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Capitalist bloc formation, transnationalisation of the state and the transnational capitalist class in post-1991 Ukraine

Yuliya Yurchenko
Submitted for the Degree of Doctor of Philosophy in
International Relations
University of Sussex, April 2013

I hereby declare that this thesis has not been submitted either in the same or different form, to any other university for a degree.

Signature ……

Summary

This thesis uses transnational historical materialist theory and methodology to explicate the transformation of Ukraine's economy after the demise of the USSR, examining specifically the period from 1991 to the present. Thus, the thesis explores the ways in which the formation of the capitalist historic bloc, the ascent and agency of Ukraine's capitalist and ruling class(es), and the agency of transnational capital are the driving forces behind that transformation and its socially destabilising nature. Social agency is one critical issue in this argument, in that as this thesis shows the main reason behind the inability to stabilise the social order in Ukraine is the ongoing rivalry in the process of class formation.

Neoliberal marketization reforms (actively supported by IMF, WB, and EBRD) allowed Ukraine's rival ruling and emerging capitalist class and their fractions to pursue their personal economic interests and by that undermine possibilities for socio-economic stabilisation. Thus Ukraine's economy has been shaped through processes of accumulation by dispossession (Harvey, 2003), or privatisation, and capitalist class fractional formation and rivalry. In the latter process a capitalist class-for-itself has emerged through organising its fractions around political parties and through actively engaging with the EU and US lobby and interest groups. Through these practices, a process of *trasformismo* (Gramsci, 1971) and effective strengthening of Ukraine's capitalist historic bloc is evolving. Ukraine's ideologically semi-denationalised ruling (Sassen, 2007) and capitalist forces that emerge from the trasformismo dialectic by transnationalising Ukraine's state for their own political and/or economic gain essentially institutionalise the discipline of capital and facilitate a passive revolution (Gramsci, Ibid.) towards a generation of consent to the global hegemony of neoliberal market ideology. This 'passive revolution' further incapacitates possibilities for the emergence of ideological and thus political counter-movements and alternative institutional forms.

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I would like to use this opportunity to express my deepest gratitude to all members of faculty of the IR department at Sussex but first and foremost to Professor Kees van der Pijl. Over the last 5-6 years his support as my main supervisor and his confidence in my work have helped me carry on when I was losing mine. By minimal interference and maximal encouragement, he allowed my project be my own while providing wise and succinct guidance through the abundance of analyses and methods towards a better articulation of the ideas I needed help expressing. The years of experience as both a supervisee and a tutor of van der Pijl's course on Global Political Economy have left an imprint on me, and my work that will last a lifetime. The debt I owe to Kees I can only hope to repay by following his fine example of excellence in research, undaunted integrity, and continuous self-reflection and learning.

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A Note on transcription and transliteration of Slavic proper names

In this thesis translation, transliteration, and transcription of all Ukrainian and Russian (and occasional other Slavic) names was performed in accordance with the rules customarily utilised by the international community of interpreters and translators, the International Interpreters Association, the International Association for Translation and Inter-cultural Studies, and as is documented in Korunets' *Theory and Practice of Translation* (2001, pp. 92–169)). So, proper names are transcribed/transliterated and are conveyed on the basis of their phonetic structure in the language of origin and are not translated. Names of companies, associations, publishing houses, governmental and information agencies, etc. are transliterated/transcribed on the same basis however their explication is translated (e.g. company, firm, concern) and expanded where considered necessary (e.g. oil and gas import company, confectionery producer Geographical names are transcribed/transliterated in the exact manner that the proper names. All transcriptions/transliterations were performed in accordance with the Cabinet of Ministers of Ukraine Resolution N55 "On Normalization of Transliteration of the Ukrainian Alphabet by Means of the Latin Alphabet" (2010). In cases with the names of the companies, organisations, and people that are well known and are customarily transliterated differently from the standard set by the Resolution exceptions were made (e.g. Naftogaz Ukrainy, Yuliya Tymoshenko).

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Chapter 1

A Review of the Literature

Ukraine's post-Soviet transformation, 'transition' literature and its limitations

Introduction

The argument of this thesis is that in the process of capitalist class formation in the post-Soviet Ukraine, the original accumulation of capital with which such a process commences has not yet been consummated. From a historical perspective, one would expect that after the initial expropriation of public assets, a liberal constitutionality would follow to allow an all-round marketization to take hold under the rule of law. But in Ukraine precisely the process of transformation towards the capitalist social reproduction has been stalled. As such it is the aim of this thesis to take stock of the particular stagnation of social development, and the class formation that underlies this stagnation, by placing social agency at the core of the analysis. Hence this thesis challenges the teleology that transpires from mainstream transition literature, both the economistic transitology and its critics. In this chapter I will present an overview of this literature to highlight its teleological subtext.

Of all post-Soviet states Ukraine according to a 1990 Deutsche Bank report (Deutsche Bank 1990), was among the best placed for potential economic, political, and social growth. Instead, in the last 20 years Ukraine has seen dramatic rises and plunges in GDP, the shock of the 2007-8 Credit Crunch, multiple political and economic crises including the Orange Revolution. It has continuously been rated among the worst countries on aspects of corruption and democratic and civil freedoms violations (Freedom House, 2002-2012; Amnesty International, 2007-2012; Reporters without Borders, 2008-2012). According to nationwide surveys conducted by the Kyiv Independent International Institute of Sociology, in 2012 15,2% of Ukrainian people live in absolute poverty and 31,7% in relative poverty (The Trade Union Federation of Ukraine 2012). Moreover, there are 1,7-2 times more poor households with children than without in 2008 (Paniotto) that however slightly reduced in 2012 from 32.7% to 32% among the working population (UkrInform, 2012). During 2011, the poverty line rate set in the state budget was at UAH 894-953,00 ($115,87) per month (Minfin, 2012) and the minimum wage at UAH 941-1004 ($122,02) per month (Ibid.) with the National

Bank of Ukraine exchange rate averaging UAH 7,95-7,99 per $1 through the year. By the same year the number of millionaires and billionaires dramatically increased with even a few present on the Forbes 500 richest of the world list and the top-100 richest people of the country owning $83.07 billion *(Korrespondent,* 2011a).

Scholarly analyses of these circumstances in Ukraine vary no less than their subject matter. The economistic transitology of the early 1990 to mid-1990s advocated by the proponents of the neoliberal marketisation has set the economy onto a path of an inevitable destabilisation. Moreover, it overlooked the role and importance of the existing social institutions as crystallisations of the specificieties of social agencies and their hierarchies in the state-society complex in Ukraine. Many blame Ukraine's evolutionary unevenness on 'state capture' by firms (Hellman, 1889; 2001), by oligarchs (Aslund, 2005), and/or by 'elites'/'clans' (Kovaleva, 2007; Kowall und Zimmer, 2002; Kuzio, 2012; Sabic and Zimmer, 2004) who used personal connections and corruption to achieve economic goals such as tax evasion and preferential treatment in privatisation auctions (Kusznir and Pleines, 2006). Some argue that clans and elites went further and facilitated the construction of a regime of 'competitive authoritarianism' where political and administrative prosecution were used to eliminate both political and economic competition (Levitsky and Way, 1998; 2001). The latter regime, others argue, was reversed after the Orange Revolution (Kuzio, 2005; Aslund, 2005, 2006) although it is now returning in full sway with authoritarian power usurpation by Yanukovych and his cronies (Motyl, 2011; Kuzio, 2012; Freedom House, 2011; 2012 - to mention a few). In this thesis I argue that while the above approaches document the behaviour of certain social forces often referred to as clans or elites, they fail to explain the reasons behind the socio-political change in Ukraine. This is partly due to the implied assumption of a homogeneity of interests within those forces, and partly due the insufficient attention paid to the complexity of the state- capital-society (both domestic, and foreign) dialectic in the independent Ukraine.

The literature on post-Soviet Ukraine that I divide into the economistic transitology of the 1990s and its later critics focuses on analysing the 'transition to a market economy and democracy' by documenting the roles of various actors and institutions in the problematic course of that process. In this chapter I will expose the teleology of that literature's assumed 'transition to something' that automatically negates potentialities of and for social agency embedded in the (pre) existing structures and

institutions. I will then show that it insufficiently, if at all, accounts for social agency – domestic and otherwise - in the process of Ukraine's politico-economic transformation. The transition literature is an essential teleological fixation on the construction of an idea- and ideal type of a Weberian state[1] in a market economy. The latter in its neoliberal form must be open to global capital flows that in itself is problematic if not paradoxical and will be addressed both later in this Chapter and in Chapter 2. Such teleological fixation on the state's institutional form and prescriptions of social change through state structure adjustments fetishizes structural manifestations of social agency that are the state/structure (see Knafo, 2008 on structure as a form of agency). Even when it is addressed, agency is treated with a sense of an ontological cohesion - i.e. 'clans' and 'elites' - that can neither be empirically validated, nor explain the lack of a political consensus in Ukraine. The latter, as I will show throughout this thesis, can be understood by fore fronting the social agency of the ruling and capitalist forces of Ukraine, their fractioned nature, continuous rivalry, and uneven integration into the structures of transnational(-ising) capital. All the above-mentioned manifest itself, among other, in the inability to form consistent domestic and foreign policies alike. Having problematised the assumed homogeneity of the ruling and capitalist forces of Ukraine, I will go on to explain the validity of the transnational historical materialist methodology, method, and theory for tackling the shortcomings of the existing approaches in Chapter 2. I will then substantiate the arguments empirically in Chapters 3, 4, and 5.

Transitology: a failure of the theory or the theory of a failure?

As an approach, transitology emerged from the reality of relationship between the (post-) Soviet states and the international financial and trade institutions - such as the IMF, WB, EBRD, and later WTO - that had seen a dramatic acceleration once the USSR demised in 1991. It was necessitated by the underlying belief held in the mainstream discourse that there is a need to help the newly independent countries to the "true path" of social evolution as neoliberal economists saw it. One of the most famous

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[1] In this thesis I use Weber's concept of the 'ideal-types' in a meaning different from the one articulated in *The Protestant Ethic and the Spirit of Capitalism* (1930). So, I differentiate between the 'ideational type/idea type' (what Weber meant by 'ideal type') as an epistemological abstract category and the 'ideal-type' by which I imply a benchmark model of a policy, social institution, etc.

and influential manifestations of that sense of an historic necessity was Francis Fukuyama's *The End of History* (1989, and 1992). Fukuyama's article, followed by the book, became a self-fulfilling prophesy for the new states that emerged not only at 'the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government' (Fukuyama 1989, p.3). Such vision left little room for alternative scenarios in the face of 'liberal democracy' as the form of statehood, neoliberal capitalist market as the economic system, and the culture-ideology of consumerism as the model of a societal consciousness.

The article by Jeffrey Sachs' of Harvard University in *The Economist* on January 13, 1990 titled 'What Is to Be Done?' according to Gowan became a watershed moment in the above discourse (1995, p.3) The 'burden' that Sachs put on the shoulders of a 'white man'[2] to accomplish, Gowan explains, boiled down to 'creating an international environment in which the domestic aspect of [Sachs' neoliberal] policy [advocated in the above-mentioned article] would become the only rational course for any government to pursue' (Gowan, 1995, p.4). Sachs promoted his suggestions in a series of lectures for what later became 'The Economic Theory of the Transition' module at the London School of Economics. The subsequent publication of the lectures by MIT was quickly supported by policy makers in both USA and Great Britain and then exported to the post-Soviet space where the authority of both Harvard and the MIT was rarely, if at all, doubted (Ibid). The economic upheaval that followed the 'shock therapy' (i.e. one of the names that Sachs' approach obtained in the post-Soviet states) inspired by the above is widely documented elsewhere (for detailed analyses of the impact of the 'shock therapy' onto the Central and Eastern European countries see: Amsden, Kochanovich, and Taylor, 1998; Anderson, Wiessala, and Williams, 2001; Desai, 1995; Ellman, Gaidar, and Kolodko, 1993; Kolodko, 2000; Mason, 1996; Poznanski, 1997 and 2001; to mention a few). The upsurge of Sachs's ideas is a demonstrative example of how dangers inherent in theoretical abstractions can materialize through careless application that will be discussed in detail later in this

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[2] A reference here is made to Rudyard Kipling's famous poem via William Easterly (2006) *The White Man's Burden: Why the West's Efforts to Aid the Rest Have Done so Much Ill and so Little Good*, New York: Penguin Press.

Chapter. Sachs, Gowan explains, is a serious theorist who is

> 'Strongly committed to a vision of a globalized, unified capitalist world which he believes would benefit the whole of humanity and he evidently saw an opportunity for bringing that vision closer by becoming involved in formulating a policy for the transformation of the East European region. Like all rigorous policy, his contains a more or less explicit model of the behaviour of the relevant actors and of the ways in which they will interact in given contexts, faced with given constraints and incentives' (1995, p. 4).

Primarily due to its prescriptive nature, the straightforwardness of such approach is misleading despite the acknowledgement of existence of 'constraints and incentives'. First of all, politico-economic reality is much more complex than the model presupposes as apart from the (socio-) economic factors there also are their political forms e.g. institutional, ideological, cultural, etc. Secondly, the model is premised upon an assumption that there *must* be a transition to neoliberal market capitalism and that it is the only alternative for the post-Soviet states; it is not clear at all why the above is treated as an axiom. Thirdly, a process of 'transition' towards a certain mode of production and social reproduction – capitalist or otherwise – is steeped in teleology of itself. Thus, as any social prescription it does not account for, if at all acknowledges, the social dialectic of its target locale. Instead, by application, it arrogantly negates that dialectic by assuming both a possibility, and a necessity of the prescribed 'transition', and attempts to predict its future as if that were possible. Such arrogance pronounced in Sachs's position (which is also the position of the global financial institutions that advocate neoliberal marketization – the International Monetary Fund and the World Bank) is addressed in the criticism of the economic theory of transition, or transitology (hereafter used interchangeably), articulated by Dahrendorf in 1990 already.[3] The latter correctly argued that (1) the newly emerged states did not reject communism for capitalism (and thus did not need assistance in the construction of it) and (2) the existing social institutions in the post-Soviet space were to be respected and the institutionalisation of the new ones must occur through openness, debate, compromise, and such. To that Sachs's response stipulated an impossibility of successful reform without western planning (Gowan 1995, pp. 5-6).

