persuade moderates in neighbouring countries of the need to maintain a *droit de regard* over their welfare. Such instability would therefore expand the *inter-state* risks associated with minority problems in south-central Europe.

Several of Ukraine's contributions are more classically Russo-centric.

(3) *Dispelling fears of a resurgent Russia*. A Russia unable to reabsorb or re-subordinate Ukraine stands little chance of restoring its once dominant influence in the former Warsaw Pact states of Central Europe. Even an issue as emotionally charged as NATO enlargement was debated in Central Europe with the confidence that a hostile Russian reaction would not revive direct threats to the region. Whilst a

hostile, more chaotic or more unpredictable Russia could indeed pose *indirect* threats to the region — by means of economic pressure, organised crime and aggressive intelligence activity — the current geopolitical configuration of Europe means that such threats could be countered with Western support and without the risk of war.⁷

(4) *Stimulating beneficial change in Russia.* So long as Russia understands that Ukraine, in the words of former Foreign Secretary Malcolm Rifkind, is 'here to stay', a beneficial baseline for a realistic discussion of Russian interests exists in the Russian Federation itself.⁸ That discussion is also likely to reinforce liberal perspectives, for there simply are no other perspectives that will enable Russia to establish mutually beneficial relationships with neighbours who are moving closer to Europe. But if it turned out that Ukraine, in the words of President Leonid Kuchma, was unable to 'stand on its own feet', then the baseline of 'realism' would shift, not only substantiating expectations that Ukraine's independence was a 'temporary phenomenon', but prolonging the authoritarian and coercive perspectives that have often been associated with such views.⁹ The image of a Ukraine 'unable to live apart' from Russia might even foster the belief that the wider geopolitical shifts associated with the end of the cold war in Europe could, over time, be reversed.

(5) *Diminishing the 'Russian factor' in the internal politics of former Warsaw Pact countries.* A Russia no longer seen as a threat or saviour contributes, by its geographical remoteness, to the generalised perception that change in Central Europe is 'irreversible'. 'Irreversibility' not only becomes the norm, but the litmus test of seriousness for anyone who seeks to play a role in the political affairs of these countries. Asked what 'irreversibility' meant, a Polish liberal replied, 'it means the left can come back to power and it doesn't matter'.¹⁰ The revival of a unified Russian state stretching to the Bug, the Prut and the Danube would enable the left (and perhaps others) to argue that national interests demanded 'equidistance' between East and West and a 'special' rather than simply a friendly relationship with Russia.

It is therefore not difficult to see why, in Western

diplomatic discourse, the association of the terms 'linchpin' and 'pivot' with Ukraine has become no less customary, or less politically correct, than the association of the term 'partnership' with Russia — for Ukraine's independence has become one of the prerequisites of long-term partnership with a post-Soviet and post-imperial Russian Federation.

Two extra-European issues further enhance Ukraine's importance.

(6) *Diversifying the transport and control of energy resources.* Energy in the Commonwealth of Independent States is no longer tomorrow's political issue. In the Russian Federation — where President Boris Yeltsin has referred to the Caspian as 'another Persian Gulf' — the struggle to dominate energy transport corridors between Europe and Asia is a widely acknowledged geopolitical interest.¹¹ This interest, along with the countervailing determination of several newly independent states of the Caucasus and Central Asia to loosen the grip of Russian 'energy monsters', is an inescapable part of the context in which Turkey, the European Union and the United States — not to mention Iran, Iraq and China — develop their relations with these newly emerging regions. Inescapably, too, this geopolitical competition throws Ukraine into relief as a country which might provide alternative routes for gas and oil originating in Asia — thereby facilitating an open energy regime — or which, if its weaknesses are not overcome, might find itself forced to play the role of a Russian subsidiary, to the detriment of the plural international order which many wish to see established in 'former Soviet space'.

(7) *Reinvigorating Turkey's role in NATO.* Turkey has developed its relationship with Ukraine cautiously for fear of alienating Russia, but has developed it nevertheless, conscious that it will add a north-south dimension to a NATO-Ukraine relationship still seen largely seen in east-west terms. This dimension not only strengthens Turkey's weight in NATO — and keeps Turkey within the *European* picture — it increases NATO's sensitivity to developments in the Black Sea region of immediate concern to Turkey.

These seven interests have generated powerful support for Ukraine. Equally, they have generated powerful pressures and anxieties. Like pressure,

anxiety should be properly targeted. Often the West's anxieties reveal more about the West than about Ukraine. The West cannot be accused of overstating Ukraine's problems, but it can be accused of misidentifying them.

Internal stability: myths and concerns

After more than two generations of ideologically driven East-West conflict, it is understandable that Western political elites embraced simplistic images of the ethnic and religious 'detonators' of instability which they feared would replace it. The CIA's 1994 report on Ukraine, whilst not the most notorious, was surely the most authoritative of several 'expert' analyses to raise the spectre of regional separatism and inter-ethnic conflict. Although these particular fears have not borne fruit, three myths underpinning them continue to influence Western images of Ukraine.

The first of these, the Russian-Ukrainian divide, ignores at least two realities. The first of these is the fact that, for all the generational and regional differences that exist in Ukraine, there is little to suggest that ethnic Russians hold sharply different political views from ethnic Ukrainians of the same generation region or economic status.¹² The one important exception, Crimea, proves the rule, for what distinguishes Crimea from other parts of Ukraine is not simply the fact that 67 per cent of its inhabitants are ethnic Russian, but that close to ninety per cent of these Russians immigrated to Crimea after the Second World War. The second is that irrespective of which language is spoken – it is generally accepted that 40-50 per cent of Ukrainian citizens speak Russian as a first language (by definition many of them ethnic Ukrainians) – the majority of Ukrainian citizens, whatever their ethnic origin, see no contradiction between wariness or even hostility towards *rossiyskoye gosudarstvo*, the Russian state on the one hand and an affinity for Russian culture and the Russian people on the other. Here again the exception, western Ukraine, proves the rule, for whilst more than a third of the territory of modern Ukraine had become part of a Russian dominated state by the late seventeenth century, and whilst the balance of southern and central Ukraine

was subdued by Russia between the mid-eighteenth century and the end of the Napoleonic wars, the six westernmost *oblasti* (regions) of twenty-four succeeded in remaining outside a Russian/Soviet state until 1939, 1940 and 1944.¹³

The second myth, the regional divide, is based on a far greater degree of truth. The resentments of eastern and south-eastern Ukraine, instrumental in denying re-election to Ukraine's first President, Leonid Kravchuk in July 1994, are still seen by the administration of his successor, Leonid Kuchma, as a potential threat to stability.¹⁴ Moreover, in a March 1994 poll, 45.4 per cent of Donetsk residents identified their nationality as 'Soviet' (though true to form, the proportion of ethnic Russians and Ukrainians adopting this appellation was very similar). Yet, as Tor Bukkvoll has noted, local elites in the east and south understand that they have far greater prospect of advancing their personal interests (and possibly those of their constituencies) in an independent Ukraine than in a revived Union.¹⁵ Additionally, whilst there are strong demands for greater autonomy, dual citizenship and the elevation of Russian to the status of a second official language, the electorates of eastern and southern Ukraine have not usually voted for political movements opposing independence, and they have given virtually no support to movements calling for the break-up of Ukraine.

The final myth, the left-wing threat to independence, overlooks the fact that the non-communist left has often been more robust than Kuchma's centrists in resisting real or imagined Russian encroachments (indeed, in the last *Rada* the support of the patriotic bloc of Communists was instrumental to the adoption of the Constitution).¹⁶ Second, it overlooks the fact that the 53,000 members of the Crimean Communist Party make up over half of all communists in Ukraine.¹⁷ Finally, it overlooks the fact that, whatever its private sentiments, the Communist Party of Ukraine has publicly declared its opposition to the break-up of Ukraine (unlike much of the Crimean population) and since 1995 has been constrained by political necessity to endorse independence, albeit not the constitution, and albeit within the context of a new 'Union of Sovereign States'.

But by dispelling these myths, we run the risk of erecting another: that Ukraine's viability is assured. Such a conclusion ignores the real challenges confronting Ukraine and other newly independent states after the Soviet collapse: the *simultaneous* challenges of building state authority, developing civil society, establishing free markets and creating representative institutions. Ukraine's liberal and stable Western partners had the luxury of confronting these challenges in stages, yet even so, they were not always liberal or stable when confronting them. Hence, the shortcomings of newly independent states after the Soviet collapse: the lack of trust between state and society, the dominance of 'subjective' private agendas over public responsibilities, the incoherence of the legal order, the incompetence of state institutions, the relative absence of institutions independent of the state and, in both the private and public spheres, a lack of accountability and transparency. These shortcomings exist not simply because of the speed with which the old political order collapsed, nor even thanks to the apathy and cynicism bred by that order, but because, in addition to these burdens, Ukrainians find that old power networks have been better at turning change to their advantage than those who demanded change in the first place.

It is in these confused and dispiriting conditions that security concerns arise and must be addressed. Today, as opposed to the immediate post-independence period, the principal concern is not that Ukraine will be directly threatened by its more powerful Russian neighbour, but that it will be indirectly undermined by those who would exploit division, demoralisation and weakness for economic, political and geopolitical gain. The apprehension is well conveyed in Ukrainian discourse, which draws a distinction between the country's *nezalezhnist'*, its formal independence, and its *samostiynist'*, its ability, in the President's words, to 'stand on its own feet'.¹⁸

The economic deficit

To a significant extent, the struggle for *samostiynist'* is the struggle to create economic conditions that would give the majority of the country's people faith in the political order and their own future. Officially,

Ukraine's leaders assert that this struggle is becoming more complicated; privately many fear that it is being lost. Their apprehensions are well founded.

First, despite implementation of a courageous and successful financial stabilisation programme during the first year of Kuchma's presidency (1994-5), the economy remains uneconomic. Loss making enterprises — those that fail to find customers, produce competitive products or produce at all — not only remain on the books in large numbers; according to Deputy Prime Minister Serhiy Tyhypko, their numbers are growing, and the volume of salary debts in the private sector vastly outstrips those in the 'budgetary' sphere.¹⁹ Not surprisingly, subsidy and benefit consume 40 per cent of the state budget, but hidden subsidies are vastly more pervasive, more expensive and more damaging to market relations than those that are officially acknowledged.

Second, the country is virtually insolvent. According to the President, 'the greater part of financial resources is being used to service the budget deficit and debts owed by the state'. So confused are conditions that it has become difficult to distinguish debtor and creditor, with state and regional budgets (as of August, 1998) owed some *hryvnya* (HRN) 3.8 billion from over 105,000 enterprises, most of whom are owed money themselves for goods and services. So tight has the room for manoeuvre become that the President, without tongue in cheek, has argued that 'cheap foreign loans will solve the problem of our expensive domestic loans' (interest on which had reached 72 per cent in June).²⁰ In conditions where the cure and the disease are difficult to distinguish, it may well be true that foreign loans 'maintain stability' (as the President insists) but it might also be said, in the words of the old Egyptian fable, that loans and debt are not the dam that keeps the poor from drowning, but the flood itself.²¹

Third, the economy is in large measure a pseudo-economy, in which substantial income derives from speculation and a worrying proportion of wage and other monetary obligations are not met. The imbalance between (over)-employment and (under)-liquidity in the open 'white' economy has made three-month wage arrears the accepted standard and six month arrears commonplace; no extraordinary

expertise is required to see that a state which has difficulties financing a \$12 billion budget will not swiftly repay \$2.8 billion in social security arrears.²² As to *real* money earned and received — the volume of which produces a GDP probably double the notional figure of HRN 92.48 billion (\$49.7 billion) [NB: all dollar figures are given in pre-September, 1998 values] and which provides essential supplements to a declared *per capita* income of \$79 (HRN 158) per month, some 50 per cent is 'grey' or 'black', bypassing the banking system, the law and hence the tax resources of the state. Well before the financial crisis of May, 1998, international financial institutions — and the markets themselves²³ — provided stark warnings that the cycle of subsidy, insolvency, indebtedness and criminality could no longer be sustained.