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[3] In Gowan, "Neo-Liberal Theory and Practice for Eastern Europe," 5–6. For details see: Jeffrey Sachs, *Poland's jump to the market economy* (Cambridge Mass.: MIT Press, 1993); Jeffrey Sachs, *Understanding "shock therapy"* (London: Social Market Foundation, 1994); Ralf Dahrendorf, *Reflections on the revolution in Europe: in a letter intended to have been sent to a gentleman in Warsaw*, 1st ed. (New York: Times Books, 1990).

The belief in neoliberal market reform as the only path for societal transformation for the post-USSR states, and the post-communist states in general, professed by the neoclassical economists such as Sachs and the political/economic scientists such as Fukuyama crystallised in a strategic orientation, or a comprehensive concepts of control, crystallised in the IMF and the World Bank policies towards the newly-independent states. So, the former World Bank economist William Easterly – who admits he himself used to believe in the 'shock therapy and structural adjustment' - in *The White Man's Burden* correctly concludes that one 'can't plan a market' even by international institutions. He claims that the above 'planning' was in fact 'planned' with the best intentions in mind and that it has spectacularly failed.

> 'Markets everywhere emerge in an unplanned, spontaneous way, adapting to local traditions and circumstances, and not through reforms designed by outsiders. The free market depends on the bottom down emergence of complex institutions and social norms that are difficult for outsiders to understand, much less change. Paradoxically, the West tried to *plan* how to achieve a *market.* Even after evidence accumulated that these outsider-imposed free markets were not working…' (Easterly 2006, p. 53-4).

Easterly, however, like many scholarly critics of transitology who problematised the prescriptive nature of 'market planning', ignores the fact that the very assumption that there must be a free market *is* planning in itself - i.e. 'free market' is a teleological fixation as an institution that is as unattainable as it is undesirable due to its socio-economically destabilising nature. Easterly explains that the 'shock therapy' approach was the materialisation of the IMF strategy called the 'structural adjustment' that came into being in 1979 (Ibid. pp.7-8). The latter was the 'brainchild of the World Bank president Robert McNamara and his deputy, Ernst Stern, who sketched out the idea on a flight the two took together to the World Bank/IMF Annual Meeting in Belgrade…' (p.58). Based on data collected by IMF and WB on 22 'transition and 'developing' economies, Easterly shows that the belief that 'partial reform would not work unless all of the complementary reforms happened quickly and simultaneously' shattered in the process of policy implementation in the target countries (pp.58; 53-98). This partly happened, he continues, because of what is called in economics 'the "unintended consequences" problem is greater with large-scale reform than with a smaller one' (p.58). So, out of the above-mentioned 22 economies, Ukraine having received 10 IMF and WB adjustment loans, had the worst annual per capita growth rate

from the date of the first loan 1993 to 1999 which equalled -8.4% and the highest annual inflation rate from the first loan to 1999 (p. 59). Unfortunately, despite both theoreticians', and practitioners' warnings about both the potential and actual repercussions embedded in the structural adjustment programs, they are still in place and continue to shape policy-making in Ukraine and elsewhere.

Furthermore, the WB and IMF are not the only institutions responsible for the impositions of neoliberal marketization in Ukraine and elsewhere. In April 1991 the European Bank for Reconstruction and Development (EBRD) was founded to aid the 'transition' in the post-Soviet space under the auspices of the EU. It was the materialisation of 'an idea put forward by President François Mitterrand of France at the European Parliament in Strasbourg on October 25, 1989, came to fruition on May 29, 1990 with the signature of its agreement by 40 countries, the Commission of the European Communities and the European Investment Bank' (EBRD 2010). In the view of the founders of the Bank 'the sudden and total collapse of the Soviet Union [was signaling] of the urgency to provide support to a region emerging from decades of political and economic dictatorship' (Ibid). Neoliberal marketization as the economic strategy was chosen from the outset too as 'it became clear [to the founders of the Bank] that boosting the role of the private sector as the linchpin for free and open market economies was crucial in the democratic transition process' (Ibid). Being the only 'transition bank' in the world, the work of the institution began with 'establishing contacts with all interested parties, conducting preparatory missions to central and eastern Europe agreeing on procedures, and forging a strategy for the institution' (Ibid). A distinguishing feature of the EBRD as an international financial institution is that it '[fosters] transition through project financing, primarily in the private sector' and focuses on 'building the institutions necessary for underpinning the market economy, and demonstrating and promoting market-oriented skills and sound business practices' (Ibid). In Gramsci's language their main goal is to be an active facilitator of formation as well as of co-optation of the capitalist and ruling classes and their fractions into the neoliberal market ideology, thus perpetuating the hegemony of transnational (-ising) capitalism.

Soon after being established, the EBRD launched an initiative aimed at finding theoretical and empirical solutions for the newly independent states in a form of a journal - *The Economics of Transition*. Planned as a subject platform, the journal was

complemented by a more technical but no less prescribing Working Paper series. On the theoretical and policy-design level, one demonstrative example of the economic prescription based on what I argue is a reductionist and de-contextualized analysis is a publication by Rumen Dobrinsky of the United Nations Economic Commission for Europe *Capital Accumulation during the Transition from Plan to Market* (2007, pp. 845-868). In the article he analyses 'aggregate investment behaviour' in *all* transition economies of the Central Eastern European Countries and the CIS between 1995 and 2004 primarily focusing on 'the main determinants of business fixed investment in a transitional environment'. The speculative level of the arguments derived from the so-called 'scientific' economic models is as grandiose as those arguments are phantasmagorical. Dobrinsky, as many others whose example he follows, adopts microeconomic models upon the assumption that they 'describe the behaviour of representative firms in an economy' and that 'they also [can be and are] applied to the modelling of aggregate business environment at macro level' (Ibid. p.846). The above is materialised in an extensive analysis of the 'aggregate data according to neoclassical investment model … derived from an optimisation of the desired level of capital over time by a firm that faces no adjustment costs in a perfect market environment' (Ibid.). In fact, the *Economics of Transition* is a publication full of similar contributions – both by academics and practitioners such as Dobrinsky (for some demonstrative examples see Acs and FitzRoy, 1994; Perotti, 1994; Roland, 1994; Aizenman and Izard, 1995). The problematic application of those theories, let alone their materialisation, is quite obvious (as will be discussed later in this Chapter and in Chapter 2). However, those are the exact models that can be found in policy advice papers and action plans for reform sent in abundance to the 'transition' economies' as benchmarks for economic reform and performance in general. So, Milor (1994: 1) identifies two 'unmistakable elements' required by 'the reform package offered to Eastern European reformers'. Those two are 'coherence and optimal pace'. Both elements can be clearly seen (among others) in the policy analysis first published in 1991 by The World Institute for Development Economic Research (WIDER) of the United Nations University in Finland. Authored by the neoclassical economists - Olivier Blanchard, Rudiger Dornbusch, Paul Krugman, Richard Layard, and Lawrence Summers – the book-report under the title 'Reform in Eastern Europe' is a text strongly advocating the shock therapy approach to economic recovery in the region.

The initial enthusiasm of the shock therapy advocates, however, was very quickly cooled by the aggravating economic conditions in the target economies (op cit.). Nevertheless, the latter were prescribed more reform to fix the growing problems and now included comprehensive institutional restructuring in the true spirit of the Washington Consensus. So, in one such attempt to tackle the above-mentioned problems, Kuzio, Kravchuk and D'Anieri argue against ‘transitology’ as an approach and the abundant ‘transitology’ literature of the 1990s, stating that it is problematic in three major areas.

> ‘First, [it was assumed] that transition in the former USSR is identical to that of Central and Eastern Europe (and, by implication, the earlier transitions in Southern Europe and Latin America). Second, therefore as mirrors of the previous transitions, post-Soviet countries face only two transitions: one, from totalitarianism to democracy; and two, from a command-administrative to market economy. Finally, … the former USSR did not differ to any great degree politically from its outer empire’ (1999, p.2).

The correction of the above 'two transitions' approach was seen to be made through adding more dimensions to the 'transition' process and making it 'triple' or even 'quadruple' (Kuzio, Kravchuk, and D'Anieri, 1999; and Kuzio, 2001). Bidelaux and Jeffries documented the need for the former (1998) in *A History of Eastern Europe* where they carried out an extensive historical study of the whole geographical region and the tasks the latter had to accomplish in the process of 'transition' since 1989. That task was the ‘triple transition’ and included transitions: ‘from communist dictatorship to pluralistic democracy; from centrally administered to market economies; and from Soviet imperial hegemony to fully independent nation-statehood’ (p. 590). They see the three processes to be achieved through ‘liberal democratic and constitutional’ standardisation (p.593). As well as to be achieved through the establishment of not only ‘formal political and economic institutions [but also] … [sizeable, healthy, and vital intermediary] layers, networks and associations, which stand and mediate between the state and individuals’ (Ibid.). All in all, the authors are concerned with the ‘transition to market’ and the difficulties of its implementation across Eastern Europe, rather than its usefulness or nature. They do turn to ‘problems of transition’ and evaluate dangers and benefits of the ‘big bang/shock therapy’, ‘gradualism’ and ‘circumvention and pragmatism’ (pp. 608-619); however, they do this merely to identify potential pitfalls of the process and warn against the latter leading to ‘disillusionment with democracy and the market system’ (p.608). Thus, the whole intellectual exercise is essentially rooted in

the advocacy of the ‘return to Europe’ through the marketization move for the Central and Eastern European countries. Kuzio (2001) goes further and advocates quadruple transition that implies all of the elements of the triple transition, however, treats the 'nation' and the 'state' as separate analytical categories thus even further dichotomising and compartmentalising social reality. The above approaches therefore echo the transitology of the early 1990s where 'what is to be done' is the main analytical concern and which involves a complex restructuring of both the economic system, and the governing institutions.

One more example of the politico-economic restructuring in a fashion of the Washington Consensus is the collection of essays edited by Blejer and Skreb (1997), *Macroeconomic Stabilisation in Transition Economies,* where the contributors too analyse post-Soviet transformation in Central and Eastern European states in a manner similar to most transitology approaches. So, they present the above transformation as a ‘transition from socialism’ that is a process ‘centred around fundamental economic changes, transition is a multifaceted phenomenon that encompasses complex structural, institutional, and behavioural adjustments that go well beyond the realm of economics’ (Ibid. p.1-2). Further they applaud the commitment of the EBRD to assist the Central and Eastern European countries in that ‘multifaceted’ transition and they call for, and attempt in their volume to provide a deep analysis of the conjuncture of the transition countries. On the one hand, their understanding of ‘transition’ may seem to address a broader set of issues and be better suited as a recipe for the successful implementation of ‘transition’ policies. However, what is essentially implied by the process that Blejer and Skreb refer to as the ‘nation-building’ is a fundamental ideological, and thus institutional, transformation of Ukraine’s society into the one that accepts the neoliberal market economy as a mode of production and social reproduction. The ‘deep study’ advocated by the contributors of the volume however is not aimed at understanding the needs of the studied societies. Instead, the aim behind it is to design the best-fitted scenarios for administering of the transition medicine that is already prepared. They go as far as to claim that ‘because economists are dealing with a set of atypical problems does not mean that predictions and inferences cannot be made or that a traditional analytical tools are not useful’ (Ibid. p.2). However, macroeconomic stabilisation as a doctrine is based on a principle of making ‘transition’ palatable, not seeking a policy reform complex that a given society wants or needs. In other words, prescribed are

countrywide *trasformismo* and a *passive revolution* (Gramsci 1971) that will be discussed in detail in Chapter 2. On a more practical note, the above-mentioned prescriptions and western assistance through the International Financial Institutions (IMF, WB, and EBRD), SAPs/SALs, and an array of additional programmes such as USAID and TACIS, for example, that depend upon meeting the targets of 'marketization', 'reform implementation' and 'democracy building' generally speaking, do not result into materialisation of those goals but rather breed a system of what Andrew Wilson describes as 'virtual politics' (2005). The latter primarily involves imitations of reform implementation rather than their actualisation and serves as a façade that disguises omnipresent corruption and state asset embezzlement through continuous transnationalisation of the Ukraine's state (Yurchenko 2013).

The prescriptory sentiment resonates in all of the analyses of 'transition' critiqued in this Chapter. Hayoz and Lushnycky (2005), Dobrinsky, Sachs (1989; and 1992), Aslund (1991; and 2006), and Przeworski (1991) - all advocate a panacea of market democracy as the sole goal and meaning of transition. The above analyses provide extensive empirical bases in terms of macro- and micro-economic data, policy reform references, etc. However, they all lack a critical explanation of social dynamics responsible for both adoption and implementation of the listed processes and their success or failure. Transition writers and practitioners alike advocate implementation of what Eyal and Szelenyi (1998) called *capitalism without capitalists* but not *without a bourgeoisie*. Yet, both the latter – despite the clear appeal to class versus relations of production analysis - and the aforementioned transitologists have overlooked the historical aspects of social formations emergence and continuities. So, the lack of *de jure* propertied class and capitalist enterprises does not automatically mean the lack of capitalists despite their compartmentalized and perhaps shadow operation. Categorizing societies as capitalist or otherwise on the basis of legality of private enterprise functioning is a projection of liberal constitutionalist social order of advanced capitalist societies. Such projection automatically deems all extra-legal economic activity as marginal, extra-ordinary, and to be criminalized. In societies where private property per se did not legally exist *all* private economic activity was illegal. In post-Soviet societies where both the legislative system, and the state generally were transformed and failing on their conventional functions, extra-legal economic activity became a necessity in the process of social reproduction. Thus, focusing on legality does not allow for a

comprehensive understanding of a true picture of economic activity since it imposes a false dichotomy onto activities that are closely interconnected and have often been documented to be complementary. So, when analyzing the post-USSR Ukraine, one cannot treat the criminal-political nexus as a separable part of the country's economy since such separation would obscure and distort the situation of analysis. Neither the society at large, nor potential entrepreneurs could be expected to emerge overnight, however factually they did, almost immediately after the demise of the USSR. That emergence was not due to a societal miracle but to a mere fact that capitalist-minded social formations, individuals, and entrepreneurs have already been present in the post-Soviet space generally and the criminal-political nexus specifically: it is they and their emergence that is so important and so understudied.