It is for this reason that Ukraine's Western partners have, with increasing urgency, stressed the linkage between Ukraine's security and what for want of a better term has been called 'economic reform'. But an audit of the past seven years which scrutinised only Ukraine's failure to reform, and not 'reform' itself, would be no audit worthy of the name. The dominant Western models of reform — macroeconomic rather than institutional in focus, financial and economic rather than political-economic in emphasis — were derived from 'medicine' successfully applied to poorly functioning or dilapidated market economies instead of the command economy which Ukraine inherited. This was the West's first mistake, and yet it was also the most forgivable, for the conditions which Ukraine inherited were without precedent. No models of reform, no *experience*, existed to guide those seeking to build a market economy on the ruins of one in which anti-market practices were not shortcomings, but defining features of industry, agriculture, trade, management and labour practices and the legal and political order.²⁴ The conclusions of the radicals — that Gorbachevian gradualism had produced collapse rather than reform, and that the command-administrative system could not be restored — were and are correct. *As a point of departure*, strong market measures — the abolition of price controls, the establishment of a stable currency — were not only indispensable; at a time when Ukraine was experiencing 4,700 per cent annual inflation, they

rescued the country from madness.

The second mistake — the elevation of Western solutions into dogma — was not forgivable. In the West, public rhetoric ('the End of History') nurtured the illusion that the Soviet system had been overthrown by democrats and free marketeers, whereas it had disintegrated under the twin pressures of economic crisis and national revival — and collapsed with an apparent suddenness that left many of its old power structures intact. This led to the third mistake: the assumption that the future would be dominated by economic and technical issues, rather than by political struggle, not to say a struggle for power between institutions, networks and clans. The belief that macro-economic 'disciplines' would be sufficient to 'force Soviet directors to behave like entrepreneurs', the failure to ask how Soviet era elites would impose such disciplines or abide by them, the refusal to consider the issue of *kto-kogo* (who-whom?) testified not only to the dominance of economists but of ideology. A country already ruined by ideology cried out for a measure of *political* economy: an understanding of what happens to first rate economic ideas *in practice*. Had the collective of gurus admitted into their circle those who understood and respected the legacy of ills being confronted, they might have anticipated, and mitigated, three ills that are directly attributable to the free market 'experiment'.

*Insider ('nomenklatura') privatisation.*²⁵ Despite the rhetoric about 'throwing nationalised enterprises into the market' the privatisations of the Thatcher/Major governments in Britain (e.g. British Airways, British Telecom and British Rail) were staged and managed. Yet in Central and Eastern Europe, where markets were almost non-existent, would-be Thatcherites threw enterprises into the market without preparation and by utterly inadequate means. The preoccupation with forms of ownership rather than the quality of management — and with speed of privatisation rather than the development of enterprise — has had a near universal consequence: it has transformed bureaucratic dictatorship into financial control. Rather than devolve economic power, the main result of privatisation by voucher, fire sale and stealth was to transfer assets to those who, as directors, bureaucrats and middlemen ran

industry before. Far from producing competitive entrepreneurship, state planning was largely replaced with rigged markets, state monopoly with clan oligarchy and state secrecy with 'shadow structures', institutional opacity and the financial-informational power of cartels. In Ukraine as in Russia, the typical source of 'new wealth' has not been an enterprise into which investments have been made, but an enterprise (like the *Artem*, *Bolshevik* and *Arsenal* factories in Kyiv) from which assets have been plundered.

Barter. In theory, the corollary of low inflation and 'sound money' — the holy of holies of Western lending institutions — should have been the bankruptcy of the inefficient and the 'rational' redeployment of labour and assets. Yet even in Thatcher's Britain — where the government privatised half of a mere 11 per cent of the country's GDP — the implementation of this theory was far from painless and was very strongly resisted. In Ukraine, where wholesale bankruptcies might have produced the social and physical breakdown of a nation, the main effect of 'sound money' was a flight from the money economy: into the pseudo economy (running on promissory notes) and into barter. By August 1998, according to government statistics, barter accounted for 64.2 per cent of internal trade in Ukraine.²⁶ Such a form of trade is not only economically primitive, but politically regressive, shutting the bulk of the labour force out of the market economy, reinforcing the strength — and the price-setting power — of those who control resources and expanding the influence of middlemen at the expense of consumers. The power of intermediaries (banks, brokers and enforcers) not only imposes a colossal tariff (typically 30 per cent) on the price of agricultural products and raw materials, it compounds what the President has called the 'amorphousness' of all transactions. Thanks to this amorphousness, development funds and wage arrears dispatched to the mining sector simply failed to reach their recipients, producing — in both Russia and Ukraine — strikes, blockades and regional states of emergency in the spring of 1998.²⁷

Speculation instead of stabilisation. Even before the Russian financial crisis began, 95 per cent of Ukrainian bank loans were granted for a period of one year or less.²⁸ Such loans will rarely attract investors,

for over such a short period, there are few worthy investments that will bear fruit. It is debatable whether Western 'stabilisation' funds have curbed this short-term, speculative bias in Ukrainian financial markets or worsened it by creating the illusion of liquidity — not to say the illusion that austerity could be deferred and that government spending would be backed by international loans. It is probably no coincidence that former Prime Minister Pavlo Lazarenko's issue of a large volume of treasury bills in the first half of 1997 — described by Deputy Prime Minister Tyhypko as 'criminally detrimental to the state and the population'²⁹ — coincided with fresh multi-billion dollar commitments from the IMF and other Western lending institutions.³⁰

The civic deficit

In contrast to Russia — where a 'Eurasian' focus and a resistance to 'dissolving' into the West have been major themes of political discourse — Ukraine since 1991 has unequivocally proclaimed the 'strategic challenge' of becoming a 'full member of the European family of civilised nations'.³¹ Nevertheless, these authorities and their Western supporters have tended to underestimate this challenge in two different respects. First (as we have noted elsewhere) Ukraine's political leaders have sometimes acted as if they could achieve integration by declaration, or simply by joining and participating in international organisations and political clubs, rather than by undertaking concrete structural changes.³² For their part, Ukraine's Western advisers have been inclined to treat the fundamental problems of 'transition' as problems of the economy rather than of the state, the society and the country's institutions. Examination of the reform process and its many paradoxes and distortions demonstrates the weakness of state *and* society in Ukraine. Such an examination provides frequent and vivid reminders that 'the totalitarian project was the project of suppressing civil society'.³³ While Western authorities acknowledge that democracies and market economies require a supportive institutional framework within which to function — and whilst the Know How Fund, TACIS and other bodies have taken several practical steps to develop this framework — resources devoted by Western governments to

Ukraine's institutional development have lagged well behind those allocated to financial stabilisation and macro-economic reform. At a time when the totalitarian system still existed, John Gray defined civil society as:

the domain of voluntary associations, market exchanges and private institutions within and through which individuals having urgent conceptions and diverse and often competitive purposes may coexist in peace

Now that the totalitarian system has collapsed, the post-Communist landscape reveals that the former regime succeeded not only in 'suppressing' this domain, but destroying it. The extent of this destruction leads us to a conclusion that was not always apparent in the past: without the construction of a truly civic state, a civic society has little chance of coming into being. The formal features of such a state — adherence to recognised constitutional arrangements, regular and free elections, guarantees of basic civil rights, an impartial civil service and an independent judiciary — are widely agreed upon. The problem is that they risk becoming purely formal, if not bogus features unless they are animated by principles which are still weak in Ukraine, either because the totalitarian system rejected them or because they have failed to survive the traumas of post-Communist change.

Authority has primacy over power. Authorities use power for *legitimate* purposes: those for which power is given. They are meant to be the guardians of the law, not its beneficiaries. Where a civic state exists, customs officers seize goods because they are contraband, not because the state customs service depends upon them as a source of 'nonbudgetary finance', newspapers are audited by the tax authorities because of tax violations, not because they support opposition political movements,³⁴ and banks are placed under receivership because of financial malfeasance and not because they fail to contribute sufficiently to Presidential election campaigns.³⁵ Even in the best civic state, departures from these norms occur; in the worst of them they might even be frequent, but they are never 'normal'.

Authority is capable of acting within the sphere

of responsibility entrusted to it. Where the country's most senior jurists regard the legal profession as 'practically defenceless', where (in the words of the former Chairman of the Ukrainian parliament) the authorities 'only exercise their powers formally, without having any real impact on the situation in the country',³⁶ then ordinary people may find they have little choice but to defer to a '*mestniy avtoritet*' (a *de facto* local authority) which, whatever its legal status, enforces and delivers.

When authority possesses both of the attributes above, its strength is considerable, and it is generally able to secure compliance without intimidation or coercion. But in Ukraine, the expression 'the power of authorities' tends to be a misnomer: power is inadequate, but at the same time it is often used inconsistently or arbitrarily. Thus, whilst a vast state service exists (by Kuchma's testimony 300,000), it will not become a *civil* service until it is stable, impartial, professional and competent. In Anatolii Grytsenko's view the absence of these attributes in Ukraine provokes 'a situation where high and middle level authorities come and go, producing no system, no continuity and no results in the long-term'.³⁷

The arbiter of disputes is law, a legal system meeting HLA Hart's requirement: 'the unity of primary and secondary rules'. In Françoise Thom's definition, law in totalitarian states was simply 'codified arbitrariness': regulations without any connecting principle except the interest of the lawmakers. Absent the totalitarian state, law in a post-Communist country like Ukraine risks becoming codified anarchy: not only inconsistent, but the object of so many 'reforms' as to leave the citizen (or investor) utterly confused as to where he stands from one day to the next. Hence the President's judgement: that 'no adequate and stable legal basis has been created for economic relations'.³⁸ Given this fact, it is entirely understandable that Deputy Prime Minister Serhy Tyhypko was put in charge of an extra-legal 'rapid reaction group' designed to clear legal obstacles (i.e., override the country's laws) to foreign investment.³⁹ But as this example demonstrates, a body of laws that is unobserved and often unobservable risks promoting lawlessness at the highest level. For those not privileged to operate at the highest level, the complexity and 'negotiability' of the

legal order makes corruption essential to survival. Where corruption is essential, 'laws on corruption' can easily degenerate into instruments of persecution against opponents.⁴⁰

There is a fundamental congruence between the goals of the state and those of its core institutions and instruments. In a civic state, the armed forces see themselves as tools of the civil power, not as a state within the state, let alone an alienated force. Security services are imbued with the values of the current constitutional order and have no confusion about the state (and civil liberties) they are sworn to protect. Moreover, the principles underpinning security policy, military doctrine, force structure and the education and training of servicemen are standardised and compatible. Although the authorities in Ukraine proceeded swiftly and successfully after independence to establish truly national armed forces under politically reliable commanders, three problems persist: the chronically poor, demoralising (and potentially destabilising) material condition of the forces, the proliferation of military structures (some heavily armed and some poorly regulated) operating outside the framework of the Ministry of Defence and the discontinuity between a national security policy based on non-alignment, integration with Europe and close partnership with NATO and a situation where, 'sitting in classes, Ukrainian officers are rehearsing a situation in which a coalition of western and southern states comprising 50 divisions attacks Ukraine'.⁴¹

Where the non-state sphere is concerned, congruence is almost as important. Those who should be the strongest exponents of the market economy — entrepreneurs and banks — do not always live up to this expectation in Ukraine. With regard to many self-styled entrepreneurs (including a large proportion of the 'pro-business' deputies in the newly elected parliament), the judgement of the Ukrainian Centre of Independent Political Research is worth citing:

*Their idea of a perfect economic model is based on the availability of state guarantees, taxation benefits for the selected few, unlimited barter and exclusive conditions for business with no competitors around.*⁴²

With regard to banks, what William Tompson has observed in Russia can be applied with equal force to Ukraine:

*The functions performed [...] resemble those of their Soviet predecessors more than those of banks in developed market economies. During the Soviet period, banks functioned as servants of the state rather than of their clients: they served as organs of financial control over client enterprises, as channels for the allocation of state funds and as means of mobilising domestic savings to finance the state's internal debt. What banks did not do in the Soviet system was to bank, i.e. to intermediate funds. In 1997 [the] new commercial banks remain, to a striking extent, organs of financial control, channels for the allocation of state funds and mechanisms for mobilising domestic savings to finance the state's internal debt — and they still do relatively little intermediation of funds.*⁴³

By the same token, a state customs policy which penalises foreigners for buying Ukrainian goods,⁴⁴ and a taxation system which encourages tax evasion rather than enterprise, also demonstrate a lack of congruence between state policy and the realities of life on the ground. Once again, these examples show how easy it is for a country's declared goals to be undermined by its own laws and its own servants.

The political, economic and legal spheres have integrity and autonomy. In a civic state it is assumed that judges and prosecutors will act in accordance with legal, rather than political norms; businessmen find that, whatever their personal ambitions, the economy forces them to make business decisions by business criteria. The state funds its activities by open, public means — taxation — and whilst officials might aspire to wealth after they leave government, they do not expect to enrich themselves whilst in its employ. But in Ukraine, as in Russia, the pendulum has rapidly swung from a totalitarian system which made the very concept of private interest illegitimate to an ostensibly democratic one which proceeded to privatise all concerns, including the state itself. In these conditions, where distinctions central to the civic order — 'state' vs. 'private', 'military' vs. 'civilian',

'political' vs 'economic' — have been substantially eroded, the most effective authority often turns out to be money. Given this fact, power ministries that lack business interests risk losing power.

Organisations, state and private, have the necessary transparency to make accountability a meaningful term and informed decision making possible. In the Soviet Union — where secrecy was fostered as a positive value — the Communist Party and KGB ensured that power structures remained transparent to their political masters, even if they were closed books to everybody else. Paradoxically, the collapse of the CPSU — and the transformation of the KGB from Party watchdog to commercial network — has sometimes multiplied possibilities for opacity and deception and has made 'financial-informational struggle' an elemental part of life.⁴⁵ By disguising the locus of decision making, the identity of decision makers and the content of decisions, such a state of affairs is inimical to democracy by definition. It also ensures that outsiders engage in economic activity (and investment) at their peril. Today, such outsiders can include the Ukrainian government itself, as shown by the fact that funds distributed by Kyiv to miners in eastern regions in 1997-8 simply ended up in other hands. These shortcomings are only multiplied by the paucity of reliable statistics and honest statisticians. So long as (by the admission of the Agriculture minister) the state 'does not keep statistics' on grain exports,⁴⁶ so long as there is no system for recording individual pension contributions,⁴⁷ so long as the volume of inter-enterprise debt is a state secret, the processes of budgeting, financing and monitoring will be carried out poorly, if at all.⁴⁸ More ominously still, the absence of disclosure laws on investors and shareholders will be an invitation for criminal structures (and hostile foreign interests) to try to dominate the privatisation process.

The beginning to wisdom is to understand that these shortcomings not only exist, but that they reflect the realities of power in Ukraine. Unless these realities are challenged, the risk is that 'transition' will become a new status quo, with its 'new class' who have an interest in preserving it. As the President has acknowledged, these tendencies are not only an obstacle to a thriving economy; they are a threat to social concord and the ability of the country 'to rally

together at a crucial moment'.⁴⁹ In short, they are a threat to national security.

The burden on security policy

Civic threats to Ukraine, serious as they are in their own right, do not inhabit a world of their own, separate from the intentions and behaviour of external powers. Where Ukraine's most problematic neighbour, the Russian Federation is concerned, they might rather affect the way in which threats develop and in which hostile intentions might be pursued. This could be *particularly* true in the case of Russia, for there security and defence structures are dominated by a post-Leninist elite which understands that military force is only one 'tool of struggle' amongst many. There, as in Ukraine, power structures are often opaque, the distinction between 'public' and 'private' has substantially broken down, and numerous networks arise between state and supposedly private interests. Moreover, for better and for worse, these networks often interpenetrate, thanks to the close economic ties between the two states and the 'amorphousness' of Ukraine's economic, financial and administrative structures. In the unlikely event that conflict should arise in Ukraine, it could well turn out to be a non-Clausewitzian, 'bottom-up' conflict: a conflict that risks proceeding from the social to the political, from the powerless to the powerful and from the local to the national and, at worst, to the international level. In such a conflict, the element of political intention — not to say of calculation, machination and provocation — may intrude from several directions and at any number of points. But in contrast to the conflict scenarios envisaged in the cold war era, the *dynamics* of such a conflict might not be explicable in the traditional Clausewitzian terms of 'ends' and 'means'. Instead, the dynamics could prove to be combustible, threatening to escape the control of those who seek to 'use' them. By the same token, such a conflict could have an apparently non-security origin: ecological (a burst dam or chemical accident), financial (the collapse of a bank or savings scheme), economic (the withdrawal of state housing subsidy), or industrial (a mining/railway dispute). But in conditions where both state and society are weak, the risk is that *however*

such conflicts begin, they will escalate swiftly, both horizontally and vertically — geographically and in intensity — presenting challenges to the state (and possibly the international community) before they are prepared to meet them.

Those who study the National Security Concept of Ukraine, adopted by the *Verkhovna Rada* on 16 January, 1997, might well conclude that the foregoing analysis is shared by Ukraine's national security elite, not least by the country's National Security and Defence Council: that body which, according to the 28 June 1996 constitution, 'co-ordinates and controls the activity of executive bodies in the sphere of national security and defence'. The Concept is not only tribute to this establishment's ability to present potent analyses in politically correct language. It demonstrates that for all the real deficiencies of armed forces and security structures, Ukraine possesses a critical mass of decision makers with the power to make policy and a willingness to entertain radical changes in the way the state defines and responds to its security challenges. The emergence of this document is especially noteworthy for a military establishment which, only recently, understood war almost exclusively in terms of combined arms, strategic operations against large, technically sophisticated (and nuclear armed) enemy coalitions. In three respects, the document commands attention.

* It articulates a conceptually rich catalogue of 'main potential threats' (political, economic, social, military, ecological, scientific and technological-informational) based on the premise that 'situations threatening our national security are in most cases *precisely regional*' and that security is likely to be threatened by the 'combination of factors' in specific regions.⁵⁰

* It calls for a co-ordinated, cost-effective division of labour between law-enforcement, security and military bodies subordinated to the Ministry of Defence. It is understood that the latter's function is to localise an area of tension swiftly and prevent the 'combination of factors' escalating or being exploited by external actors.

* It demands what is urgent not only in Ukraine, but throughout East-Central Europe: defence mindedness of the part of civil agencies (health, safety,

emergency services) and an understanding of the non-military dimensions of security by national armed forces.

Ukraine's vigorous participation in Partnership for Peace (in well over 100 exercises since accession on 8 February, 1994) and bilateral exercises 'in the spirit of PFP' has been designed, from a military-operational perspective, to develop the capabilities required to meet these security challenges. The Ukrainian perspective on Sea Breeze-97 (provided by Rear Admiral Yuriy Sahlyt, Deputy Commander of the exercise) certainly bears this out:

In local conflicts or national disasters, which can also provoke conflicts, it is precisely military units with the right training that can and should set up a zone which would make it possible to direct or influence the processes occurring outside it, promote the consolidation of stability and order in the country or region and create the necessary conditions for the work of units from the Ukrainian Emergency Situations Ministry [emphasis added]⁵¹

This fruitful participation in PFP, not to say the equally successful relationship with NATO, represents a major accomplishment of the foreign policy as well as the security establishment. In the diplomatic sphere, too, vulnerabilities have been well understood and opportunities well exploited.

The burden on foreign policy

In only the most literal sense would it be an exaggeration to label Ukraine's *Ministerstvo Zakordonykh Sprav* (Ministry of Foreign Affairs) as the country's greatest force multiplier: literally, because the spectacular accomplishment of the MZS has been to compensate for weakness rather than multiply strength. Great as the professionalism and vigorous as the activity of this body has been, both its successes, and those of Ukraine's President, owe less to these qualities than to a shrewd understanding of Ukraine's geopolitical position in Europe. The result of this understanding has been a *mnogovektorniy* (multi-vectored) foreign policy which has often been more

controversial inside Ukraine than it has been abroad. At least four vectors exist, the first two of them more interdependent than the country's authorities would sometimes like.

The first of these, the primary vector — that which arouses the greatest enthusiasm, but also poses the greatest challenges — is the Western vector: that which directly supports the 'strategic challenge' of becoming a 'full member of the European family of civilised nations'. Yet Ukraine's mainstream, centrist political establishment (as opposed to *Rukh* and a number of other 'national democrats') believe that Ukraine's integration into the West will not be achieved without success along the second vector: a 'special partnership' with Russia, i.e. the conviction *in Russia* that a friendly and independent Ukraine represents the best of all possible worlds. Equally, they believe that there will be no such partnership unless the West displays a strong stake in Ukraine's security. In the eyes of this centrist mainstream, the Janus-like policy is dictated not only by the cultural identity of Ukraine and the country's economic weakness; it is dictated by the attitude of the West. For contrary to the hopes of many Ukrainian 'national-democrats' that the West would embrace 'European Ukraine' as a bulwark or buffer against 'Euro-Asiatic' Russia, the fact — well appreciated by Kuchma — is that the post-cold war West finds it politically and psychologically difficult to make choices between partnership with Ukraine and Russia. Because Kuchma knows that the West is unlikely to make this choice, he has been determined not to give them one. Therefore, just as internal stability and Western support have been seen as the precondition for securing friendly relations with Russia, so friendly relations with Russia have been seen as the precondition for drawing closer to the West.

The third vector, Central Europe, naturally reinforces the Western one. The 1992 Friendship Treaty between Ukraine and Poland (and Poland's renunciation of Galicia-Volhynia, annexed by the USSR in 1939) established a direction which, under both Kravchuk and Kuchma, has aimed to entwine Ukraine with the economic and security arrangements of Central Europe as closely as the states of this region would allow. Progress along this road has been marked

by Ukraine's admission to the Central European Initiative (1 June, 1996), the Ukrainian-Romanian Friendship Treaty (May 1997) and through the triangular relations system — Ukraine-Poland-Romania and Ukraine-Moldova-Romania — established at Ukraine's initiative. It has been further advanced by Ukraine's association with Baltic-Polish endeavours — notably the May, 1997 Tallinn communiqué supporting the Baltic states' applications for NATO membership, as well as by Ukraine's effort to link security arrangements in the Baltic and Black Sea regions (most publicly in the Ukraine sponsored Black Sea-Baltic Sea Conference scheduled to take place in Yalta in September, 1999).

A fourth vector is collaboration with members of the CIS (notably but not exclusively the other members of GUAM: Georgia, Azerbaijan and Moldova) who openly share Ukraine's opposition to a supra-national model of CIS integration. This applies to peace keeping — which Ukraine insists must take place on CIS territory on the same basis that it takes place elsewhere: under a UN or OSCE mandate. Therefore, whilst Ukraine is willing to participate in peacekeeping within the CIS (and deploys three observers in Tajikistan at the present time), it will not accept the Russian view that 'peacekeeping in the CIS' is a distinct activity, operating under norms and command arrangements peculiar to this region.⁵². The agreement, within the GUAM framework, to establish an Azerbaijan-Georgia-Ukraine peace-keeping battalion for possible deployment in the 'Eurasian Corridor' (16 September, 1998) has given substance to this position, if at the same time appearing to give substance to Russia's charge that GUAM is intended to weaken the CIS. The latter charge is one that is rejected by Ukraine, first on the grounds that it is Russia which has made the CIS ineffective by seeking to transform it into a centralised body giving supra-national expression to Russian interests; second, by arguing that the CIS should become a catalyst to *economic* cooperation by lowering barriers between member states.