The critique of transitology and its limitations

The socio-economic deterioration of the late 1990s in Central and Eastern Europe included Ukraine and provoked wide scholarly criticisms of both the shock therapy, and its gradualist institutionalist theoretical fixes among other. However, I argue, they still did not manage to address the inhibiting teleology of the transitology approach due to an inability to break away from the fixation on the 'transition' to capitalism discourse and constructively address the issue of social agency. The form and role of social institutions as crystallisations of the latter are not tackled either, nor is the artificial dichotomisation of social agency and its institutional forms. The dangers of teleological assumptions in social analysis were obvious to Marx and Engels already who warned against presumptuous search of ready categories in material life but rather encouraged to 'remain [within the] real *ground* of history; …not to explain practice from the idea but explain the formation of ideas from material practice; and accordingly… all forms of and products of consciousness cannot be dissolved by mental criticism…'(Marx and Engels 1979, p.58). The policies and strategies advocated by western experts such as Anders Aslund[4] as well as pushed by IMF and WB through

[4] An economist from the Carnegie Endowment for International Peace and an economic advisory to Russia and Ukraine in 1994-2003 (The Carnegie Foundation) and a writer on the post-Soviet transformation in Ukraine in a pure neoliberal tradition (Aslund 2001; 2002; 2006; 2007; 2009 – to mention a few)

their SAPs/SALs were in essence rather controversial even from a purely theoretical economic point of view as was documented earlier in this Chapter.

Unmentioned in mainstream ‘transitology’ approaches is the fact that there is no evidence either in theory or in Western economic history that serves as an ontological model and the 'idea- and ideal-type' for the 'transition' scholars that the 'shock therapy' approach based on an ‘immediate and complete privatisation of state-owned industrial assets’ is deemed to yield rapid positive results (Milor 1994, p. 2). Instead, Comisso argues that there is no unitary notion of property rights but only a plural one - i.e. there is ‘the right to use, to derive income from the use of, to exclude others from, and the right to exchange the goods (or services) in one’s possession’ (in Ibid. p.2; 1991). Thenceforth, there are no solid grounds for advocating private property rights in a pure neoliberal fashion[5] as being the most economically beneficial for the so-called 'transition economies' (IMF, 1992). Furthermore, in her study of property rights, liberalism, and the transition dynamics Comisso (1991) concludes that there is an inherent contradiction in the establishment of democracy and free markets at the same time. It is contradictory, she agrees with the earlier studies by Sartori (1971) and Dahl (1971), because ‘the basic preconditions required for the creation of self-regulating markets in the economy are not so much “democratic” as they are “liberal”’ (Comisso 1990, p. 162). The above is especially true considering the high reliability of Ukraine’s population on non-market means of subsistence e.g. allotments, non-valorised services exchange among friends and family, barter, etc. (Williams 2008, pp.331-345). Having considered the above-mentioned contradictions, it becomes puzzling that so many authors focus on illusionary goals, or teleological fixations. It is puzzling that there is a lack of attention to the factual reality of the subject of study or attempts to understand the spatio-temporal idiosyncrasies of that reality and its nature. Rather there are engagements in problem solving on the level of abstraction and attempts to estimate the state of Ukraine's economic, political, and social life by measures of Western economies as if such estimations were plausible.

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[5] By 'pure neoliberal fashion' here is meant the advocacy of the radical vision of property rights being motivation for ‘economic agents to enhance the value of the productive assets they own’ only provided ‘the unrestricted and indivisible ownership rights lodged in the hands of private individuals’ (Milor, 1994: 2)

In the light of the evident failures of transitology and the shock therapy, mentioned above, since the mid-1990s there has been a notable turn in the literature on ‘transition' that deals with Central and Eastern Europe and Ukraine in particular. The literature can be divided into two main groups. The first are the politico-economic approaches that deal with the relations of production and/or the role of social forces within the relations of production. This group is comprised of studies on ‘clans’, ‘elites’, and/or the reconstruction of Ukraine's most industrialised region, Donbas (van Zon (1998; 2001), Eyal and Szelenyi (1998), Kovaleva (2007), Lyakh (2007), Mykhnenko (2005, 2007a and b; 2009), Lane (1998; 2011). The second are the studies on the specificities of the form of the state and its role in the Ukraine's society and economy. In this cohort are the theorisations on the 'captured state' (Sabic 2004; Zimmer 2004; Hellman 1998; 2001), 'competitive authoritarianism' (Way and Savitsky 1998; 2001), and the most recent 'network state' approach to the post-Soviet forms of statehood (Kononenko, Moshes 2011; Kryshtanovskaya, White, Ledeneva, Baev, Petrov, Hanson and Ortmann in Ibid.). I will now discuss and critique these two sets of literature before proceeding to introduce an alternative approach of the transnational historical materialism on the level of theory, methodology, and method.

Homogenised social forces, fetishized institutions, and the fractioned transnational(-ising) social agency

One similar feature of the scholarship on the Ukraine’s 'transition', I argue, is a (almost) complete neglect of social agency or an insufficient attention to the complexity of its nature and the institutional forms in which that agency crystallizes itself. Instead, I argue, the transnational (-ising) social agency and its institutional forms - i.e. the state and the market institutions - are artificially dichotomized. Moreover, as I will show, even when addressed, the former is assigned an assumed homogeneity (with an, if limited, but exception of Fritz, 2007, p.140) whereas the latter are often fetishized. By that I mean that the existing analyses descriptively document the impact of various factors and processes on the society rather than identify those factors as forms of social agency that shape those very processes. Social forces as units of inquiry appear to be missing from most analyses (with a few notable exceptions; see Kovaleva, 2007; Lane, 2010; Pleines, 2009, pp.103-120) unless those specifically deal with social organisations or movements. An example of the latter is Kubicek's (1999, pp.57-81) work on

corporatism in the post-Soviet Ukraine. Although it is an extensive and empirically study of the local interest groups and trade unions in Ukraine, it can only be utilized in our analysis to show the lack of a general social consensus and cohesion within the state-society complex. It is so since, as Latsyba (2006) shows, those organization hardly impact policy-making on the state and sometimes even oblast' level. The above example supports my argument that there is a lack of both a cohesive historic bloc, and a comprehensive concept of control in Ukraine that undermines potential possibilities for a hegemonic consensus due to the unwillingness of the rival forces to engage in a political dialogue between them, let alone with the wider society.

The fallacies of teleology, unacknowledged social agency, and/or Soviet continuities are not restricted to transitologists alone but are also common in the political economic analyses proper which, it must be noted, are rather scarce. Among the latter are Buchanan (1997), van Zon (1998; and 2001), Mykhnenko (2005a; 2005b; and 2007), Swain (2007), Lane (2010), Smith and Swain (1998) and Smith and Pickles (1998) who provide empirically rich studies of the relations of production and their transformation in the post-Soviet Ukraine. Buchanan's approach is rather economistic: it begins with advocating economic explanations as primary to social analytical exercise, then moves to explore the Soviet contingencies and continuities in the post-Soviet states and potentialities for, and of, the market construction. Thus, the approach is still ideologically fixated on the implementation of the neoliberal marketization in the studied region. Van Zon goes further, and in his two books – on the industrial region of Zaporizhzhya (1998) and on the country's political economy as a whole (2001) - he addresses a multiplicity of issues from policy reform to the industrial restructuring and social deprivation. Despite the undeniable value of van Zon's contributions they again address the impact of Ukraine's politico-economic restructuring *on the society* and not the agency of the social forces in that process. Mykhnenko (2007a, and b; 2011) and Swain (2007; 2007 and 2010 co-authored with Mykhnenko) analyses present a notable break in and from existing approaches on Ukraine. Their work offers empirically rich analyses of the relations of production in the process of Ukrainian industrial restructuring, space-economy composition and re-tailoring, disproportionality within that space-economy of Ukraine and its most industrialized regions. However, apart from the authors' extensive contribution in the article on Ukraine's divergent space-economy (2010), their works are based on the Ukraine's empirical data analyzed though empirical

and theoretical studies of Russian economy and the state form (see 2007c, 2010 with French – among other). Methodological problems of scholarly exercises rooted in life realities of social relations other than those under scrutiny have been explained by me earlier in this Chapter and will be addressed in more detail in Chapter 2.

Further, a collection of essays *Re-constructing the Post-Soviet Industrial Region: the Donbas in Transition* edited by Swain (2007) and its contributors offer well-documented analyses of the relations of production and social reproduction in the region of Donbas and some even refer to the emergence of the so-called ‘clans’ and/or ‘elites’ through privatization – legal and extra-legal e.g. raiding, fraud, etc. So, Kovaleva (pp.62-77) refers to the emergence of the Donets'k clan and its accumulation of resources in Donets’k by crime and administrative procedure abuse. She defines 'clans' and 'elites' preoccupied 'with rent seeking and the influence of political office for their own interests' (p.63) thus her approach also homogenizes the ruling and capitalist forces on conceptual level. Bogatov (pp.127-141) too provides a similar analysis in the particular context of the coal industry where he conceptually dichotomizes the state and the Donets'k oligarchs. Lyakh (pp. 78-96) offers a study on the centralization of industrial resources by a few ‘clans’ in the Financial Industrial Groups around the three main commodity chains that will be discussed in detail in Chapter 3. Van Zon provides an analysis of the above rise of the Financial Industrial Groups in Donbas (2007, pp. 378-397). All four studies acknowledge the role of ‘clans’ in the transformation of the industrial east of Ukraine that are of high empirical value for our analysis of the initial phases of capitalist class and its fractions formation. However, I argue, classification by 'clans' and 'elites' rests upon a false dichotomy between the ruling and emergent capitalist forces that, as Shelley's work (2003) shows, is not empirically verifiable. Moreover, it assumes a certain homogeneity within those forces that, as I will demonstrate in Chapters 3 and 4, is not empirically verifiable either.

Social agency as a category of analysis more generally seems to be overlooked in the writings on Ukraine. David Lane’s (1999 with Ross; 2011) work is one of the few class analyses of the post-Soviet societies. It addresses the issue of the ‘role of hegemonic western states in tilting the balance in favor of capitalist revolution' (2011, p. vii). It does so by application of the world system and ‘globalization approach’ to the ‘transition’ from socialism by focusing of the role of elites (1999) and classes (2011) in the process. The nature of that ‘revolution’ and its locus within a broader context of

globalization will be addressed throughout this thesis. Lane and Ross identified centrifugal tendencies and differences in interests and visions of the ruling elites in USSR already, especially during Gorbachev years (1999, pp.25-46; 73-121). Such fractioning of the ruling forces will only increase and become aggravated in the post-Soviet Ukraine due to the emergence of new social forces in-themselves and for-themselves as I will show in this thesis. In his most recent book Lane correctly criticizes the 'transition' and 'elite' paradigms and argues that 'class is an important category which underpins both support for, and opposition to, transformation' (2011, p.172). At the same time, elite approaches are yielded unfit for analyzing the post -Soviet societies as they ‘contrast leadership styles [but] are inadequate in explaining social and political change’ (Ibid. p. 8). Instead Lane introduces class as a category of analysis to assess the 'level of support to the move to capitalism, markets, and liberal democracy' and 'the prognosis for the future developments' (Ibid. p. 172). Therefore, Lane (2011) places the crucial category of class at the centre of his approach. He correctly notes that ‘class analysis has played little role in explaining what has become a revolution in property relations and the substitution of a new ruling class for the communist leadership’ (Ibid. p. 9). He also suggests that ‘rather than a unitary “nomenklatura” elite, or “power elite,” it might be more useful in the analysis of political power to consider a “political class.”’ (Ibid.). I agree with Lane on the need to bring the class back into analyzing the post-Soviet societies – an exercise that most Marxist have ironically forfeited (Ibid. p. 11). However, since post-Soviet societies are still in the process of fundamental systemic transformations, their analysis shall aim to operate categories that capture the amorphous nature of the social forces at play. In this thesis I argue that both 'elite', and 'class' terminology can be misleading and suggest a sense of homogeneity in the signified blocs of social forces. In Chapter 2 I will introduce alternative terminology that in my view captures both the fluidity, and the fractioned nature of the social forces at play i.e. class fractions and historic blocs.

Some authors focused on the slow pace of reform in Ukraine, essentially rooting their analyses in social agency. However, the latter are still obstructed by both teleology and the assumed homogeneity of social forces. So, acknowledging the limitations of the analysis due to the early stages of the ‘reform’ process (the first 3 years were evaluated) Havrylyshyn identifies three hypotheses ‘explaining the delay of reforms in Ukraine’ (1994, p.284). The latter being: (1) the ‘intellectual debates about economic transition

and the speed of reform', (2) 'the priority of nation-building tasks such as establishment of legal, political, military, and social institutions', and (3) 'the interests of the "new-old" elites in an unreformed (or, more accurately, half-reformed) economy' (Ibid). Referring to the last as 'the post-Soviet *rentier patriarchs*' that arose from the 'ashes of the old communist "patriarch" elite', he argues that their leverage was the largest in hampering the 'transition' reforms disregarding the fact that the mentioned reform did facilitate 'transition' only in a form favourable to those very 'patriarchs'. Havrylyshyn's study presents an important starting point in our analysis however is not an exhaustive one since the patriarchs he refers to were not the only leveraging social force either in hampering, or shaping, the 'transition', neither were they a homogeneous one.