Increasingly, two other directions of policy could be termed vectors in their own right. The first of these is the development of direct, mutually profitable relations with resource rich regions of the Russian Federation itself (for example, Tatarstan,

Bashkortostan and Kemerovo). The second, promising far greater dividends, is the vector of Black Sea co-operation — it is partly through Ukraine's efforts that the Forum of Black Sea Co-operation was transformed into a UN recognised international organisation in 1997 — with special emphasis on co-operation with Turkey. The importance of Turkey and the 'south' generally not only reinforce Ukraine's growing involvement in Caspian Sea questions; it has also encouraged efforts, within the confines of international sanctions regimes, and with understandable subtlety, to explore common economic interests with Iran and Iraq.

Yet in conditions where internal weaknesses are deepening rather than lessening, three risks present themselves.

The first of these is that today's *mnogovektorniy* policy evolves into distinct foreign policies. The rumour that a condition of Borys Tarasyuk's appointment as Foreign Minister on 17 April, 1998 was that he keep 'hands off' the eastern vector might have no basis in fact, but in current conditions it still makes sense. The second, far greater risk, relates to the first: that Ukraine loses the capacity to be a proactive participant in the 'emerging structure of European security' and simply becomes an object of vectors originating outside it.

The third danger is Western disillusionment. In the pre-Kuchma era, the dominant Western image of Ukraine was of a Yugoslavia in the making, armed with nuclear weapons. So effective was Ukraine's political establishment at countering this fallacious image that during the early-to-mid Kuchma years, the US Congress and British Parliament had begun to perceive Ukraine as becoming like Poland, if not yet 'like us'. The danger in the late Kuchma era is that this mutually flattering image will be replaced by one as damaging as the first: that Ukraine is an 'endemically corrupt', 'economic basket case' in which aid and assistance are 'squandered'. In a sound-bite culture, if the question, 'Ukraine?' evokes the answer 'corruption', then the support which Ukraine has come to take for granted (and depend upon) could be in jeopardy despite the strategic interests of the Western world.

Not surprisingly, therefore, Ukraine has been increasingly finding itself subject to two distinct, if

not contradictory, vectors of *Western* policy: that pursued by NATO and that pursued by the European Union. With anxiety and surprise, knowledgeable Ukrainians are coming to the conclusion that the latter vector operates according to principles which are rather distinct from NATO's and which Ukraine may have limited ability to influence.

Nato-Ukraine cooperation

Few Ukrainians involved with NATO would dispute that the perspective of Xavier Solana cited at the outset of this paper characterises NATO's approach to Ukraine at all levels. The 1997 programme of co-operation between NATO and Ukraine included some 300 items. The picture is similar with regard to many individual members of NATO who, outside PFP and through their own national structures, maintain bilateral programmes of defence and military co-operation with Ukraine. In the case of the United Kingdom, this programme now amounts to some 95 items *per annum*: the largest bilateral defence programme that the UK maintains outside NATO and the second largest that Ukraine maintains (surpassed only by its programme with the United States). Where NATO itself is concerned, Ukraine relies upon the following multilateral mechanisms to give the relationship substance:

- * the Mission of Ukraine to NATO
- * the NATO-Ukraine Commission
- * the 1997 NATO-Ukraine Memorandum of Understanding, establishing a Joint Working Group on Military Reform and a Joint Working Group on Emergency Preparedness.
- * NATO Information Centre in Kyiv
- * NATO Permanent Liaison Officer

Ukraine also supports this relationship with three national mechanisms:

- * the State Programme for NATO-Ukraine Co-operation
- * the State Interdepartmental Commission, established in May, 1997 and designed to provide a legal basis for co-operation, co-ordinate ministerial activity and bring relevant assessments and proposals

to the President of Ukraine

* the establishment of units or sections for NATO-Ukraine co-operation in all relevant government ministries

Despite these programmes and mechanisms — and despite the fact that Ukraine was, on 8 February 1994, the first CIS country to accede to Partnership for Peace — there is a fundamental difference between the aims of Ukraine-NATO co-operation and the aims pursued by Ukraine's Central European neighbours. Poland, Hungary and the Czech Republic are prospective NATO members — and, as such, countries that have occasionally taken the view that *national* security policies are unnecessary. Ukraine cannot presume that it is a prospective NATO member, nor can it presume that NATO would provide collective defence if Ukraine fell victim to aggression.⁵³ Ukraine has therefore focused its efforts on achieving a large measure of *de facto* integration with NATO, whilst developing its own National Security Concept. As already discussed, Ukraine has astutely tailored its military co-operation with NATO to support the national goals which the Concept puts forward.

On a military-political level, the intensifying web of co-operation with NATO supports objectives which are no less profound than those which exist at the military-operational level. The overwhelming benefit of the NATO-Ukraine relationship is the establishment of networks which both institutionalise and personalise the West's commitment to enhance what Horbulin has called Ukraine's 'role in ensuring European political and economic stability'. These networks in turn reinforce the standing of those inside Ukraine who believe that national security structures, without losing their distinctiveness or their pertinence to local conditions, should evolve in ways compatible with NATO patterns of co-operation, professionalism, transparency and democratic civilian control. Not least of all, such networks reduce the risk that Ukraine will find itself isolated in disputes with neighbours and correspondingly increase the risk that threats to Ukraine will set off alarms throughout the 'common European house'. Indeed, NATO's enlargement, along with the scale and depth of NATO's defence co-operation with Ukraine

(and the Baltic states) could gradually blur the practical distinction between NATO membership and full PFP participation, particularly if NATO continues to acquire more of a military-political and less of a military orientation. Ukrainians nevertheless appreciate NATO's military dimension and have approvingly cited at least one high-level assurance that Partnership for Peace allows for joint operations with NATO in the event of a threat to a member's territorial integrity.⁵⁴

EU cooperation: an empty chalice?

Although Ukraine's officials rule out any intention of joining NATO 'in the foreseeable future', since the time of Ukraine's independence, membership of the European Union has been proclaimed as one of the country's most important long-term goals. Yet until recently, co-operation with the European Union has advanced slowly when it has advanced at all. To be sure, the EU has not been hostile to Ukraine. As long ago as November, 1994, the European Council's Common Position on Ukraine (CFSP/94/779) emphasised the need for a strong political relationship, support of the country's independence and territorial integrity, backing for political and economic reforms, improvement of nuclear safety and integration into the world economy. Between 1991-6 EU economic assistance to Ukraine totalled ECU 3.17 billion, of which ECU 1.90 billion came from member states and ECU 1.27 billion from the Community. Moreover, the Political Cooperation Agreement (which came into effect in March 1998) established two new agencies of institutional cooperation: an annual ministerial Cooperation Council and a parliamentary Cooperation Committee. What the EU can be faulted for is a lack of enthusiasm at working level and a lack of strategic vision at the top. Two contrasts — between the EU-Russia relationship on the one hand and the NATO-Ukraine relationship on the other — have not only been marked, they have induced much disorientation in Kyiv. Given the substantial overlap between EU and NATO membership, the disorientation is understandable. Nevertheless, Ukraine's foreign policy professionals are learning from hard experience that, like NATO's multilateral structures, the EU's executive bodies

foster their own institutional culture and their own 'habits of co-operation'; they are also recognising that in Western European capitals there is little overlap between officials responsible for carrying out NATO and EU policy. The practical fear in Kyiv is that unless this climate and institutional culture change, EU enlargement — in direct contrast to its NATO analogue — could paradoxically distance Ukraine from the West and even endanger the country's vital economic interests.

Although the reasons behind the EU-Russia and NATO-Ukraine discrepancies arouse perplexity in Ukraine, the discrepancies themselves are not in question. Whereas NATO and national defence ministries have refused to tie co-operation with Ukraine to their level of co-operation with Russia — recognising, were they to do so, that Russia would acquire *de facto* control over a vital aspect of Ukrainian policy⁵⁵ — the EU has never allowed Ukraine to advance closer to itself than Russia and in some cases has kept it well behind, despite the fact that EU membership is not an officially proclaimed Russian goal. Is it purely on economic grounds that whilst Ukraine began to negotiate a Political Co-operation Agreement with the EU six months in advance of Russia, its agreement came into force four months behind that of its northern neighbour? (Ukraine's PCA, concluded in June 1994 and ratified by Ukraine in 1995, only entered into force on 1 March 1998). Had the United States not placed the issue on the agenda of the first joint EU-USA meeting in December, 1997, even this deadline might have slipped. The impression of a double standard between Ukraine and Russia is only reinforced by European Council's recent decision to recognise Russia as a 'market economy' (along with China) whilst leaving Ukraine's 'transitional economy' status unaltered, despite the fact that Ukraine's economic ills are not different from Russia's own — and in the wake of the Russian financial crisis might even be deemed to be less serious.

But even where Russia is not at issue, Ukrainians find themselves perpetually in the role of *demandeur*, whereas with NATO and bilateral defence programmes the traffic of proposals and initiatives has been vigorous and reciprocal. Even with regard to the December, 1996 EU Action Plan — which

appropriately linked Ukraine's integration into Europe's security structures with integration into Europe's economy — the main force for implementation has been the United States, thereby prompting the fear in Kyiv that the Plan could be 'taken out into the woods and lost' by 'good EU bureaucracy'.

The December 1997 Luxembourg European Council decisions constitute a further source of vexation, indeed anxiety. The vexation stems from the fact that, in addition to inviting six states to begin accession negotiations with the EU, the Council also identified five second-tier states whose admission would be placed on a slower track: Bulgaria, Latvia, Lithuania, Romania and Slovakia. From the perspective of the EU, the Luxembourg decisions were almost automatic, based on criteria adopted by the 1992 Copenhagen Council, which made the conclusion of Association agreements pre-requisite to accession negotiations. Yet reminders of the absence of a Ukraine-EU Association Agreement have, from the vantage point of Kyiv, merely reinforced the conviction that Ukraine is being excluded: a conviction surely not diminished when the March, 1998 London Conference, under the British Presidency, rebuffed Ukraine's plea for a political statement acknowledging and supporting Ukraine's long-term vocation for EU membership. The fact that several of the second-tier states designated by Luxembourg have economies as weak and distorted as Ukraine's also reinforces the sense of double standards within the European Union.

Debatable these perceptions are. But the anxiety which arises from them is both realistic and concrete. As treaty commitments currently stand, the accession of Poland and Hungary to the EU threatens to erect a formidable economic barrier between Ukraine and these two neighbours. This is no inconsiderable worry, bearing in mind that Poland is Ukraine's third largest trading partner (when the grey market is taken into account) and that, thanks to the Amsterdam Treaty, opt-outs from the Schengen agreement on frontier controls are no longer on offer. The impact of Schengen could have a dramatic impact on two countries whose cross border traffic (today visa free) currently amounts to two million people per month.

The divergences between the processes of NATO

and EU enlargement are not simply in the eye of the beholder. What then accounts for the difficulties that Ukraine is experiencing?

First there is the model of integration which the EU has adopted. The aim of the European Union is not to soften barriers with non-members, but to deepen integration between members. In practice, 'ever closer union' is a project designed to achieve further harmonisation amongst member states whose legal systems, employment practices, welfare provisions and economic policies are, by post Communist standards, remarkably harmonised already. Therefore, the challenge for a non-member is not simply one of catching up, but catching up with a moving target. This contradiction — between the 'deepening' of Europe (the further integration of those already inside it) and its widening — can be directly attributed to the European model itself. Those whose preferred model of 'Europe' is one of intimate *co-operation* between states which remain diverse, pluralistic and sovereign — electoral majorities in the UK and Scandinavia and sizeable minorities in France and Germany — are not in the driving seat.

Second, and very much contrary to conventional wisdom, the EU has changed less than NATO since the division of Europe ended. As the quintessentially cold war institution, NATO came under pressure to transform or dissolve. Its principal response to this pressure, Partnership for Peace, has served — far more than its advocates first supposed — to soften the distinction between membership and non-membership of the Alliance. NATO's professed aim, therefore, is to lower barriers between insiders and outsiders, and its 300 projects with Ukraine testify to the attention which the goal receives. But as a non-military institution, the European Union has largely escaped these pressures. Yet its model of integration, no less than NATO's model of defence, originated in the Cold War and, at least in part, reflected Cold War concerns: the need to give (economic) substance, definition and integrity to an emerging security community in Western Europe then very much under threat from another part of Europe. The mechanisms to this end, protectionist as well as *communautaire*, were devised by governments whose aim was to contain the encroachments of the East rather than enlarge the domain of the West. Now that the tables have turned,

the Western model of integration risks damaging new allies as well as scoring 'own goals' for the West itself. If a widening Europe does not reconsider the logic of 'deepening', then EU enlargement could well become the process of moving barriers east. Paradoxically, then, the EU rather than NATO will 'create new dividing lines' in Europe, if not the economic equivalent of an iron curtain between the West and countries in whose welfare and security it has a profound stake.

To be sure, the contradictions between deepening and widening do not affect Ukraine alone. Yet there are two specific dynamics of European integration which place Ukraine at a particular disadvantage. The first arises from the Franco-German relationship: a relationship which since its inception has been based upon a *mutual* fear of Germany. These fears have only advanced since unification moved Germany's centre of gravity east. Given what France regards as inevitable in these conditions — a special relationship between Germany and Russia — France is determined that Europe should have a special relationship with Russia, both to keep Germany 'locked into' Europe and to persuade Moscow that its real partner is not Germany, but Europe as a whole. Measured against these strategic calculations, Ukraine's importance is questionable in French eyes and Ukraine's aims risk becoming a complication for French policy.

Second, the French and many other EU members are convinced that there will be no European union worthy of the name until Europe acquires its own security and defence identity. In the French conception, such an entity should complement NATO, but it must not be integral to it, for Europe needs to establish a genuinely independent counterweight to the United States. This too increases the attractions of a Paris-Bonn-Moscow axis (institutionalised in the Chirac-Kohl-Yeltsin forum), but it also adds to the inconvenience of a NATO-friendly Ukraine.

Yet there are signs that positions are beginning to shift. Thanks to the clarity and persistence of Borys Tarasyuk (then Ambassador to Brussels and NATO) the first Ukraine-EU summit (February, 1998) was widely acknowledged to have concentrated minds. As a result, President Kuchma's decree (11 June, 1998) on 'Ukraine's integration strategy towards the

European Union' has been well received by Brussels. Moreover, thanks not only to Ukrainian but Polish pressure, Europe has begun to negotiate over what had recently been non-negotiable: the implementation of Schengen and the possibility that its rigours might be relaxed to account for the special features of border regions.

For all this, the fear that the EU sees Ukraine as 'CIS', hence Eurasia, hence part of Russia's sphere of influence, runs deep in Ukraine. If there is any reality behind the fear, then EU objectives would be complementing Moscow's own. While several influential figures in Russia claim that EU membership for the Baltic states would widen Russia's 'window on Europe', it is revealing that Russian support for Ukraine's European vocation is virtually non-existent. This is the dog that does not bark in Russia's new and more conciliatory policy towards Ukraine. To the contrary, the proponents of Russia's new policy tend to argue that *rapprochement* with Ukraine will strengthen re-integration processes between Ukraine and Russia.

Russia and Ukraine: progress and regression

In his radio address on 21 November, President Yeltsin unwittingly confirmed what Ukrainians fear: that while Russians love Ukraine, they do not love its independence:

Not so long ago, we had a joint economy. The Russians and Ukrainians lived in a communal flat, so to speak [...] Some even took it into their heads to divide our common history and cultural legacy [...] Let us recall [...] how we were stung to the quick by reports on NATO manoeuvres in the Black Sea [...] Unfortunately, all of our difficulties have been skilfully exploited by the Russian and Ukrainian opposition. I have to remind those Russian politicians who often go to Ukraine [...] that no one is allowed to put Russia and Ukraine against each other [...] Today, Russian-Ukrainian relations are on the up. We have not forgotten how to rejoice in each other's successes [...] We are rooting for the Ukrainians in all the arenas and

*stadiums of the world as we are for our own sportsmen.*⁵⁶

In Ukrainian eyes, there are far too many 'enlightened' Russians willing to blame Russia for the 'divorce' between the two nations, but unable to accept Ukraine's independence as anything more than the outcome of a family quarrel. Rare it is to find Russians who acknowledge what must be acknowledged in order for Ukrainians to view them without suspicion: that for all the 'common history' which links Ukraine and Russia, for at least 300 years there was also a separate history which has given Ukrainians an identity and a family of their own. There is nothing 'special' in the fact that this family is closely related to a larger family (q.v. the Austrians, the Norwegians, the Canadians and the Irish); and the fact that it is diverse and quarrelsome (q.v. the Germans, Italians and even the English) does not 'disprove' its existence. What remains to be seen is whether this nation has prevailed over the rigours of the Soviet 'experiment' and whether, in the President's words, it can 'rally together at a crucial moment'.

Therefore, the first (but surely the most subtle) problem for Ukrainians lies in the attitude of Russians who would *improve* relations, for such improvement is routinely seen as a sign that, within the *de jure* and 'pragmatically' accepted constraints of Ukraine's independence and territorial integrity, *de facto* re-integration is possible. Although the last Russian Minister for the CIS, Anatoliy Adamishin, was wise enough to call this perception 'an illusion', it is not uncharacteristic that one of the more influential architects of this improvement, former First Deputy Prime Minister Serov, had this to say after the official resolution of the Black Sea Fleet dispute:

Anyone who wishes can become a third party in the Belarusian-Russian Union [...] Russia is developing relations with Ukraine now which are extremely important and of paramount significance. Ukraine is our main partner amongst the Slav states.

Yet the greater, more obvious problem lies in the attitude of Russians who to this day find many of the

de jure realities unacceptable and refuse to renounce pressure as a means of changing them. Even before the dismissal of the Russian government in August, 1998, these forces included the majority of the State Duma (who still refuse to ratify the Treaty on Friendship, Co-operation and Partnership, signed by Kuchma and Yeltsin on 31 May, 1997 and ratified by the *Verkhovna Rada* on 14 January, 1998). One must also include Yuriy Luzhkov, Mayor of Moscow, boss of a city providing 40 per cent of tax revenue to the Federation, an investor in the Crimean economy and an international actor in his own right. The roster must also include *Yabloko*, the country's most prominent *democratic* opposition movement (which continues to reiterate its 'principled' opposition to the break-up of the Soviet Union), as well as several *oblast*' (regional) governors⁵⁷ a large proportion of the country's industrialists, bankers and energy sector bosses, and probably the majority of those who exercise power (officially and unofficially) in Russia's numerous power ministries.

The third problem — and the most serious in structural terms — consists of Russia's economic leverage over Ukraine. The volume of trade alone — some six times greater than that between Ukraine and Germany and roughly ten times greater than that with Poland — confers leverage: a point well expressed by People's Deputy Volodymyr Hrynyov, who claimed that 'losses caused by the [1996-7] trade war were much greater than the arrears in pensions and other social benefits.' But it is Ukraine's energy and raw materials dependency which ensures that the prices agreed in Russian-Ukrainian trade are unlikely to be negotiated between equals. Today, Russia provides Ukraine with about 90 per cent of its oil and 60 per cent of its gas; just as revealing is the fact that Russian energy goods and raw materials make up 60 per cent of the production costs of the ferrous metals, non-precious metals and other semi-finished goods that account for 60 per cent of Ukraine's exports. Ukraine's sole means of escape from this dependency — barter trade and non-payment — do not dispose of the inequality, since the terms of barter must be agreed with a stronger partner and since the valuation of debt is also subject to interpretation, politics and dispute. (Hence, when negotiations over the Black Sea Fleet broke down in October, 1996, Prime Minister

Chernomyrdin claimed that Ukraine owed Russia \$6 billion — a figure which shrank to \$3 billion when the state treaty and intergovernmental accords were concluded in May, 1997). Moreover, the fact that 90 per cent of Ukraine-Russia trade is dollar denominated means that no matter how much the *rouble* is devalued, even a modest devaluation of the *hryvnya* might increase the price that Ukraine will have to pay for Russian goods.

The leverage afforded by these material inequalities is only multiplied by the cross fertilisation of Soviet era elites in the energy production, refining and transport sectors, not to say in heavy industry and the former defence-industrial complex. This cross fertilisation, in turn, is reinforced by intimate ties between 'new Russian' *nomenklaturas* in banking and finance. The open manifestation of this conflation of elites can be seen in the calls within much of heavy and defence industry to 'revive production links', but more significantly in the long-professed inter-state commitments to established trans-national 'financial-industrial groups' on Ukrainian soil (commitments yet to be realised thanks not only to political resistance in Ukraine, but the economic turmoil that frequently divorces word and deed in 'post Soviet space'). But it is the hidden influence of such unofficial networks which may have a far greater bearing on Ukraine's ability to be master of itself. The Chairman of the Crimean parliament, Leonid Hrach, may be right to warn that the privatisation of *Chornomornaftohaz* (Black Sea Oil & Gas) may 'play into the hands of shadow economic forces' and benefit 'the super monopolies that have mushroomed in Crimea and Ukraine',⁵⁸ but he might have gone further and asked why fronts for Gazprom and LUKoil should not be amongst these structures as they are at least rumoured to have been in Lithuania or, in far more transparent conditions, in Poland. The presence of six Russian security and intelligence bodies on Ukrainian territory⁵⁹ is hardly irrelevant to these concerns when President Yeltsin himself defines 'guaranteeing free access to other countries' markets' as 'an important task both for foreign policy and the intelligence service'.⁶⁰ Until information about the ownership, capital and budgets of banks and enterprises is readily available — as analogous information would be in any serious British

or American library — the task which Yeltsin has set is likely to prove achievable in Ukraine.

For all these long-standing difficulties, there have been genuine improvements in Russian-Ukrainian relations, and in the spring of 1997 these relations took what appeared to be a giant step forward. The 1997 breakthroughs were threefold: the state visit to Ukraine (six times postponed) by the Russian President, Boris Yeltsin, the conclusion of an interstate Treaty on Friendship, Co-operation and Partnership, as well as a Joint Declaration by the two Presidents (31 May), and not least important, the conclusion of 14 inter-governmental documents (28 May), the most notable of which are three concerning the division, status and financing of the Black Sea Fleet.

The apparent resolution of the long-standing Black Sea Fleet dispute was not only a breakthrough but a surprise, for the intergovernmental agreements signed by then Prime Ministers Viktor Chernomyrdin and Pavlo Lazarenko were similar to, and in some ways more favourable to Ukraine than those which Russia had, to all intents and purposes, torpedoed in October 1996.⁶¹ Added to the signing of the long-postponed 41-article inter-state treaty by the two state presidents on 31 May, the agreements altered the atmosphere and much of the substance of the Russian-Ukrainian relationship. The agreements, following in the wake of the elevation of Anatoliy Chubays and Boris Nemtsov (and less dramatically Ivan Rybkin) to senior positions in the Russian government are an encouraging reminder that Russia's foreign and security policy is not 'objectively determined' and defined for all time, but the product of a particular political order and a particular set of political interests. But it is also a cautionary tale, for the radicals associated with the improvements (and further reinforced by the appointment of Sergey Kiriyenko as Prime Minister in March 1998) lost power in the summer of 1998 and, in the view of many, are unlikely to return for the foreseeable future.