So, Kudryachenko et al. (2006) correctly explains that in the 1980s already nomenklatura itself could be divided into four fractions. The first were the conservators of the old regime. The second were those who obtained their privileged position due to the new General Secretary Gorbachev personally. The third were those preparing for their future prospects of enrichment via Perestroika reforms. And the fourth were those making careers – political and economic alike – on local levels in the republics of the USSR (an opportunity made possible by a partial devolution that I will address in Chapter 3). The second and third ones were far from interested in preserving the system in any form - which effectively shook the support for Gorbachev that he needed to further his democratization reforms in the societies of the USSR member republics (Ibid. p.375). It is those two fractions of the nomenklatura that made the move into both the governments and business structures of the newly independent Ukraine most smoothly that is confirmed by my research and the analysis of the individual interlocking membership in the ruling and capitalist structures of the independent Ukraine and in the Communist Party of the Soviet Union (see Chapter 3).

In this thesis I show that the above-mentioned nomenklatura and its fractions, however, are only a part of the social formations that have emerged from the continuities of the Soviet contingencies and have institutionalised as the capitalist and ruling fractions since Ukraine's independence. The rest, as I will show in detail in Chapter 3, emerged predominantly from two milieus. The first was the Komsomol and was constituted mostly of the young people for who Perestroika reforms opened private entrepreneurship opportunities previously illegal in the USSR. The second were primarily the criminal element engaged in the shadow economy for whom marketization

reforms gave an opportunity to legalise their activity, if they so choose. The four fractions did not exist in isolation from one another but rather functioned as a system based on favours and extra-legal exchange that filled the provision gaps where the Soviet state failed. So, in a centralised system of production and distribution with a strong orientation towards the 5-year plan fulfilment, administrative punishment for failure of thereof and economic remuneration in *premias* (i.e. bonuses) for the over-fulfilment, combined with the inefficiency of the centralised system that often stood in the way of the plan fulfilment provided the rules/law were followed. In such conditions, *blat* – or interpersonal networks - became customary that helped compensate for the plan failures and not only (Randall 2001, pp.54-63).

All of the above facilitated the emergence of an extensive shadow economy where some of the ‘guardians of the law’ and the Communist Party members were part of the network. They constituted the 'criminal-political nexus' as theorised by Godson (2006) and Shelley (2006) and verified by the research of Foglesong and Solomon (2001), Feldbrugge (1984) and Los (1992) that was in formation since 1960s and functioned to service the consumer needs that the Soviet over-centralised economy failed to provide. The above dynamic will be documented in detail in Chapter 3 where I demonstrate that the criminal-political nexus – that as an analytical category provides a valuable insight into both the ruling and capitalist class formation in Ukraine - became interwoven with Komsomol in the 1980s and especially during the years of Perestroika when Komsomol members were allowed to engage in limited yet market activities. Conditioned by the constant under-supply of staple let alone consumer goods and combined with high ranked Communist Party members being the only link to the supply and distribution channels, the criminal-political nexus became an integral part of the state-society complex of the USSR and, since 1991, of Ukraine. Most of the Ukraine’s ruling and capitalist class members originate from the above milieus, including two of Ukraine’s presidents – Kuchma and Yanukovych, most of the Prime Ministers – Lazarenko, Zvyahil’skyy, Masol, Kinakh, Yanukovych, Azarov, Tymoshenko - and the oligarchs. Once independent and on the road to marketization, the Ukraine’s economy became a space where the aforementioned social formations began to institutionalise as the propertied and capitalist class, and gradually, if partially, both legalise their shadow economic activities, and reform the country's legislation so as to serve their cleptocratic ambitions. It is not surprising, therefore, that the future capitalist class of Ukraine

emerged from those networks of people who were linked legally and otherwise to the means of production and distribution – e.g. the state apparatus functionaries, the State Property Fund, and so on. The above is confirmed by Zimmer (2004) and Iwasaki (2007) in their studies of corruption practices in the post-Soviet states in the process of ‘transition’ through the ‘state capture’ and ‘corporate exploitation’ with continuities from the USSR times until present and is further verified by my own research documented in Chapters 3 and 4. Also, a pronounced dominance of representatives from Dnipropetrovs'k and Donets’k oblast's – the two largest industrial regions of the country - is notable in both the ruling, and dominant capitalist forces of Ukraine. Dnipropetrovs'k has had a strong presence in the nomenklatura of the USSR and Ukrainian SSR CPSS since the times of Khrushchev (1953-1964) and continued to be dominant until the Orange Revolution and the end of Kuchma’s second presidency in the late 2004.

Donets'k oblast has for decades been a region of a high economic importance and its political party cadre enjoyed a strong leverage both in the Ukrainian SSP however were distinctly less represented in the republican ruling structures. When Ukraine became independent and marketization processes commenced, the Donets’k bloc eventually began to take over the leverage from the Dnipropetrovs’k forces – both economically and politically (with an exception of the oligarchic capitalist fraction of Pinchuk and his Interpipe Financial Industrial Group and Boholyubov and Kolomoyskyy and their Privat Group) – both in the legislative and executive branches of power and eventually the judiciary too as will be shown in Chapter 4. The above have resulted into what Sabic and Zimmer refer to as the ‘captured state’ (2004, pp. 105-130) where economic and political backwardness became institutionalised and has at the same time doomed the economic rejuvenation of the economy. However, as I will show in this thesis, the dynamic at play was more complex than that implied in the concept of the 'captured state'. The state, as I will detail theoretically in Chapter 2 and empirically in chapters 3, 4, and 5, is an institutional crystallisation of multiple agencies and power hierarchies, which gives it certain autonomy on a level of abstraction from certain class fractions (Poulantzas, 1971). Due to those structurally embedded power hierarchies the state is more autonomous from some class fractions than from the other. So, to assume that there is a possibility of a state to be allegedly 'captured' is to deny all agencies that are counter to the ones that have 'captured' the state and in such fatalistic

manner to dismiss any possibility of a social change or a counter-movement. Instead, I argue, in parallel with the stalled economic 'rejuvenation' the process of the transnationalisation of the Ukrainian state was being institutionalised in order to facilitate the continuing and expanding primitive accumulation and concentration of capital by the Ukraine's oligarchic capitalist class fractions.

Levitsky and Way offer an alternative to the above 'captured state' thesis and in their critique of the shortcomings of the literature on 'transition' economies question the teleology of the transition economies' democratisation discourse and raise an important question of why some post-communist countries have democratised and the others have not (2006; 2010). Based on their study of the post -communist regimes they found that at least 35 transition countries, in their view, could still be described as 'competitive authoritarian' regimes and that all of those, including Ukraine, are countries whose integrations with the Western economies is limited. By 'competitive authoritarianism, Levitsky and Way mean regimes where 'opposition parties use democratic institutions to contest seriously for power, but they are not democratic, as the playing field is highly skewed in favour of incumbents' (2006, p. 2). The authors document multiple manifestations of undemocratic electoral behaviour such as electoral results fraud, administrative pressure on opposition parties and businesses that make donations to the latter, uneven access to resources and mass media, etc. The approach offered by Levitsky and Way does insightfully document the rightly argued 'competitive authoritarian' behaviour of the ruling forces in Ukraine and elsewhere as well as challenge the teleology of democratisation discourse by questioning the intention to democratise in the studied countries. However, they at the same time fail to explain the reasons for such behaviour of the ruling forces by merely referring to 'staying in power' as that behaviour's goal. Moreover, they fail to identify the link between the state and capital in Ukraine, let alone acknowledge that the competitive authoritarian regime is such due to the existence of institutionalised agencies of rival social forces. The latter continuously strive to 'stay in power' or obtain it in order to pursue their capital accumulation ambitions by all possible means.

In that respect, I argue that by analysing the relations of production and capital accumulation, and social agency in those processes as it is crystallised in specific institutional forms, including the state, one can better understand why the Ukraine's politico-economic transformation occurred in the way that it did. Ukraine's oligarchic

capital is heavily reliant on exports and imports (western and Russian/CIS), on state subsidies, tax evasion, and offshoring of revenue as well as money laundering through the state procurement system among others, as I argue elsewhere (Yurchenko 2013). Maintaining and expanding the practices of capital accumulation through the above-listed mechanisms requires a harmonious relationship with both the western partners – mainly the USA, EU, IMF/WB, - and Russia, thus further complicating Ukraine's policy choices due to it being a geopolitical and ideological conflict zone. The above can be seen in Ukraine's ruling bloc actively engaging with both parties in its 'multi-vectoral' policy fashion, as I will show in Chapters 3-5. In addition, the Ukraine's ruling bloc actively engages with the structures of foreign transnational(-ising) capital in Ukraine and elsewhere via lobby and interest groups, on institutional, company, and individual level (as I document in Chapter 5).

The study of the interlocking membership of the agents of criminal networks and the ruling and capitalist class fractions I carry out in this thesis (Chapter 3 and 4) confirms not only the existence of the criminal-political nexus but also its increasingly strengthening grip over Ukraine’s economy. Furthermore, with a blessing from the IMF and EBRD, the above combination of social forces has institutionalised the transnationalisation of the Ukrainian state since 1991 via the 'transition to market' reform implementation. By that I mean that the form of the state that currently exists in Ukraine allows for the processes of capital accumulation to circumvent the boundaries of the national regulations of various kinds e.g. taxation, tariffs, duties, emission caps, etc. Through both direct and indirect participation in the political process, the emergent capitalist class fractions of Ukraine strive to ensure the continuous furthering of their economic agency by utilising the multiplicity of already available and constantly expanding mechanisms of accumulation in the global capitalist market system, legal and extra-legal. Conditioned by the permanent intra- and inter-fractional rivalry in the process of primitive accumulation, the amorphous ruling bloc of Ukraine effectively undermines the potential for a stabilisation of a new social order as will be shown in Chapters 3 and 4. Such socially destabilising dynamics can be witnessed in all of the spaces of neoliberal marketization as prescribed by the IMF and WB. However, that does not mean, as Easterly justly pointed out (see above), that they are to follow the same transformation path and that there is a universally applicable model of economic and social 'development' either desirable, or possible to implement. I will now explain

the potential dangers of the ‘transition models’ in general, and their implementation in Ukraine in particular before proceeding to an articulation of an alternative theoretical, methodological, and methodical approach in the following Chapter.

Transition models and their inherent problems

One of the main pitfalls of the ‘transition’ approaches that are premised on the neoliberal market ideology lies in the unproblematised application of the policy models derived from foreign spatio-temporal contingencies, if not altogether abstractly theorised. Such approaches fail to acknowledge, let alone address, the fact that all theoretical analyses crystallised in concepts and categories result from what Cox (1986, p.204) correctly calls ‘the conventional cutting of reality’ which ‘is at best just a convenience of mind’. Those ‘segments which result from reality, however, derive indirectly from [it] insofar as they are the result of practices, … the responses of consciousness to pressures of reality’ (Ibid). Analytical categories define various agents and structures and those, in their turn, in the reality of the dialectic totality of structure and agency (and agents) enjoy a relative autonomy from one another, At the same time they maintaining direct and/or indirect, strong and/or weak but always a connection within and throughout that totality. Such interpretation of reality is hard to grasp since social formations (i.e. class, the state) are elusive and fluid. However, it does not justify reductionist categorising even for the sake analytical convenience. Reduction of importance of politico-economic complexity to isolated – dependent and independent – variables as an approach in method is ill conceived and potentially dangerous. Analyses resulting from such approaches present the matter under scrutiny in a distorted manner since their 'social' analytical categories conceptually refer to only a fraction – if at all – of the social phenomena, actors, and structures that they signify. Moreover, the fluid concepts of 'class' and 'state', for example, can be empirically identified by data on social positioning and institutional membership and the shape and purpose of those political and economic institutions respectively since the latter are crystallisations of certain ideological outlooks and agencies. So, both personal/corporate and state membership in certain institutions – the World Economic Forum and the World Trade Organisation, for example - and the harmonisation of codes of behaviour and institutional/corporate structures and harmonisation of legislation with that preferred/advised by the institutions in question are manifestations of co-optation and

trasformismo of the persons/companies and the states through those institutions. The case of Ukraine falls within such dialectical framework of interaction as do all other states and persons/companies – to various degrees – that cooperate with the international institutions and policy networks that will be discussed in detail in Chapter 5.

Transition theories, let alone models, fail to acknowledge that 'contemplations of undivided totality may lead to profound abstractions and mystical revelations, but practical knowledge (that which could be put to work through action) is always partial or fragmentary in origin' (Cox 1986, p.204). Moreover, such abstractions – as any other – bear the features of the spatio -temporal contingencies of their origin. Thus, theoretical models based on those abstractions are reductionist even within the contingencies of their origin's reality. In the words of Cox, 'historical structures are contrast models: like ideal types they provide, in a logically coherent form, a simplified representation of a complex reality and an expression of tendencies, limited in their applicability in time and space, rather than fully realized developments' (Ibid. p. 220). The shortcomings of the approaches built on abstractions as if they were concrete and universally applicable categories are unmistakable. However, they become furthermore problematic and dangerous when applied elsewhere, in a different than the original spatio-temporal contingency. Once the complexity of the dialectic representation of reality is deemed redundant and its simplified version is organised in categories deprived of their context, it is almost universally forgotten that there was any context at all. It is forgotten that the categories and the models of theories seem applicable elsewhere due to their contextually purified and artificial form. Then, the hollowed out categories of abstraction can be seen in international policies and strategies that do not recognise specificities of contexts, histories, and locales; that are blind to the complex interplay of the multiplicity of often implicit factors that shape the dialectic of any contingency. Those globally exported models, or policy expressions of the comprehensive concepts of control developed in the core countries (mainly the Lockean Heartland, see van der Pijl 1998 and 2006), are 'expressions of bourgeois hegemony reflecting a historically specific hierarchy of classes and class fractions' (Overbeek and van der Pijl 1993, p.3), and bear an imprint of their contexts, histories, and locales and thus by definition are problematic, if not impossible, to adopt elsewhere. So, with transition economies and IMF, WB, OECD, EU, etc. advisors, the Action Plans, various

strategy papers, the SALs and SAPs there will always be more complications than improvements to target states provided necessary appropriations are not made to suit the spatio-temporal contingencies. Moreover, the degree of their implementation success will always depend on the degree of similarity between the contingency of origin and the target contingency.