Caution is also in order because, as is the case in many countries, beneficial changes in Russia's policy were motivated less by idealism and altruism than by a reasoned perception of pressure and threat. By the spring of 1997, the threats appeared to be threefold:

* the threat from within, in the form of the increased fragmentation of the multinational Russian Federation (eerily reminiscent of the 'pre-crisis situation' confronting Mikhail Gorbachev in 1985);

* the threat from the south, in the form of the Chechen tragedy and its continued reverberations throughout the Caucasus (reminiscent of the earlier trauma of Afghanistan)

* the threat from the West, in the form of NATO enlargement (reminiscent of the 'change of attitude' in the West associated with Ronald Reagan, rearmament and SDI)

Where NATO enlargement was concerned, Ukraine's role had hardly been modest. The Tallinn communiqué of 27 May — in which Kuchma and Polish President Aleksandr Kwasniewski backed the Baltic states' quest for NATO membership — was the culmination of a long-standing Ukrainian effort to persuade Russia that its policies were driving Ukraine into the arms of NATO. The communiqué could not have failed to alarm Moscow. Within days of the accords, Yeltsin's press secretary and deputy, Sergey Yastrzhembskiy, plainly suggested that 'new thinking' was under way:

We have to find the strength within ourselves to overcome this obsession with Sevastopol [...] Putting reunification of Crimea and Sevastopol with Russia on the agenda would be to launch a new Chechen war. If Russia and Ukraine can rise to the level to which de Gaulle and Adenauer rose in their time to solve the issue of Alsace and Lorraine, then we will be able to work together, help each other and overcome mistrust. We must look at the world with open eyes and see it as it really is. [emphasis added]⁶²

Yet even before the spring 1998 financial crises threatened to reverse the entire post-Communist direction of Russian policy, the 'breakthrough' raised a number of uncertainties. First, whilst the accords provided unequivocal recognition of Ukraine's territorial integrity, they did nothing to diminish

Russia's principal levers of influence over Ukraine. Indeed, through these accords, Ukraine has conceded to Russia a right to maintain a substantial naval, military and intelligence presence on her territory for a generation. Moreover, once they are scrutinised, the naval, military and economic accords are far less advantageous to Ukraine than they first appear. They impose dysfunctional basing requirements on Ukrainian naval units, they leave Ukraine dependent upon Russian facilities for training and, not only in these respects, leave the orderly operation of the Ukrainian Navy dependent on harmonious relations with the Black Sea Fleet and Russian goodwill.⁶³

The second uncertainty is posed by the latitude of interpretation that vague and highly imperfect accords allow. What is the underlying 'meaning' of the accords? Four months after they were signed, Viktor Kravchenko, then Commander of the Black Sea Fleet, promised that 'The Black Sea Fleet will do everything in its power to ensure that [Sea Breeze-97] is the last [NATO] exercise in the region [...] Our task is to tear Ukraine away from NATO's embrace'.⁶⁴ Yeltsin himself has said that the aim of the accords is to ensure that 'we take part in defending Ukraine', an aim which Ukraine would certainly dispute.

Third, in post-Soviet conditions there is a world of difference between agreements and their implementation: a point underscored by Ukrainian Prime Minister Pustovoytenko who stated, on the eve of his visit to Moscow in October 1997, that 'no substantial steps to give it [the accords] substance have been taken'. Indeed the most substantial step required, Russian parliamentary ratification of the 'large-scale' (inter-state) treaty (originally scheduled for 6 February), has been deferred by the State Duma on one pretext after another up to the present time. Indeed, six-to-seven supplementary agreements first envisaged in May 1997 and declared to be 'in preparation' eight months later are still awaited as of October 1998. Amongst other issues, these agreements address the respective economic rights of Russia and Ukraine in Sevastopol, along with customs, excise and pensions provisions for BSF servicemen and employees, not to say the still contentious issue of Ukraine's rights to inspect BSF facilities, weaponry and units (an issue

which led Ukrainian CGS Zatinayko to express dissatisfaction 'that during inspections many foreign arms limitation groups visiting Ukraine were stopped at the gates of BSF units').⁶⁵ A related issue, demarcation of the inter-state border — an issue which has bedevilled relations almost as much as the issue of the Fleet — is still in limbo: despite its supposed resolution by the May accords, Russia had yet to appoint its side of the border commission as of 24 February, 1998.

But the fourth uncertainty, even in this most hopeful period of relations, was whether the ends of Russian policy had changed as much as the means. Just as Mikhail Gorbachev once calculated that he would achieve more influence over the West by moving military forces east than Brezhnev achieved by moving them west, so there is evidence to suggest that Rybkin and others believed Moscow would do more to strengthen 'reintegration processes' by opening Russian markets than by closing them.

Subsequent summits and agreements have only underscored the ambiguities inherent in improved relations between an economically weak Ukraine and a friendly Russia. Following a productive visit by First Deputy Prime Minister Anatoliy Chubays on 1 November, 1997 an informal summit between Kuchma and Yeltsin outside Moscow on 16-17 November produced an undertaking to rescind the imposition of VAT on Ukraine's exports to Russia (imposed by Russia on 18 August 1996) and end the 'trade war' that had lowered 1997 trade volume by 17 per cent; at the same time, Russia at a direct cost of \$250 million to itself, agreed to allow Ukraine a sugar-free export quota of 600,000 tonnes and a 25 per cent tax reduction on exports above that level. Yet it was also at this summit that Ukraine took steps to give substance to several vague aspirations set out in the May accords. Along with a more detailed commitment to establish financial-industrial groups and 'restore and strengthen production links', the most concrete and controversial step was to invite Russia to participate in the privatisation of Ukraine's hitherto closed ('strategic') energy sector and to invest in the construction of nuclear plants at Rovno and Khmelnytskyi.⁶⁶ The summit also committed both countries to 'harmonise economic legislation' and draft a ten-year 'joint action

programme'. Neither then nor at the subsequent 30-31 January, 1998 Moscow summit did anyone ask how Ukraine could harmonise economic legislation with Russia and with the European Union at the same time.

The Russian financial crisis, the collapse of the Kiriienko government (and of the brief acting government of Viktor Chernomyrdin) have replaced these ambiguities with anxiety. On the morrow of his appointment as acting Prime Minister, Chernomyrdin flew to Crimea and (according to unverified reports) demanded that Ukraine pay off its debt and remove the remaining obstacles to the establishment of four Russian-Ukrainian financial-industrial groups. The visit dramatically illustrated one wider, international potential of Russia's crisis: destabilisation of the fragile balance between the Russian Federation and its neighbours.

The potential does not seem to have been lost on Yevgeniy Primakov, Russia's newest Prime Minister and its longest serving Soviet era intelligence professional. As Chairman of the Russian Federation's Foreign Intelligence Service (SVR), Primakov supervised the publication of a report which acknowledged that the sovereignty of the newly independent states was 'irreversible', but nevertheless demanded that key areas of sovereignty be 'delegated'.⁶⁷ In his last interview in this post, Primakov asserted that the SVR used 'all possible means' to facilitate 're-integration processes' in the 'former Soviet Union' (thereby revealing at the same time that the SVR had been violating Russian Federation law banning its operation on the territory of the former USSR).⁶⁸ In his first (January 1996) press conference as Russian Federation Ministry of Foreign Affairs, Primakov assigned the strengthening of 'centripetal processes' in the former Soviet USSR the key foreign policy priority, second only to the strengthening of the cohesion of the Russian Federation itself. As in Soviet times, he underscored the 'objective character' of this policy — then the class struggle, now integration — and the 'hopelessness' of resisting it. Given the prominence that this theme has assumed throughout the post-Soviet phase of Primakov's career, it would be surprising if the events which accompanied the visit to Ukraine of a delegation from the Russian State Duma on 28-29 September

were not the product of prior discussion between the Duma and the new Prime Minister whose appointment they had so warmly supported.

On 29 September, at a closed session of the *Verkhovna Rada*, Gennadiy Seleznev, Chairman of the Russian Federation State Duma and Russia's highest ranking Communist,⁶⁹ received a "hot" reception [...] never before conferred on a foreign guest'. Far from being surprised by his reception, it appears that Seleznev set the stage for it. First, he stated that the Duma would examine the interstate treaty in its autumn session. Then he gently linked its approval to three reciprocal measures: satisfactory clarification (i.e. revision) of Ukraine's policy of co-operation with NATO; ratification by the *Rada* of the three separate intergovernmental agreements on the Black Sea Fleet (which do not require ratification and which legally came into effect upon signature) and entry by the *Rada* into the Inter-parliamentary Assembly of the CIS. Finally, warming to his task, he stated:

*But still more, we would welcome the entry of Ukraine into the Union of Russia and Belarus. This would allow us to create a powerful union of Slavic states. Without borders, without customs, with a single law our citizens would live, work, and receive education in any of the three states without considering themselves foreigners.*⁷⁰

It is possible that Seleznev will have only damaged his own cause by issuing this invitation, and this would certainly prove to be so if, in the words of Taras Stets'kiv (Deputy of the pro-presidential People's Democratic Party), 'the more Russian figures speak about such proposals, the more quickly Ukraine will strive to enter Europe'.⁷¹ But this prediction is not self-evidently true when half the parliament responds with 'stormy and prolonged applause', when the Speaker of the Ukrainian Parliament claims 'we have everything to gain'⁷² and when less than half the assembly pounds the table and walks out. Hence the verdict of former President Kravchuk: 'Wise chap, knowing that the audience would divide into two mutually opposed camps'⁷³ So in quieter ways

might the country. What a better way of establishing the inability of Ukraine 'to rally together at a crucial moment'?

Choices instead of conclusions

If the distinction between Ukraine's 'independence' (its *nezalezhnist'*) and its 'ability to stand' (its *samostiynist'*) remained a significant variable at a time when Russia was becoming more benign and stable, then it surely will become the crucial variable as Russia becomes more disturbed and unpredictable. It appears not only paradoxical, but counter-intuitive that the collapse of Russia's economy should strengthen Russia's influence over Ukraine rather than weaken it. Yet this process has already begun, and it could well continue. Ukraine's dependencies on Russia, and the failures of its own elite and of the West's reformers to shift the balance makes Russia's power to damage seem greater than the West's power to deliver. This process will only be accelerated if the West's disillusionment (and the growing stress on its own economies) leads it to reassess its stake in Ukraine relative to other countries in Europe and other areas of the world. It is by no means inconceivable that this crisis — not NATO or EU enlargement — will establish the new, much dreaded dividing line between East and West: a line that places Poland west and Ukraine east. Well before this happens, Ukrainians will be under a strong temptation, and very strong pressure, to seek whatever guarantees and 'predictability' their eastern neighbour cares to afford them.

But the relief that this brings to Ukraine — and the burdens it lifts from the West — can only be temporary. At a time when Russia seemed to be muddling its way through to success, Ukraine's more astute thinkers recognised that CIS integration represented the 'accelerated integration of underdeveloped markets'⁷⁴ and 'a guarantee of long-term economic and technological backwardness'.⁷⁵ At a time when Russia's economy is crumbling, when Russia's government lacks the means to go forward or back, and when Russia itself might unravel, such integration could become a negotiated descent into chaos, internal as well interstate. The belief that economic weakness will replace the divisions Ukraine endures today with a consensus for

integration tomorrow is a dangerous illusion; more dangerous still are indications that Russia's new government subscribes to it. Indeed, integration *à la* Primakov and Seleznev will produce resistance in Ukraine and not only more division. Sooner or later, it could also produce a crisis which poses greater perils to Western and Central Europe than the present one does.

Alternatively, the effects of this crisis — fear and what Franklyn Roosevelt called the fear of 'fear itself' — might stimulate a remobilisation, not to say moral rearmament, of forces committed to survival. Even in the short term, the one positive effect of the crisis will be to demonstrate (in a way that not even NATO membership could) that Hungary, the Czech Republic and Poland are now part of the West. Ukrainians are well aware of this — far more acutely than the NATO 16 — and for all the half truths about their 'endemic corruption', far more prepared to blame themselves than disillusioned Western partners might suppose. This does not mean that Ukrainians can address their fundamental problems alone. Even the Marshal Plan was a plan. Although donors and recipients came from well established market economies, joint teams of experts devised and implemented detailed schemes for economic and national reconstruction. Why then should Ukraine be handed 'stabilisation funds' and 'thrown onto the market'?

The current crisis is likely to be a defining moment for Ukraine and for the West as well. Even if the West redoubles its commitment (and reappraises its methods), the best that can be hoped for in the short term is to re-establish the country's direction. As the Chinese understand, a journey of 1,000 miles begins with a single step. The West, without abandoning its standards, its probity or its candour, will need to acquire some Chinese patience if it is to achieve its own strategic goals.

The West will also need to support Ukraine's efforts to establish the kind of 'strategic partnership' with Russia that benefits Ukraine, not to say Russia itself. In a strong, *samostiynna* Ukraine — a Ukraine attracting Western investment and developing Western markets — the opening of Russian markets and the appearance of Russian investors would strengthen Ukraine further rather than weaken it

further. It would also benefit Europe because, amongst other things, it would pull *Russia* further into Europe in a way that successful change in the Baltic states and Central Europe cannot. Discomfited as Ukrainians are by the fact, Russians do not view Ukraine as they view Estonia; they view it as part of their own civilisation or at best (and more accurately) as a closely related one. If the West wishes to minimise the duration of *Russia's* new time of troubles, further it should think less about aiding Russia than about helping Ukraine to succeed.

The potential for Ukraine to become a 'bridge' between Central and Eastern Europe, as Kuchma once hoped, and a success in its own right, has not disappeared. Still, without critical thinking and a critical mass of heroic action, the likelihood is that Ukraine will become a fault line in the international system, not to say a domain of anxiety, intrigue and sadness.

Notes

¹Although the result is rather less unfavourable to the President than originally assumed. Owing to the new electoral law — according to which half of Ukraine's 430 People's Deputies are elected proportionately on a party list system and half as individuals on a 'first past the post' basis — it has taken some time for a precise factional line-up to emerge in the *Verkhovna Rada*. As of 22 June, the authoritative tally (which fails to account for 26 deputies) was: Communist Party - 121, People's Democratic Party - 90, Rukh - 47, Hromada - 44, Socialist and Peasant - 35, United Social Democratic Party - 27, Greens - 25, Progressive Socialists - 15. (UNIAN, 22 June, cited in *BBC Summary of World Broadcasts: Former Soviet Union* [hereafter *SWB*]). Although the left is not without its divisions, the anti-Presidential forces (Communists, former *Rada* Chairman Konstantin Moroz's Socialist and Peasant faction, former Prime Minister Pavlo Lazarenko's Hromada and the far left Progressive Socialists) can count on 215 firm supporters. For his part, the President can count on 189 conditional supporters: his 90 loyalists in the 'party of power' (PDP) along with his ambivalent allies in former Prime Minister Yevhen Marchuk's USDP, Rukh and the Greens. These figures, compared to earlier totals cited, suggest that there are now only 26 unaffiliated deputies out of 130 originally professing that status, with most of the remainder joining the PDP (which claimed a mere 28 deputies as of 9 April).

²It is certainly commonplace within the rank and file of Rukh, whose traditional strengths in western Ukraine were substantially eroded by the PDP's determination to put up rival candidates and split the centrist vote. The beneficiaries were the left, as well as the far right (who according to Rukh Chairman, Vyacheslav Chornovil, took 500,000 votes from Rukh in western Ukraine) (UNIAN 30 March in *SWB* 31 March, 1998). Chornovil also blamed the 'strategy of the Ukrainian President and his backers' for Communist inroads amongst the traditionally pro-Rukh Crimean Tatars (Interfax 30 March, in *SWB* 1 April). See also the commentary in the Research Update, Ukrainian Center for Independent Political Research (UCIPR), Vol. 4, No. 115, 18 May, 1998. Some Russian commentary, too, argues that 'the crisis in the Verhovna Rada is objectively to the advantage of the President.' See Tat'yana Ivzhenko, 'Leonid Kuchma "Washes his Hands"' [*Leonid kuchma 'umiyvaet ruki'*] in *Nezavisimaya Gazeta*, pg. 5, 18 June, 1998.

³ITAR-TASS, 9 July, 1998, cited in *SWB* 11 July 1998.

⁴Anatoliy Grytsenko, *Civil-Military Relations in Ukraine: A System Emerging from Chaos* (Groningen, Netherlands: Centre for European Security Studies, Harmonie Paper 1, 1997), p 1.

⁵The figure recorded in the 1989 census of the then Ukrainian SSR. This figure probably inflates the number of ethnic Russians because in the Soviet era ethnically mixed families often saw advantages in claiming Russian nationality.

⁶The Russian Federation Military Doctrine adopted on 2 November 1993 (but soon to be superseded) defines 'the suppression of the rights, freedoms and legitimate interests of citizens of the Russian Federation in foreign states' as one of the 'main existing and potential sources of *military threat* outside the Russian Federation.' [emphasis added] See Charles Dick, 'The Military Doctrine of the Russian Federation', *Jane's Intelligence Review Special Report*, Coulsdon (January 1994)

⁷This was obviously understood by Polish President Lech Walesa, who told a Ukrainian parliamentary delegation in December, 1994 that 'without an independent Ukraine, there cannot be an independent Poland'.

⁸Malcolm Rifkind during his state visit to Ukraine in September, 1995, on which occasion he also stated that 'Ukraine's size and strategic position make it one of Europe's pivots'.

⁹By no means are such views confined to President Yeltsin's opponents, or to the immediate post-independence period. As recently as April, 1995 Yeltsin's then foreign policy adviser, Dmitriy

Ryurikov, used exactly these words and ridiculed those who 'pretend that the countries [Ukraine and Russia] have simply parted, have divorced on the basis of international law', *Kyivskiy Vedomosti* [*Kyiv News*], Kyiv (28 April 1995)

¹⁰Slavomir Majman, Wiston House, Sussex on 8 October 1993.

¹¹*NTV*, 16 November 1997, cited in *SWB*, 18 November 1997. In the same interview he stated, 'the next problem to solve is where big-time oil will go from Baku [...] I think that Russia has every chance of beating Turkey in this competition. Then underscoring the link between the economic, the political and strategic, he added, 'If we are leaders rather than outsiders in this matter, we will not allow the US Sixth Fleet to enter [sic] or a major military exercise, let alone military conflict, to take place there.'

¹²As a case in point, a Democratic Initiatives poll of Kyiv residents conducted at a high point of disillusionment, January 1995, revealed 62 per cent of ethnic Ukrainians and 58 per cent of ethnic Russians firmly in favour of independence; on the other hand, 16 per cent of Ukrainians and only 10 per cent of Russians pronounced themselves against it.

¹³Crimea would make the total 25, but it has the status of Autonomous Republic rather than *oblast*. To the six westernmost *oblasts*, many would add a seventh, Rivne, which was *re-absorbed* by the USSR in 1939 but had been under Russian control from 1773 until the Treaty of Riga in 1921. Four of the six, Volyn, L'viv, Ivano-Frankivsk and Ternopil', were annexed from Poland under the Molotov-Ribbentrop pact in 1939. A fifth, Chernivtsi (northern Bukovyna) was annexed from Romania in 1940, and the sixth, Zakarpatska, from Hungary in 1944.

¹⁴On 17 July, 1996 Volodymyr Horbulin, Secretary of the National Security and Defence council (NSDC) went further, warning that the country 'could lose independence' if episodes like the February and July 1996 Donetsk miners strike were repeated, *SWB* (19 July, 1996).

¹⁵Tor Bukkvoll, *Ukraine and European Security*, pp31-32. Royal Institute of International Affairs, London (1997)

¹⁶On 1 March, 1995 the *Rada* rejected Kuchma's January decree, 'On Financial-Industrial Groups' for fear that Ukraine could be overwhelmed by Russian capital. It also failed to support Defence Minister Valeriy Shmarov, whose dismissal in July, 1996 was widely linked with his support for closer defence co-operation with Russia.

¹⁷Natalia Belitser, 'National Minorities', in *Visnyk*:

The Ukrainian Center of Human rights Herald, Issue 2, Kyiv (1995).

¹⁸The Russian concept and language are similar: *nezavisimost'* and *samostoyatel'nost'*.

¹⁹According to the new Economics Minister, Vasyl Rohovyy on 25 May, total salary debts in Ukraine amount to HRN 5.5 billion (\$2.8 billion), of which HRN 774 million are owed to state employees. *SWB*, 26 May, 1998.

²⁰President's speech of 25 June, 1998 (*SWB* 29 June) By 24 August, the figure for salary debts recorded for the first half of 1998 reached HRN 6.068 billion.

²¹It is the fable of a poor peasant, who tells the Pharaoh: 'you pose as the dam who keeps the poor man from drowning, but behold — thou art thyself the flood!'

²²According to Social Security Minister Anatoliy Kinakh, 19 June, *SWB*, 22 June, 1998.

²³Loss of confidence in domestic T-bills dates from late 1997. According to President Kuchma (9 April), even before the May financial crisis devastated Russia's finances and began to spill over into Ukraine, Ukraine was forced to offer 29 per cent interest on government bonds, compared to a 3 per cent interest rate for Lithuanian bonds and a 13 per cent rate for Russia. (*SWB*, 14 April, 1998). According to Economics Minister Rohovyy, the state owed HRN 6 billion on outstanding T-bills as of May, 1998 (*SWB*, 25 May, 1998).

²⁴One should recall that the command economy was not designed to 'soften' market relations, but defy them. It aimed to maximise production rather than value and was so oblivious to issues of cost that even its currency bore little relationship to money. Across nearly every sector of industry in the Soviet Union, the cost of factor inputs (materials and labour) exceed the value of the end products they produced. In 'priority' sectors the rouble had as much as nine times the purchasing power it had elsewhere; in a country whose *per capita* GDP was at most 40 per cent the European average, *per capita* energy consumption was in dollar terms 30 per cent above it. If, as many Ukrainians boast, their defence complex produced technology which rivalled that of British Aerospace, it did so at a cost that would have bankrupted British Aerospace and did so with plant and materials which, to this day, British Aerospace and other Western firms are extremely reluctant to invest in.

²⁵In Communist countries, the term *nomenklatura* referred to those posts or persons sufficiently important to require Communist Party vetting and confirmation. The term therefore became synonymous with the ruling class in these countries.

Today, with less rigour, it refers to *former nomenklatura*, their families, their allies and their heirs.