In this thesis I argue that because ‘the production of ideas, of conceptions, of consciousness, is at first directly interwoven with the material activity and the material intercourse of men…’ Those conceptions, consciousness, theories, and their crystallisations in policies and the state forms are a reflection of a particular intercourse of particular people with one another as well as their material environment, a milieu with its own inevitably unique spatio-temporal idiosyncrasies. Therefore, every locale at every historical moment is involved in a particular to the locale, the moment activity, and the subjective consciousness – a 'situation' as a unit of analysis (Morera 1990, p. 90) - that are inevitably, if partly, foreign to any other locale in any other historical moment. Moreover, within those spatio-temporal milieus there exists more than one kind of consciousness as there exist more than one kind of process of production. It thus becomes clear that any such consciousness and the theories/policies that transpire from that consciousness do not possess an ability to reflect the actualities of any relations of production or their materialisations other than those which dialectic totality of structure and agency, object and subject both produced and was a product of that same consciousness.

In the same way, the models of 'transition' towards capitalist market economies that historically evolved in western Europe and the Anglo-Saxon world, that were stripped of their spatio-temporal socially contingent context, and that now serve as the basis of the neoliberal models of 'economic growth and restructuring' designed by the IMF, WB, and EBRD cannot be expected to do anything else but fail in the target economies. Furthermore, it is the hierarchy of material activities that define the hierarchy of the effective crystallisations of consciousness i.e. resulting theories/policies – provided the latter are based on the assessments of a material reality and not an abstract consciousness as a fetishized individual being with a mind and powers of its own. Such 'ideology and their corresponding forms of consciousness, thus [do not have] the semblance of independence. They have no history, no development; but men, developing their material production and their material intercourse, alter, along with this

their real existence, their thinking and the products of their thinking. Life is not determined by consciousness, but consciousness by life' (Marx and Engels, 1970, p.47).

Considering the above theories/policies are a reflection of the material reality, their premises will reflect not only the traces of that reality but also its hierarchies and unevenness of the idea-types disguised as misrepresented ideal-types. As a result, any locale/country that is prescribed the sanitised of context models that historically evolved elsewhere is inevitably trapped in the struggle to impose an artificial and foreign complex of social relations upon its society. Such imposed complex is not only impossible to construct but also has both socially, and economically destabilising effect on that locale/country as Easterly (2006) and many others documented in their analyses of IFIs policy failures in African and Latin American countries. Marx and Engels correctly argued that 'Consciousness can never be anything else than conscious existence, and the existence of men is their actual life-process. If in all ideology men and their circumstances appear upside-down as in a *camera obscura,* this phenomenon arises just as much from their historical life- process as the inversion of objects on the retina does from their physical life-process' (Ibid). The hierarchical ideology of neoliberal capitalism and the policies based on it thus contain those hierarchies in them as seeds of the social inequalities that those policies' implementation will inevitable entail.

Any consciousness, ideology, theory, or policy is thus to be understood as inseparable from the 'historical life-process'. When they are artificially separated by an imposition of a foreign consciousness that itself has been separated from the life-process it is tied into dialectically, both the target life-process and its original consciousness become distorted and disrupted. The detrimental repercussions such interruptions and interferences bear I document in Chapters 3 and 4.

In this thesis I argue that in order to illuminate the origin of Ukraine's politico-economic disparities one must bring in social agency to the core of the analysis. I will argue that socio-economic deterioration in Ukraine derives from the pre-existing and continuing systemic problems within the country's state-society complex where shadow economy rooted in the so-called 'criminal political nexus' (Shelley, 2003) became an important component. Present since the 1960s, the latter became the milieu of origin for the most of ruling and capitalist forces in independent Ukraine and their links to the similar forces in Russia and elsewhere in the CIS. In Chapters 3, 4, and 5 I will show

how through a dialectic interaction with the structures of the transnational(-ising) capital and the global platforms of hegemonic co-optation (Carroll, 2010) the above-mentioned social forces determine the nature of policy-making in the country. Moreover, due to the conflicting interests of the fractions of capitalist and ruling forces of Ukraine, the process of a hegemonic order formation is being hampered by their inability to arrive at a class compromise and form a hegemonic historic bloc. A concept of a hegemonic order here is used in a sense of a state governing its society with a consent of the governed, a process articulated in a *comprehensive concept of control* (Bode, 1979), such as corporate liberalism or neoliberalism, for example. A constellation of forces in a form of a hegemonic bloc, I argue, is fundamental for a coherent politico-economic transformation in the country. It requires the pacification and coalescence of certain 'fractions' of capital generating certain class fractions and their combination into ruling blocs (as will be discussed in Chapter 2).

I argue that through the above fraction rivalry, the economy of Ukraine has been shaped through the processes of accumulation by dispossession (Harvey, 2003. pp.137-182), or privatisation, of the previously state-owned enterprises that as of now has not yet consummated. In that process a division of the spheres of influence by predominantly domestic actors has crystallised. Eventually a tentative capitalist class-for-itself has emerged, partly by capturing existing, or creating new, political parties (as I will show in Chapters 3 and 4), and partly through actively engaging with foreign business associations in Ukraine and later in the transnational(-ising) capitalist class global policy platforms (Chapter 5). Through the above occurrences, a process of *trasformismo* (Gramsci, 1971, pp.58-9) and an effective strengthening of the capitalist historic bloc in Ukraine are evolving, first on the level of ideology and then on the level of policy-making and corporate behaviour. Ideologically the semi-denationalised ruling (Sassen, 2007) and capitalist forces of Ukraine that emerge from the trasformismo dialectic by transnational(-ising) Ukraine's state for their own political and/or economic gain - essentially institutionalise the discipline of capital and facilitate a passive revolution (Gramsci, 1971, pp.106-114) towards a generation of consent to the global hegemony of neoliberal market ideology and the culture-ideology of consumerism. This passive revolution further incapacitates possibilities for the emergence of ideological and thus political counter-movements and alternative institutional forms.

That process of 'transition' advocated and designed by western advisories and institutions has been uneven and more often than not lacked continuity. Transition scholars discussed in this Chapter explain the manner and pace of Ukraine's transformation to have been either conditioned by involvement of the Western advisory bodies and/or business, by lawlessness and inefficiency of local administrative, judiciary, etc. practices, by the lingering presence of Russia's influence in the country's politics, or by other lesser factors. Such literature tends to adopt a view of social phenomena and actors as fragmented and isolated from their reality. The empirical research presented in this thesis shows that once social forces are taken into account and set in context, a complex dialectic can be seen to have been at play. In this process the poles of influence have shifted on more than one occasion since the time Ukraine became independent and until present.

So, in 2004 when Ukraine’s real GDP reached its peak 12.1% annual growth as well as relative if precarious economic stabilisation (see Chapter 4 for a detailed discussion), a fundamental shift in the balance of ruling forces occurred. Until then the ruling bloc was formed primarily of Kuchma’s cronies from Dnipropetrovs’k. The reason for that shift was, I argue, the emergence of the oligarchic capital mostly from the industry and resource rich regions of Dnipropetrovs’k and Donets’k that formed in the process of privatisation has emerged as a fractioned class-for-itself. By the late 1990s that class actively sought gaining and/or maintaining control over the state both by proxy of political parties, and through direct participation in the political process (Varfolomeev, 1998). Effectively, they sought continuous preferential access to the State-Owned Enterprises (SOEs) privatisation and embezzlement of state assets and revenue through creation of virtual spaces of accumulation, or as I call them elsewhere (Yurchenko, 2013 forthcoming), 'black holes' in the country’s economy. The end of Kuchma’s regime of nomenklatura cleptocracy opened the door not only to a possibility of political change but also to the intensification of the ongoing capitalist class fraction rivalry on the levels of national economy and the state. The most pronounced and hostile competition occurred between the most influential fractions of the Donets’k and Dnipropetrovs’k capital and their Financial Industrial Groups (FIGs) associated with Rinat Akhmetov (System Capital Management) and Taruta and Mkrtchan (Industrial Soyuz Donbas), and Pinchuk (Interpipe Group), Kolomoys’kyy and Boholyubov (Privat Group) respectively as well as the previously dispossessed of her share in the

accumulation process Tymoshenko (KUB, and then YeESU) and her rival Firtash (EuroTransGaz, and later RosUkrEnergo and Group DF). That rivalry, I argue, became the main cause of the protracted post-Orange Revolution political crisis that, among other developments, effectively led to the Party of Regions victory of a Parliamentary election in 2007.

I identify two dominant blocs of forces in Ukraine that the above fractions can be grouped into, and to which I pertain by reference to the two regions from which they emerged – Dnipropetrovs’k and Donets’k – and which will be the focus of my study. Both the ruling and capitalist forces of independent Ukraine have not been limited to those two, however, they present our main analytical concern due to their overwhelming dominance in the country's political and economic life that will demonstrated in Chapters 3, 4, and 5 and due to space limitation of this thesis. So, the power shifts between the Dnipropetrovs'k and Donets'k forces occurred in the following order.

1. The period of 1991-1998(9) was characterised by a clear dominance of the Dnipropetrovs’k bloc led by presidents Kravchuk (1991-4) and Kuchma (since July 1994), and Prime Minister Lazarenko and was composed of the neo-nomenklatura and the capitalists in-the-making that emerged from the milieu of the criminal-political nexus and Komsomol. During that period the first oligarchic capitalist emerged in the spheres of gas, oil, lubricants, and fuel trade with Lazarenko, Tymoshenko, and Pinchuk in the lead through KUB and later YeESU companies. Simultaneously and often through brutal criminal activity, a rival capitalist class fraction was in formation in the Donets’k oblast. In 1996 the Constitution of Ukraine was adopted, making it a Presidential Republic and thus maintaining centralised control in the hands of the presidential administration i.e. Kuchma and his cronies from Dnipropetrovs'k primarily.
2. 1998(9) – 2004. During that period the growing leverage of the Donets’k bloc in both economic and political spheres of Ukraine became noticeable, including Prime Ministers Azarov and Yanukovych and the increasing number of appointees from Donets’k in the state administration structures. The capitalist class fractions have formed through primitive accumulation of the SEOs and concentration of capital in the FIGs with a pronounced dominance of the Donets'k forces. By the late 1990s those forces emerged as class-fractions-for-themselves and formed the Party of Regions – and many other respectively - to

pursue their interests in the sphere of the political. The gradual shift of power from the Dnipropetrovs'k neo-nomenklatura to the Donets'k fraction have commenced with the Lazarenko's money laundering scandal, Tymoshenko and YeESU loss of gas market control, and Kuchma and Pinchuk class fraction compromise with the Donets'k forces. In the late 2004, prior to the presidential election, the Constitutional reform was adopted that shifted the power over to the Parliament in order to guarantee the Party of Regions/Donets'k agency in the decision-making process in case of their candidate, Yanukovych, defeat in the election.

3. 2004-2007. In the late 2004 the power struggle of the rival capitalist fractions-for-themselves in the presidential election resulted into a 2 months long civil protest that became known as the Orange Revolution. It was led by the presidential candidate Yushchenko and his backer Tymoshenko (backed by fractions of Donets'k – ISD of Taruta and Mkrtchan - and Dnipropetrovs'k – Privat Group of Kolomoys'kyy and Boholyubov – capital and Ukraine's western partners, USA and EU) after the electoral fraud by the Donets'k presidential candidate Yanukovych's cronies (backed by the outgoing president Kuchma, SCM of Akhmetov, Interpipe Group of Pinchuk, and Russia). Subsequently the rival capitalist and ruling class fractions were unable to reach a consensus or generate a comprehensive concept of control. The conflict between the Parliament dominated by the Party of Regions, opposition parties, and the rival capital fractions that backed many of them, and the inability of president Yushchenko to maintain allegiance with his previous allies i.e. the contemporary opposition forces and Tymoshenko that manifested itself first in the latter's loss of the PM seat and later in the appointment of Yanukovych the PM. In the Parliamentary election 2007 the Party of Regions won the majority of seats and the formal power centralisation by the Donets'k bloc of ruling and capitalist forces commenced.
4. 2007-2010/11. The Donets'k bloc began to usurp power in the country. Following the Parliamentary election of 2007 and formation of a coalition with Yushchenko's party Our Ukraine, Tymoshenko once again was appointed the PM but as the Global Credit Crunch effects hit the Ukraine's economy and Tymoshenko's rivalry with Firtash over the gas markets manifested itself in the

so-called ‘gas wars’ with Russia, she began to lose her popular support as the PM. The latter aided Yanukovych to win the Presidential election in 2010 whose presidency supported by the Party of Regions’ parliamentary majority facilitated the usurpation of power in the country by the Donets’k capital. That among other included (1) the vertical concentration of power in the hands of the president through the reversal of the Constitutional reform of 2004 that once again changed Ukraine into a Presidential republic and made the parliament accountable to the president and (2) the adoption of a law on the judiciary and the courts (Verkhovna Rada, July 2010) that 'represented at one and the same time both an instrument for gaining and imposing power over the judiciary [by the president] and an attempt to improve the administration of justice' (Solomon, 2011).