²⁶In machine-building and metallurgy, barter accounts for 45 per cent of transactions; it accounts for 46.8 per cent in chemical and oil products and 52.8 per cent in the electro-energy sector. (*Biznes*, no. 34 (293), 24 August, 1998, pg. 6)

²⁷According to President Kuchma, there are over 800 intermediary commercial organisations in the mining sector, and barter accounts for 80 per cent of all transactions. (ITAR-TASS, 17 June, 1998, cited in *SWB*, 20 June). The Minister of Interior, Kravchenko, linked these intermediaries to 99 cases of serious misappropriation (Intelnews, 22 June, *SWB* 23 June). In perhaps the most notorious case, that of the *Ukrinterprodukt* firm, over \$6 million of budget funds were diverted. *Ukrinterprodukt* 'dealt with mines that received useless items like bins or glasses as payment [...] As none of the managers of these mines [...] complained, it is suspected that they had a personal interest in letting their mines undergo substantial financial losses'. Despite this, investigations into the firm, co-founded by the ex-director of the Ukrainian Railways, 'was suddenly terminated for no obvious reason.' *Corruption Watch*, No. 7 (10 June, 1998), Ukrainian Centre of Independent Political Research.

²⁸Economist Intelligence Unit, *Country Forecast: Ukraine, 2nd Quarter 1998*, pg. 20.

²⁹According to Tyhypko, HRN Ukraine would need to pay HRN 2.5 billion debt service during the summer of 1998. At the same time, IBRD estimates were HRN 1.7 billion *monthly* debt servicing obligations if the 1998 state budget was reduced and HRN 4.7 billion if it was not. Ukrainian TV, 1st Channel and Ukrainian Radio 1st Channel, 20 June, 1998, cited in *SWB*, 22 June, 1998.

³⁰On 7 February, 1997 the IMF mission to Ukraine recommended release of the 9th \$90 million instalment in stand-by credit and promised to prepare the beginning of an Extended Fund Facility loan of \$2.5 billion, with \$1 billion scheduled for dispersal in 1997. (Interfax, 7 February, 1997, reported in *SWB*, 11 February, 1997).

³¹Volodymyr Horbulin, Secretary of the National Security and Defence Council, 'Ukraine's Place in Today's Europe', *Politics and the Times* (journal of the Foreign Ministry of Ukraine), October-December, 1995, pg. 15.

³²James Sherr, *Ukraine, Russia, Europe* (Conflict Studies Research Centre, Paper F55, October, 1996).

³³John Gray, 'Totalitarianism, Reform and Civil

Society' in *Post-Liberalism: Studies in Political Thought* (London: Routledge, 1993).

³⁴Since January 1998 there have been four major confrontations between newspapers linked with opposition political parties and the authorities. On 28 January, the Procurator General's Office issued a directive to close *Pravda Ukrainy* and on 30 January, the tax authorities seized the paper's bank accounts (UNIAN, 30 January, *SWB* 2 February). On 10 March, Mikhail Brodskyy, largest shareholder in *Kievskie Vedomosti*, was arrested; on 4 June, HRN 5 million were awarded in damages against the paper (TV1 in *SWB* 6 June). On 27 March, a Chernivtsi court (thought to be linked to Presidential interests), having already frozen the paper's accounts, ordered *Vseukrainskie Vedomosti* to pay HRN 3.5 million in damages, and the paper announced its intention to suspend publication the following day (*Vseukrainskie Vedomosti* 27 March). On 25 May the Procurator General's Office took steps to close *Polityka*; on 19 June it charged its editor, Oleg Lyashko, with defamation; simultaneously the Kyiv Pecherskyy District tax authorities froze the paper's accounts under the pretext of a tax audit. (*Kievskie Vedomosti*, 19 June).

³⁵In the most significant case, *Bank Ukraina*, financial justification for September's decision to place the bank under management of law-enforcement organisations was compelling, but political factors have been privately cited by bank employees. For a critical analysis of the economic dimension of the crisis in this 'former' state bank, see 'Bank "Ukraina" and Others: Cadres Resolve Everything. When They are There [...] [*Bank "ukraina" i drugie: kadry reshajot vse. Kogda oni est*] in *Zerkalo Nedeli*, pg. 1 (26 September - 2 October, 1998).

³⁶Oleksandr Moroz cited by UNIAN, 4 January, 1998 (*SWB*, 6 January, 1998).

³⁷Anatolij S. Grytsenko, *op cit.*, (note 4) pg. 3.

³⁸President Kuchma's speech to the Conference of Entrepreneurs, reported by Ukrainian TV on 10 February, 1998 (*SWB* 12 February).

³⁹Similar powers were entrusted to then First Deputy Prime Minister Boris Nemtsov in Russia in 1997.

⁴⁰On 28 April, 1998 President Kuchma signed a decree 'On Fighting Corruption for 1998-2005' designed to supplement the 1995 Law 'On Fighting Corruption'. Analysis of the text has led at least one Ukrainian observer to conclude that 'the new decree appears to be a tool of political pressure rather than a real effort to eradicate corruption'. 'Corruption Watch', UCIPR, Vol. 1, No. 5, 13 May, 1998.

⁴¹O. Mykolayeva, 'Servicemen Say: He Who has

not been in the Army has Lost', *Zerkalo Nedeli*, 15-21 June 1996, pp 1-2, cited in Grytsenko, Op. Cit., p. 52.

⁴²UCIPR Bulletin, 23 May, 1998.

⁴³William Tompson, 'Old Habits Die Hard: Fiscal Imperatives, State Regulation and the Role of Russia's Banks', *Europe-Asia Studies*, Vol. 49, No. 7, 1997, pp 1159-60.

⁴⁴In diametrical contrast to Western practice, Ukrainian customs authorities show vastly more interest in what a foreigner takes out of the country than in what he brings into it: a residue, perhaps, of the Soviet prejudice that foreigners might 'steal the country's wealth'.

⁴⁵For an analysis of the connection between the former KGB and entrepreneurship, see James Sherr, 'Russia: Geopolitics and Crime', *The World Today*, February 1995.

⁴⁶Cited in Ron Synovitz, 'Ukraine: Kyiv's Policies Destroy Productive Farming', *RFE/RL Report*.

⁴⁷As lamented by the President. *Intelnews*, 19 April, 1998.

⁴⁸Ukrainians were scarcely astounded by the revelation of Russia's former First Deputy Prime Minister, Anatoliy Chubays, on becoming Chairman of Russia's largest corporation, UES, that United Energy Systems operated without a budget.

⁴⁹President Kuchma to the Conference of Entrepreneurs on 10 February, 1998 stated that 'Ukraine still lacks an established political culture and political elite capable of overseeing corporate interests and personal ambitions, overcoming internal differences and rallying together at a crucial moment'. (*SWB* 12 February, 1998).

⁵⁰As paraphrased by the then director of the NSDC staff, O. Spirin. The wording of the actual document is cautiously toned down.

⁵¹As slightly paraphrased by the Ukrainian state news agency, UNIAN, on 28 August, 1997 (*SWB*, 30 August, 1997).

⁵²Politically clear as the principle is, it leaves two key questions unresolved. First, is it meant to imply Ukraine's opposition to peacekeeping operations conducted under the Tashkent Treaty (to which Ukraine is not a member)? Second, even if OSCE and UN mandates are issued, what military concepts of 'peacekeeping' are to be employed? These concepts have usually not been defined in detail by the OSCE or UN, but by the lead organisation or country involved in what the West calls 'peace support'. In view of the fact that the UN operation in Bosnia-Herzegovina is essentially a NATO operation, would it not stand to reason that UN peace support in the CIS would be CIS (i.e., Russian) led and dominated by the rather different military concepts

which the Russian Federation Armed Forces regard as generic to *miro-tvorcheskii operatsii*?

⁵³Despite a period of similar complacency, after considerable pressure from Prime Minister Vaclav Klaus and a small but critical mass of senior officials, the Czech Republic approved a National Strategy in March, 1997. Even before international recognition of their independence, the three Baltic states recognised the need for establishing comprehensive national defence and security concepts.

⁵⁴Comments attributed to Gerhard von Moltke at the 1994 Istanbul meeting of the North Atlantic Co-operation Council, published in the official parliamentary newspaper, *Holos Ukrainy*, 14 June 1994, cited in Kuzio, *Ukraine Under Kuchma*, p.195.

⁵⁵A case in point is the UK-Ukraine Programme of Co-operation, which is both larger and of longer standing than the UK-Russian bilateral programme. Russia's unwillingness to conclude such a programme until recently played no role in Britain's decision to establish such a programme with Ukraine.

⁵⁶Radio address broadcast by Radio Russia, 21 November, 1997 (*SWB* 22 November, 1997).

⁵⁷The most notable of these being Aman Tuleyev, governor of Kemerovo *oblast'* and former Minister for the development of relations with the CIS and Aleksandr Lebed, governor of Krasnoyarsk Kray (territory).

⁵⁸As reported by UNIAN, 8 July, 1998 (*SWB*, 10 July, 1998)

⁵⁹These are the Foreign Intelligence Service (SVR), the Federal Security Service (FSB), the Federal Agency for Government Communication and Information (FAPSI), Russian Federation Border Troops (which maintain a separate intelligence directorate), the Chief Intelligence Directorate of the General Staff (GRU) and, quite distinct from the GRU, military counter-intelligence departments, nominally subordinate to the FSB but virtually autonomous in practice.

⁶⁰Speech to the senior staff of the Foreign Intelligence Service (*Sluzhba veshnoy razvedki*), 27 April, 1994.

⁶¹For an analysis of the October crisis, see James Sherr, 'A New Storm Over the Black Sea Fleet', *Conflict Studies Research Centre Occasional Brief 51*, Sandhurst (November, 1996).

⁶²*SWB* (2 June 1997).

⁶³For a summary and analysis of the accords, see James Sherr, 'Russia-Ukraine Rapprochement? The Black Sea Fleet Accords', *Survival*, IISS, London (Autumn 1997).

⁶⁴UNIAN, 17 September 1997, cited in *SWB* (19 September 1997).

⁶⁵As reported by the newspaper, *Den'*, 23 June, 1998.

⁶⁶The construction and financing of these plants, envisaged by Ukraine as vital compensation for the closure of Chernobyl, had long been a subject of dispute with the G7.

⁶⁷'Russia and the CIS: Does the Western Position Need Correction?' (published in *Rossiiskaya Gazeta*, 22 September, 1994).

⁶⁸*Komsomol'skaya Pravda*, 26 December, 1995.

Boris Yeltsin produced a similar revelation in May, 1994 when he demanded that the 'extensive possibilities' of the Federal Security Service 'must be effectively used in the defence of Russians both in this country and abroad'. The revised law of 12 April, 1995, 'On the Bodies of the Federal Security Service of the Russian Federation' gives it 'the right to conduct intelligence operations on the territories of foreign countries': a right which its then Director, Sergey Stepashin admitted 'simply brings us into line with what we have been doing in the past year'.

⁶⁹Gennadiy Zyuganov, leader of the Communist Party of Russia, does not occupy an official post.

⁷⁰Gennadiy Seleznev to Ukrainian Deputies: Join Us! [*Gennadiy Seleznev — ukrainskim deputatam: prisoedinyaiytes*], *Kievskie Vedomosti*, 30 September, 1998.

⁷¹Gennadiy Seleznev Does Not Consider His Visit to Kyiv a Failure. More Than That, He is Pleased with It' [*Gennadiy Seleznev svoy visit v kiev ne schitaet provalom. Bolee togo, dovolen im*], *Fakty*, pg. 4, 1 October, 1998.

⁷²Aleksandr Tkachenko: And We Have Everything to Gain! [*Aleksandr Tkachenko: i bse u nas poluchitsya!*], *Kievskie Vedomosti*, 30 September, 1998.

⁷³Leonid Kravchuk: The "Troekurov" Comes to Tkachenko' [*Leonid Kravchuk: priexal "Troekurov" k Tkachenko*], *Kievskie Vedomosti*, 30 September, 1998.

⁷⁴Volodymyr Horbulin, 17 July, 1996 (*SWB*, 19 July, 1996).

⁷⁵Anton Filipenko, 'The CIS Economic Union: Pros and Cons', p. 60, in *Politics and the Times*, (journal of the Ukrainian Ministry of Foreign Affairs), October-December, 1995.