At the moment of writing (late 2012), after 2 years of Yanukovych's administration and over 5 years of the Party of Regions rule the socio-economic situation in the country is getting worse by the day with estimated real GDP annual growth for 2012 set at 3% that is insufficient to compensate for the nominal external debt reduction from 88.2% of GDP in 2009 to 69.8% projected by the IMF for 2012 (IMF, 2012). At the same time, Ukraine’s relations with foreign partners on both state and business levels are also progressively deteriorating after over a decade of significant progress in cooperation that went from Ukraine becoming a member of the WTO in 2008 to the anti-climax of the pending approval of the Association Agreement with the EU since 2009-10 until present, the stalemate in cooperation with IMF, political prosecution and imprisonments, and even threats of sanctions from the USA (*Russia Today* 2012; *Euronews* 2012).

In the next chapter I will further elaborate my alternative to the existing analyses of the Ukraine’s post-1991 politico-economic transformation from the transnational historical materialist perspective. Firstly, I will introduce an alternative approach to theorising Ukraine's transformation by positioning social agency at the core of the analysis. Secondly, I will present an overview of the transnational historical materialist or, as some refer to the original version of it, Neo-Gramscian theoretical, methodological, and methodical framework and its relevance to explicating the case under analysis. Lastly, the nuances of application of the above theory, methodology, and method to the analysis of Ukraine's political economy will be explained.

Chapter 2

Theoretical underpinnings of the argument, methodology and method

An introduction: validating the transnational historical materialist approach to the case of Ukraine

In this thesis I argue that the politico-economic transformation of Ukraine, as well as the rest of the post-Soviet space, can only be understood in the context of wider, global politico-economic transformations. In this Chapter I will show how the transnational historical materialist approach to social scientific analysis allows precisely that, and thus allows overcome the shortcomings of the existing approaches. I will show how the transnational historical materialist method challenges the teleological subtext of the transition approaches by scrutinising social agency in the relations of production and social reproduction, and identifying that agency and its institutional crystallisations as the motor of history. Moreover, it helps explain the continuous lack of both political, and economic stabilisation in the country by highlighting the fractioned nature of the ruling and capitalist forces. It does so by focusing on their inter- and intra-fractional rivalry that manifested itself, among other, in specific forms of institutional restructuring in the processes of primitive accumulation of state-owned property. In addition, fore fronting of social agency, domestic and foreign, within the transnational historical materialist framework allows analyse Ukraine's politico-economic transformation as a part of a wider neoliberal transformation of global economy.

A comprehensive entry point to the transnational historical materialist approach can be found in the work of Overbeek (2002, pp. 168-183). The author addresses a growing number of approaches aimed at explaining the issue of globalisation – the ‘fundamental restructuring’ of the world economy - from the historical materialist perspective. Specifically he focuses on the Neo-Gramscian scholarship, which he terms the ‘transnational historical materialism’. The latter terminology is given preference over the ‘Neo-Gramscian’ in this thesis as well, primarily for two reasons. Firstly, even though the main criterion that unifies all Neo-Gramscian scholarship is the Gramsci’s scientific method, there is a wide divergence in depths of analyses, levels of empirical involvement of the latter, degree of separation from 'the curse of economism', and a variety of interpretations of the method and the theory alike. Moreover, the theoretical approaches defined above in most cases reside on more than merely Gramsci’s writings,

and Gramsci himself developed his ideas on the basis of other theories and philosophies. The so-called Neo-Gramscian approaches range from utilising Marx and Engels to Poulantzas and Pareto whereas Gramsci's own writings derive from Machiavelli and Mosca to – again - Marx and Croce. Thence leaving aside the 'Neo-Gramscian' label allows us to remove potential theoretical barriers, as well as to escape the reductionist undertones of potential dogmatism that can result from close following of a certain scholar's work and instead exercise an open-ended dialectical theoretical analysis that historical materialism has broadly as its goal. Secondly, through avoiding Neo-Gramscian label the intention is to disassociate the argument of this thesis from the idiosyncrasies, shortcomings and criticisms related to the above-mentioned approach(es). The transnational historical materialism is by definition more open, less teleological and thus less reductionist. It allows utilisation of both Gramsci's contributions and other theorists. In doing so it provides space for a more comprehensive assessment of the politico-economic contingency under scrutiny and its all aspects in a historical context.

Overbeek defines the transnational historical materialism as 'the application of the historical materialist method to the study of transnational social relations' which consists of (1) 'a materialist philosophy of history… which leads to the ontological primacy of "social relations of production", (2) a rejection of separation between subject and object… and adoption of a dialectic understanding of reality as dynamic totality and as a unity of opposites […], and (3) the method of abstraction as outlined by Marx in the Introduction to the *Grundrisse*' (Ibid., p. 168). As opposed to mainstream approaches, the transnational historical materialism rejects state-centrism and positions social relations of production and social reproduction at the core of analysis. Thus, the state is not accepted as a given, but rather its formation and transformation are analysed as well as the international politics, state formation is seen as a 'moment of the transnational(-ising) dynamic of capital accumulation and class formation' (Ibid.). Furthermore, the reality is seen as 'the *dialectic totality* of structure and agency' (Ibid. p.169) and thence the analytical dichotomies of various kinds are deemed artificial, imposed and redundant in social scientific analysis. Instead, a dialectical scientific method of Gramsci (1971) as articulated by Robert W. Cox (1987) shall be utilised to trace the formation of social forces in-themselves and for-themselves along the lines of the relations of production and through the processes of accumulation, passive

revolution and *trasformismo*. Through the above analysis, alternative explanations can be derived that reflect spatio-temporal contingencies analysed and shed light at the nature of actors, structures, and agencies in those contingencies.

Dialectic itself can be used, Cox rightly explains, at 'two levels: the level of logic and the level of real history' (1981, p.215). At the level of logic, the above implies 'a dialogue seeking truth through the explorations of contradiction. … At the level of real history, dialectic is the potential for alternative forms of development arising from the confrontation of opposed social forces in any concrete historical situation' (Ibid). Furthermore, Cox argues, historical materialism reminds us about the 'continual remaking of human nature[6] and the creation of new patterns of social relations which … [may cause emergence] of new forms of conflict … [and] sees conflict as a possible cause of structural change' (Ibid). Thus, both at the level of logic and at the level of real history, dialectic is a process that always bears opportunities for emergence and consecutive institutionalisation of alternative agencies, modes of production, and ultimately social reproduction in its entirety.

It is beyond the scope of this thesis to address the conceptual complexity of dialectic both as a category of analysis or as a materialised and ideational dynamic of the life process. However, it must be noted that, in my view, an additional potential hazard lies within the dialectic method itself. It lies, I hold, in its concealed deterministic, an almost rectalinearity that sets a trend for theorising about the ontologies of the everyday, and the modes of production and social reproduction effectively. By the above I mean that the thesis-antithesis-synthesis formula while offering a recipe for understanding the intimate dialectic of the material and social in all its forms appears to be utilised only partly through an almost assumed rectilinear nature assigned to it by the historical materialist scholars. So, it is assumed that there is an irreversibility to the process of synthesis and thus to the process of evolution – biological, social, and thus material, productive. That irreversible sequential logic is then applied to any social process, transformation, and evolution of the modes of production and social reproduction. It can be found in the approaches to investigating

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[6] It is beyond the scope of this thesis to engage into a debate on 'human nature' however it must be mentioned that I disagree with the reductionist fatalism of even theoretical assumptions of a possibility of existence of such a thing and thus disagree with Cox on the subject of appropriateness of use of 'human nature' as terminology.

the world's economic 'development' as a process that appears in phases/stages by Marx (1993), Kautsky (1914), Lenin (1916), Callinicos (1994; 2007; 2009 – among other), Kotz (1994; 2010), Wood (1999), Albritton (2001) - to mention a few most prominent. Multiple differences aside, all the above authors correctly acknowledge that stages of economic 'development' do not exist in pure form, but rather that one mode of production develop to be dominant over the other. However, there are features similar in all the listed authors' work. First, it is the gradual – or rapid (as was the case with collectivisation in the early Soviet Union) – one-directional change from one dominant type of ownership to the other. And the second is the belief in the expansion of production and the quantitative nature of the progress of social evolution that they nevertheless critique, be it under the guise of liberal capitalism, or centralised state planning. Such epistemologies shall be reviewed in the light of presence of multiple types of ownership, relations of production, and mechanisms of accumulation. Moreover, the increasing number of cases of renationalisation of enterprises and combined types of ownership, and growing if only partial self-reliance of consumers (increased popularity of allotments, recycling of appliances and clothes, self-sustainable housing) all signal about reversibility of the extensive, quantitative productive growth. The above is partly conditioned by the growing awareness of people about the environmental costs of extensive production growth, partly – as is often case with Ukraine – due to the growing inequalities and limited access to consumer goods and even food as empirical studies by Williams (2008) and Vaughan –Whitehead show (1998; see also: The Kyiv Independent Institute for Sociological Research 2012 and The Trade Union Federation of Ukraine 2012 for the most recent survey data).

Hegemonic modes of production and social reproduction and their internationalisation and transnationalisation

Elaboration on institutionalisation of certain agencies as hegemonic within specific modes of production, their transnationalisation, and co-optation of other agencies into the hegemonic structures requires, first of all, requires an explanation of the use of 'hegemony' as a concept in this thesis. Let us now return to Gramsci's conceptualisation of hegemony and its application to the analysis of the transnationalisation of the Ukrainian state and the institutionalisation of the transnational(-ising) neoliberal capitalism both globally, and in Ukraine. In Bieler and

Morton's collection of essays on the multifaceted merits and uses of Gramsci's writing *Images of Gramsci: connections and contentions in political theory and international relations* (2006, pp.165-6), Robinson argues that currently there are four major 'interwoven conceptions in the literature on the international order and the world capitalist system'. They are: (1) 'hegemony as international domination' in the Realist tradition with nation states as main actors; (2) 'hegemony as state hegemony' in world-systems and [mainstream] IR tradition with world powers/nation-states as hegemonic anchors within the worldwide system of states; (3) 'hegemony as consensual domination or ideological hegemony' where hegemony is established through consent in the Gramscian sense by a ruling group or class, fraction, etc. that also acts as cultural and intellectual leader; and (4) 'hegemony as the exercise of leadership within historical blocs within a particular world order' where state power in the world system is combined with the 'construction of consent or ideological leadership around a particular historic project' (Ibid.).

Further in the essay Robinson offers a criticism of state-centrism of the scholarly discourse on hegemony as his main argument against what he calls in the text, and elsewhere (1998, p.561; 2002b, pp.500-8), a 'nation-state framework of analysis'. His main criticism is that

> '[A] National/international approach focuses on the pre-existing system of nation-states as an immutable structural feature of the larger world or inter-state system, whereas by contrast *trans*national or global approaches focus on how the system of nation-states and national economies, etc. are becoming transcended by transnational social forces and institutions grounded in the global system rather than the interstate system. … [And that such approach must be challenged since it leads us to think] of hegemony of a particular nation-state or coalition of states when we discuss hegemony in the global system' (Robinson, 2006, p.167).

Robinson's argumentation is an example of analytical inability to grasp either the complexity of the dialectic of structure, agency, and agents on the global level, or the fallacy of the assumption that dialectic is a rectilinear process. The presence of the transnational(-ising) social forces that transcend the limitations of the nation-states does not negate either their international importance or leverage, let alone the fact that the world system of states exists. The transnational(-ising) forces do exist and so do the nation-states (the role of which in maintaining the hegemony of the transnational(-ising) capitalist class will be addressed shortly in this Chapter), the importance of each in and

for the functioning of the other, however, is a matter of historical spatio-temporal contingency.

Gramsci 'criticised the economic determinism of Marx and Marxism', or the ‘philosophy of praxis’ - as described by Labriola (1908), and advocated absolute historicism as that serving the crucial motor function in the evolution of humanity (Gramsci 1971, pp.378-472). So, according to Gill et al (1993), Gramsci’s approach to the global political economy differs from its positivist counterparts – Global Political Economy and International Relations – upon three main instances. First, Gramsci’s approach is ‘an epistemological and ontological critique of the empiricism and positivism which underpin the prevailing theorisations’ (Gill 1993, p.22). The epistemological appeal of the Gramsci’s scientific method lies in the three main aspects of his historicism is in: (a) ‘[its] transience – history and social change is a cumulative, endless, yet non-repetitive process, with different rhythms and tempos, applying respectively to structural developments and to patterns of apparently discrete events, (b) [its] historical necessity – social interaction and political change take place within what can be called “the limits of the possible” … which are not fixed and immutable but exist within the dialectics of a given social structure…, and (c) [in] a dialectical variant of (philosophical) realism - … [identification of the] intellectual process as a creative, practical, yet open-ended and continuous engagement to explain an apparently intractable social reality’ (Morera, 1990). Second, the ‘Gramscian approach provides a general critique of methodological individualism, and methodological reductionism’ – for Gramsci 'the situation' is the basic unit of analysis that is ‘the ensemble of social relations configured by social structures’ (Gill 1993, p.24). Third, ‘the approach insists on an ethical dimension to analysis so that questions of justice, legitimacy and moral credibility are integrated sociologically into the whole and into the many of its key concepts’ (Ibid.).

The Materialist approach offers explanations of social reality *in* its material expressions as well as its metaphysical crystallisations. This allows one to transcend the limitations of the existing studies of Ukraine's transformation that are often based on theoretical analyses of foreign contingencies e.g. Mykhnenko's theorisations (2007) derived from scholarly works on Russian economy. So Gill argues that ‘a *materialist* theory of knowledge assumes that nothing exists … outside and apart from nature and society. … This also implies that no *telos* or spirit exits as a guide to or purpose for that

process' (1993, p.26). Gill offers a critique of the conventional materialist epistemology, and claims that 'a creative historical materialist approach transcends rigid theories of causality and moves towards a reflexive and dynamic form of political economy *explanation*' (Ibid.). The above includes a rejection of any reductionism, mechanicism, or mechanical causality. Acceptance of the dialectic of the objective and the subjective rather than their dichotomy is advocated. Gill demonstrates the above through relation to the difference of what Gramsci called 'historical economism' and 'historical materialism' (Ibid. p.26-7). In the case of analysing Ukraine's political economy the equivalents of the two will be the descriptive and prescriptive studies of transition to market in essence, and a situational analysis of the relations of production and social reproduction respectively.

Reality which is the subject of social scientific inquiry has both material/physical and metaphysical/ideational aspects which are in a constant dialectic that shapes them and is shaped by them at the same time. The material and the metaphysical are one since it is through the process of ideational, conscious identification and analysis that the material is understood, prescribed utility, form, and actualisation. So decision-making on the state level is the actualisation of the visions/ideational perceptions/ideology of the persons involved in that process influenced, no doubt, by structural and administrative limitations and personal – political and/or economic – interests. Examples of the above are: legal restriction, debt obligations to IMF/WB and obligations before party donors, personal interests pursuit, expectations of the electorate and foreign partners/donors, as is the case in Ukraine and elsewhere. Although I agree that there is a 'certain intransigent "reality" to society and nature', I disagree with Gill that 'we can never fully know [it] or explain because of its scale and complexity' (p.27). It can be known within the limits of the possible at a given ontological/epistemological juncture in a given spatio-temporal nexus since the social reality is manifest in its institution, habits, laws, and codes of behaviour; it is, however, I also hold, a tedious and burdensome task to attempt to complete.

> 'The "truth" of social reality is to a certain extent independent of, but none the less interdependent with, the processes of knowledge production. … It is made more intractable because it involves the thought and inter-subjective meanings of individuals who have different forms of self-consciousness and awareness as to the social nature of their action/inaction. The social organisation of production, as an aspect of the social world, is thus necessarily constituted

> partly by inter-subjective meanings, which can be identified and understood, however imperfectly' (Ibid).

The complexity of social relations, however challenging, shall encourage more rigorous, extensive, and comprehensive research and analysis in an attempt to grasp the dialectic totality of subject and object, structure and agency, that shall not be obstructed by the fatalistic assumptions of the impossibility of a full knowledge.

Overcoming the pitfalls of linearity/stagist approach to social transformation

The linear continuity of the stages of a social transformation is theoretically fetishist in its prescriptive teleology. Thus it is potentially dangerous since the discourse on politico-economic transformations that it captures overlooks alternative possibilities and automatically negates potentialities. On the level of ontology, it suggests that capitalism is the highest stage of societal advancement; effectively, such understanding licences the transition to capitalist market economy – through its teleological subtext - a right to recommend the adoption of market capitalism as the best conceivable mode of social relations. Moreover, such fetishism of the teleology of stagism negates the very possibility and thus legitimacy of the presence of more than one stage or form of ownership and, effectively, of social relations at the same spatio-temporal nexus. However, empirical evidence shows that combinations of ownership types and property forms have always existed in history and that they are necessary to help absorb the shocks of the potential state and market failures. This is especially true in periods of economic instability as is the case with the post-Soviet Ukraine. So, for example, reliance on non-market sustenance mechanisms (barter, allotments, etc.) has proven to be indispensable as a strategy for survival in the time of the economic crisis in 2008-10 in Ukraine (Williams and Round, 2008).

The institutionalisation of new modes of production is accompanied by socio-economic repositioning of agents and agencies and thus by emergence of new social classes and historic blocs, which leads to a restructuring of social reproduction as a whole. So, Poulantzas in his criticism of the 'pure' approach to analysing the modes of production taken in Marx's *Capital* correctly claimed that:

> 'A social formation consists of an overlapping of several modes of production, one of which holds dominant role, and it therefore presents more classes that the "pure" mode of production. … [An increase] in number of classes is not due to any variation in the employment of the criteria for distinguishing classes, but is strictly related to (a) the modes of production in this formation

> and (b) the concrete forms taken on by their combination' (Poulantzas 1973, p. 71).

So, in the process of 'transition to market' in Ukraine new classes emerged, with the capitalist and ruling class fractions' agencies being most politically pronounced. It is crucial, I argue, to take the critique of stagism further to accommodate for empirical evidence confirming that the modes of production do not simply overlap, 'develop', and 'evolve' (i.e. transform) into more complex market-based crystallisations and combinations, but also there is a possibility of a social transformation, if only partial, towards simpler, non-market and de-valorised modes of production. In Ukraine the examples of such de-valorised modes of production are the widespread use of allotments (Williams, 2009), barter, and services through inter-personal networks. Thus, the non-market modes of production present in the contemporary modes of social reproduction described above deny the assumed rectilinearity of socio-economic structures. Types of ownership are subject to such dynamics too, as well as any other socio-economic construct. So, they first manifest themselves in return to self-reliance in the modes of production and social reproduction (e.g. popularisation of allotments among populace, production of one's own clothing, self-sustainable housing), when the second can be seen in the cases of nationalisation and reprivatisation of enterprises, de-monopolisation, etc. Poulantzas correctly argues that 'in the analysis both of the mode of production and of a social formation, social classes present themselves as an effect of the articulation of the structures either of the mode of production or of the social formation' (1973, p.72). Or rather, I here agree with Overbeek (2002, p.169), an 'effect of the articulation' of the dialectic totality of structure and agency and where every shift in the hierarchy of agencies is manifest in the changes of structures. So, the modes of production that are somewhat marginal temporarily possess a potential to either (re-)gain dominance or seize to exist in the process of the imposition of the discipline of capital over humanity and nature. Those phases 'of imposition of the discipline of capital; phases in the international circulation, or world market movement of various forms of capital; and phases in the geopolitical spread of a "heartland" of capital' (van der Pijl 2001, p.1). Capital itself is a 'discipline over [the forces of production] which becomes superfluous and burdensome at a certain level of their development … These inherent limits have to coincide with the nature of capital, with the essential character of its very concept' (Marx 1993 (1939)). At such junctures when the limits to capital

accumulation within a certain mode of production is reached the latter has historically been transformed under new concepts of control that allow transcend the reached limits. The most recent of such transformations has been the entrenchment of the neoliberal finance-led regime of accumulation since 1970s and until present.

The discipline of capital, as van der Pijl correctly argues, has been imposed historically in three phases: (1) original accumulation, (2) capitalist production process, and (3) 'the process of social reproduction in its entirety' (2001, p.2). A crucial feature of the discipline of capital imposition is the parallel existence of all three phases in capitalist societies in various spheres of production and reproduction, while at the same time the specified sequence is palpable in each separate one. So, van der Pijl explains, '"phases" … overlap and complement each other, as the discipline of capital works its way to the actual productive-reproductive core of social life' (Ibid. p.1). Such social transformations can be imagined to be on a figurative continuum of advance which '[comprises] original accumulation first, then production flanked by original accumulation, and finally, the productive-reproductive system as a whole but still driving forward certain forms of original accumulation' (Ibid.). Such a process was documented by Rosa Luxemburg in *The Accumulation of Capital* in her identification of the two aspects of accumulation process at the early stages of institutionalisation of capitalism: 'one concerns the commodity market and the place where surplus value is produced…' and the 'other aspect of the accumulation of capital concerns the relations between capitalism and the non-capitalist modes of production which start making their appearance on the international stage…' Luxemburg referred predominantly to colonial imperialism; nevertheless her argument is just as valid when applying in analysis of the imposition of the discipline of capital nationally and internationally. When applied transnationally, recognition of the porous yet far from institutionally redundant nature of the nation state's actual and conceptual structures in the light of the changing nature of the class relations on the global scale is to be made. No less valid for our analysis is the famous phrase from *The Communist Manifesto* in this instance where Marx and Engels correctly noted that 'the need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere' (1848).

In the post-Soviet space the primitive accumulation of the means of production materialized in the process of privatization or, as David Harvey calls it, 'accumulation

by dispossession' (Harvey, 2005). Moreover, as I show in this thesis the latter process has not yet been completed that, I argue, explains the continuous class fraction rivalry and the effective lack of stabilization of a social order. It must be noted that the process is ongoing and occurs on multiple levels simultaneously - 'the commodification of cultural forms, histories, and intellectual creativity entails wholesale dispossessions' (Harvey 2005, p.148). Furthermore, as Harvey correctly argues, 'the corporatization and privatization of hitherto public assets … to say nothing of the wave of privatization (of water resources and other public goods) that has swept the world indicate a new wave of 'enclosing the commons' … pursued in the name of neo-liberal orthodoxy' (Ibid). So, he claims, in reference to neoliberalisation launched in the Lockean heartland in 1973 and later institutionalized by Reagan and Thatcher, 'the opening up of new territories to capitalist development and to capitalistic forms of market behaviour also played a role, as did the primitive accumulations accomplished in countries [of (semi-) periphery] that sought to insert themselves into global capitalism as active players' (Ibid. p.156).

This is where Ukraine's entry into the world economy ties with transnationalisation of the latter since 'the rise of neo-liberal theory and its associated politics of privatization symbolized much of what [the post-1973] shift was about' (Ibid.). The shift that allowed 'not only financialisation and freer trade, but a radically different approach to how state power, always a major player in accumulation by dispossession, should be deployed' (Ibid.). That state power in Ukraine was used by the ruling and capitalist class fractions alike to institutionalize their own economic agency by furthering transnationalisation of the state and continuously expanding the variety of the mechanisms of accumulation. By the latter I mean preferential privatization, state asset embezzlement by procedure abuse, offshoring of revenue, tax evasion, etc. So, the dual nature of the capital accumulation articulated by Luxemburg (op cit.), Harvey correctly concludes, expanded reproduction and accumulation by dispossession that are organically dialectically intertwined (p.176). The above connection is maintained through 'the umbilical cord that ties together accumulation by dispossession and expanded reproduction … that [is] given by finance capital and the institutions of credit, backed, as ever, by state powers' (p.152). In the EU transnationalisation ambitions of the capitalist class are manifest in the lobbying attempts of the big industry of the Union's governing institutions in relation to the new eastern neighbours. In their study of the lobbying practices in Brussels, Balanya et al. of the Corporate European

Observatory research and campaign group conclude that the emergence of a huge market of approximately 150 million consumers and a vast supply of high-skilled and low-wage labourers were more than exciting for big European business (Balanya et al. 2003, p.29). So, in a personal interview with CEO experts the former Secretary General of European Roundtable of Industrialists (ERT) Keith Richardson described the emergence of the new Central and Eastern European states as if the EU industry 'have discovered a new South-East Asia on [EU] doorstep' (Ibid). And indeed, since the early 1990s, the largest lobby groups of the EU i.e. ERT, BusinessEurope, and the American Chamber of Commerce, have actively supported the Union's economic expansion eastwards as is verified by their correspondence with the European Commission that it its turn has carefully implemented most of the lobbies' EU policy reform suggestions (Balanya et al. 2003; see also the SEO website for more details and more recent information on the EC-lobbies collaboration). In addition, the three groups have been directly lobbying in Ukraine through their local branches (as is the case with the American Chamber of Commerce since 1992) and through partner organisations (as is the case with the European Business Association since 1999 and the US-Ukraine Business Council since 1995). Ukrainian companies are also being co-opted into the hegemonic concept of control through the same media as I document in Chapter 5. Now though, let me turn to elaboration of the aspects of institutionalisation of the transnational(-ising) capital and its hegemony on the level of theory.

An alternative approach: introducing agency

Modes of production and social reproduction are shaped by specific agents (often referred to as elites, transnational capitalist class and historic blocs, etc.) and the multiple hierarchies of their interlocking agencies institutionalised in the respectively hierarchically structured, global, regional, and local organisations as well as states. They lay the ideological foundations of the consensual element of the hegemony of the discipline of capital that in the post-1970s neoliberal era is increasingly dominated by finance-led transnational(-ising) capitalist class fractions. Such shift, or 'the revenge of the rentier' (Morris 1982) was imposed to overcome the limits of the possible of the mass production/mass consumption based post-WWII regime of 'embedded liberalism' (Ruggie 1982) that by the late 1960s manifested itself in declining profitability, stagflation, and increased labour militancy (see Arrighi 2003; Brenner 2004; Cox 1987,

pp. 273-354; Glyn 2006). In the USA and Great Britain the above was imposed through monetarism, business deregulation, and neoliberalism more generally speaking. Neoliberalism was also exported to the low-income countries in the form of Structural Adjustment Programs and Loans (Harvey 2005; Easterly 2006) that in the 1990s will extend to the Central and Eastern European countries, and Ukraine, too. Both nationally, and globally neoliberalism is entrenched through the state as an institutional crystallisation of neoliberal, transnational(-ising) agencies thus giving rise to what Robinson (2002, 2004) calls a 'transnational state' that will be addressed shortly.

The processes of transnationalisation are actualised globally through international institutions that serve as policy platforms of the discipline of the transnational(-ising) capital and its institutionalisation. It is perpetuated through the culture ideology of consumerism (Sklair 2001; 2002) extrapolated through a variety of cultural and artistic avenues (Marcuse 1964) that effectively generate a transnational capitalist historic bloc. At the moment that bloc functions in accordance with the concept of control (Bode, 1979) that serves the interests of the transnational(-ising), primarily financial, capital. The transnational(-ising) capitalist historic bloc is to be distinguished from the transnational(-ising) capitalist class. The former refers to all agents, irrespective of class, that share the culture-ideology of consumerism (Sklair, 2002), and the latter refers to the transnational(-ising) fraction of the global capitalist class. In that respect I deem Leslie Sklair's classification of 'the transnational capitalist class' (2000) problematic. It is so, I hold, because it includes 'consumerist elites', 'political leaders', 'global media officials' who are not capitalists but are part of the process of institutionalization and reproduction of the hegemony of the discipline of capital. They aid transnationalisation of the state as institution, directly and indirectly, and thus are active agents of the transnational(-ising) capitalist historic bloc. In fact, every bloc is historic since it is a fluid spatio-temporally contingent formation.

So, in the most extensive study of the consent generating platforms of the transnational(-ising) capital to date, William Carroll shows that there are five vanguard global policy groups the 'by mid-1990s had come to comprise a field of global policy formation… [That] has taken a historically stratified and pluralistic shape as the groups developed around specific visions, issues and networks' (Carroll, 2010, p.42). They are: the International Chamber of Commerce (founded in 1919), Bilderberg Conference (1952), Trilateral Commission (1973), World Economic Forum (1971), and World

Business Council for Sustainable Development (1995). The agenda of these five filters into everyday social practices through various media e.g. lobbying and the effective impact on policy-making, direct and indirect co-optation - technical and ideational – in workplace, through dominant discourses, trends in education, etc. Participant companies, their owners and management, are essentially agents of the above policy groups in the locales of their operation, be it the place of origin, or the target country. The agency of the five groups is crystallised in the target locales in the hierarchy of regional, country, and local level institutions (lobbies, interest and pressure groups, advisory bodies, etc.) that function within the framework of the hegemonic (i.e. transnational(-ising) neoliberal capitalism) concept of control. So, in the EU the most influential interest and lobby group for regional business is the European Roundtable of Industrialists (Apeldoorn 2000, 2002; Balanya et at. 2003). It is a group through which the largest industrial manufacturers of the Union channel their interests and influence policy-making in the region and elsewhere. Its interests link directly to the EU Neighbourhood area and Ukraine as a part of it. In the USA, it is primarily the American Chamber of Commerce that is a branch of the ICC that has for long been a devolved organisation in its own right. In addition, WB and IMF play a very important role in shaping the country's strategies through advisors/advisory groups, structural adjustment programs and loans (SAPs and SALs), etc.

In Ukraine foreign business interests are represented by four main interests and lobby groups – three of the US and one of the EU origin. They are: the American Chamber of Commerce, the Centre for US-Ukraine Relations, the US-Ukraine Business Council and the European Business Association respectively. In this thesis I will present the analysis of these four groups, their locus in the global hierarchy of policy groups, and the interlocks between the EU, Ukrainian members, and US in all of the above. This is in order to demonstrate the mechanisms of co-optation of persons, companies, and states into the neoliberal market ideology that is the consensual element of the global hegemony (in Gramsci's understanding of the concept that will be addressed in this Chapter) of the discipline of the transnational (-ising) capital.

In Ukraine the interaction with the transnational(-ising) capital via gradual and uneven integration into its many structures began with the Structural Adjustment Loans in 1992. Market-oriented reforms and privatisation mediated by WB and IMF since then have legitimated institutionalisation of the already existing criminal political nexus of

Ukraine. The latter, as was mentioned above, had been evolving in the USSR since 1960s to complement the state's failure to supply services and consumer goods to its population (Shelley 2003). Limited yet market opportunities granted by Perestroika reform will only strengthen the criminal-political nexus (see Chapter 3 for details). Together with the so-called 'red directors' and the young entrepreneurs of Komsomol they will become the fractions of the capitalist class of independent Ukraine. Political lustration being impossible due to a mere lack of cadre, the criminal-political nexus have remained in power after the demise of the USSR[7] which allowed for their accumulation by dispossession of state-owned enterprises, state asset embezzlement, and gradual legalisation of the shadow economic activities more generally (see Chapter 4 for details). Donets'k and Dnipropetrovs'k oblast's became the stronghold of the emerging capitalist class due to their vast natural and industrial resource base and effectively the equally durable criminal-political nexus. This capitalist class, which emerged in-itself from various legal and criminal milieus by the end of 1990s, began to act as class-for-itself, organising its fractions along the lines of new political parties formed for to represent those fractions and replace the old apparatchiks. So, as the research I document in this thesis shows (see Chapters 3 and 4) by 2003 only 5 out of 124 in 1990-6 influential members of the ruling bloc identified in a study by Kononchuk and Pikhovshek (1997) remained in power. Since the late 1990s the new capitalist class of Ukraine has become a strong political force and it is since then that its active engagement in the structures of the transnational (-ising) capital in Ukraine began too. Indicative of the latter is a constantly increasing number of Ukrainian company members in the four foreign business groups in Ukraine and the growing number of Ukrainian companies adjusting their Codes of Conduct and corporate structure to the western standards that I document in Chapter 5.

The analysis of the dialectic of foreign and domestic capitalist fractions' agencies in Ukraine that I document in this thesis shows that the haphazard nature of the economic transformation fuelled by market-oriented reform in Ukraine was primarily due to the pre-existing and continuing systemic problems within the country's state-society complex where the shadow economy run by the criminal-political nexus became

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[7] As my own network analysis of the most influential people of Ukraine based on various ratings of 1990-2011 documented in Chapters 3 and 4 shows.

an important component. The often-blamed Western advisors and marketization strategies, lack of market experience of the Ukrainian politicians, lawmakers, and entrepreneurs, Russia's interference in Ukraine's domestic and foreign affairs, etc. were, and still are, very important factors that have persistently aggravated the situation. However, I hold, their effect could be minimised provided there was a coherent internal political and economic core in the country, a compromise among the rival ruling and capitalist class fractions and a comprehensive concept of control. In reality, as I document in this thesis, both the ruling and emerging capitalist classes (with often interlocking membership that has its roots in the criminal-political nexus) have pursued their personal economic interests at the expense of socio-economically beneficial reform. As a result, the intentionally inwardly oriented economy of Ukraine has to date not stabilised due to it being subject to the ongoing primitive accumulation by dispossession, or privatisation, and the omnipresent state asset embezzlement by the rival fractions of the domestic ruling and capitalist classes. Meanwhile, the capitalist class-in-itself of Ukraine emerged and gradually began functioning as a class-for-itself through organising its fractions around political parties. By the late 1990s they also began to actively engage with the foreign business associations in Ukraine and later the global policy platforms (e.g. Rinat Akmetov and his System Capital Management are members of the World Economic Forum). Through the latter occurrences, the process of *trasformismo* of the ruling and capitalist classes of Ukraine accelerates, even if with extra-legal undertones, and the Ukrainian state is further being transnationalised to serve the accumulation interests of the mentioned rival fractions.

Capitalist class and historic bloc formation, transnational(-ising) fractions, and transnationalisation of the state

Class is 'a real historical relationship … [the existence of which rests on the social basis of the way] in which people are positioned in production processes' which creates potentiality for classes but 'does not *make* classes' (Cox 1987, p.355). Moreover, 'since the form of state has been found to be determining influence on the development of modes of production relations, the orientation of classes toward the state, their channelling into political action, is a crucial historical question' (Ibid.). Due to the fact that a number of modes of social relations of production exist in parallel in any society, Cox (Ibid. 356) argues, class itself is affected by several factors. So, (1) not

every group forms a class but sometimes remains ‘a latent or potential class’, (2) ‘dominant or subordinate groups from two or more modes if social relations may combine to form a class’, (3) various modes of production relations are linked in a manner of domination-subordination hierarchy that leverages class orientations of partaking agents, and (4) ‘the classes formed around the dominant mode of social relations of production have a predominant influence over the formation and orientation of classes derived from subordinate modes, including the opportunity to form a hegemonic relationship with these other classes’.

A class formation process ‘is not a given, determined historical process but a very fluid one – a dialectic of opportunities created by changes in the structure of production and of praxis evolved in response to those opportunities’ (Ibid. p.389). Understanding the social element in the modes of production is of crucial importance in class (fraction) and analysis of the formation of the latter since it is the relations of productions that shape classes. Such a task can be solved, Cox (Ibid. p.397) suggests, ‘by distinguishing analytically among the social relations of production, the process of reproduction, and the process of accumulation’. The labour process – manual and otherwise, value production as a result of the latter, and subsequent accumulation of the produced value are all concretely linked together by the process of capitalist production. All social agents are positioned concretely in those processes and represent in every distinct historical moment members of one specific class (fraction), actual or potential/latent. Both agents and classes produce and reproduce, consciously – when part of a class-for-itself, and unconsciously when part of a latent class. Van der Pijl (1978 (in Dutch) quoted in Overbeek (2000, p.172)) in his turn suggests approaching identification of social formation through ‘the successive levels of decreasing abstraction … i.e. the *labour* process, the level of *circulation relations*, and the level of the *profit distribution process* at which distinct concrete class fractions form’. In the case of Ukraine, undoubtedly, specific capital class fractions emerged at those three levels. FIGs of Ukraine include enterprises that cover every stage of industrial production from extraction of raw materials to finished goods manufacturing and sales as well as banks that service those enterprises. Class fractions ascendant from such particular corporate structures that engage in capital accumulation along all three circuits simultaneously put those capitalist class fractions in a unique bargaining position in relation to other class fractions and classes.

Changes in the ruling class fractions occur when there are structural shifts in the productive base and in the dominant modes of production that call for effective shifts in the comprehensive concepts of control, e.g. from the "euthanasia of the rentier" to neoliberalism.

> '… Big industry created everywhere the same relations between the classes of society, and thus destroyed the peculiar individuality of the various nationalities. … While bourgeoisie of each nation still retained separate national interests, big industry created a class, which in all nations has the same interest and within which nationality is already dead; a class which is really rid of all the old world and the same time stands pitted against it' (Marx and Engels 1970, p.78).

Here, we can see a relative contradiction in Marx's words and clear economistic essence of the concept. Material relations production also include social reproduction and go beyond work relations but include social relations – religion, family, food, etc. The latter shape class consciousness and remain in the ruling class consciousness despite the level of transnationalisation of that class' behaviour. Thus, they do not simply de-nationalise (Sassen 2007) but rather semi-denationalise, with traditionally national features partly retained although gradually altered through the dialectic of cultural exchange, emulation, and co-optation. The above transformations of the patterns of behaviour through exposure to foreign hierarchies of ideas occur in a manner described by Veblen in his *The Theory of the Leisure Class* (1934).

The *Capitalism without capitalists* approach mentioned above by Eyal, Szelenyi and Townsley as 'a distinctive new strategy of transition adopted by technocratic-intellectual elites in societies where no class of private owners existed prior to the introduction of market mechanisms' (2001, pp.3-4). Those particular forms of capitalism, however, do not exist *without a bourgeoisie.* On the contrary, there are two main *bourgeoisies* – that representing the possessors of the material property, and that consisting of the 'possessors of culture or knowledge'. In such societies, they argue, 'post-communist capitalism is being promoted by a broadly defined intelligentsia [or a combination of the two bourgeoisies defined above – *author*] which is committed to the cause of bourgeois society and capitalist economic institutions' (Ibid.). However, there is a problem with such theorisation. First of all, markets – especially market/capitalist economies - do not emerge overnight. Similarly, the mere proclamation of market reform does not mean the *de facto* emergence of market economy with functioning market institutions on all societal levels with necessary law obedience and enforcement.

The market economy emerges from the evolution of social institutions that underpin capitalist ideology and through the emergence of substantial subjectivity supporting that ideology (i.e. emergence of capitalist bloc). A sizeable number of de facto capitalists existed long before the demise of the USSR, even if in the shadow economy, which in essence denies the 'capitalism without capitalists' formulation. Through the Soviet times, especiallyduring Perestroika and the 1990s, a capitalist class and bloc alike were formed with former eventually channelling their interests through political parties and/or direct individual participation in the policy-making process. Moreover, through adoption of the capitalist mode of production and social reproduction, the ruling and capitalist bloc and class respectively have institutionalised transnationalisation of the Ukraine's state and effectively economy. At the same time that has sped up co-optation of the emerging capitalist and managerial classes alike thus ensuring capitalist *trasformismo* of the two. The culture-ideology of consumerism that, again, already began to be adopted in the Soviet times, has swept a consumer goods starved population and since 1991 onward has been ensuring societal consent to neoliberal marketization reforms. That process of what Gramsci called a 'passive revolution' was led by the ruling bloc and the capitalist class of Ukraine with a helping hand from the international financial institutions.

The presence of multiple fractions within both foreign and domestic capital even further complicates the contradictions of the policy-making process in Ukraine. So, according to Hickel ((1975), p.151 quoted in van der Pijl (1998, p.50)) 'the actual relevance of the fractioning of the bourgeoisie resides in the continuous attempt (which itself if the result of competition) of the individual capitals to make their specific interests appear as general interests at the level of the state'. In the neoliberal era of finance-led accumulation, the transnational(-ising) fraction of the global bourgeoisie has strategically sought institutionalisation of its vision of the form of the state fit for transnational accumulation, the transnational state. That is to say that since the 1970s the hegemonic concept of control globally channelled via the network of policy platforms has been that of increasing transnationalisation of every aspect of socio-economic activity.

Historic blocs

Transnational(-ising) functioning of competing capitals is achieves through a class fraction compromise in a form of a comprehensive concept of control that crystallises in what Kotz described as a 'set of growth-promoting institutions, which includes political and cultural as well as economic institutions, [and] is referred to as a social structure of accumulation' (2001, p.93). Despite somewhat teleological undertones of the arguments made about 20-30 year long expansions of the world economy, social structures of accumulation approach suggests useful reference terminology for a complex of institutions that act as bearers of the transnational(-ising) capitalist class ideology, or a concept of control. The hegemonic discipline of capital is always channelled through the institution of the state as the highest recognised legal and legitimate authority over its territory and subjects as well as internationally. Therefore, for a historic bloc to be hegemonic in a society it must be the ruling bloc. For a class to be hegemonic it must generate a historic bloc based on consent to that class' concept of control. The latter, in its turn, must be enlarged by compromises with the perspectives/interests of auxiliary classes/fractions or a concept of control essential for that class' reproduction. In a society where there is no consensus as to the concept of control - due to its ruling bloc lacking homogeneity and being in a state of fractional rivalry - there is no possibility for that ruling bloc becoming hegemonic (Gramsci 1971, p.168) as it has not crystallised as a bloc-in-itself and thus cannot become a bloc-for-itself.

In Ukraine the lack of a hegemonic bloc as well as fractional rivalry are highly pronounced. Moreover, counter forces and concepts that would be quantitatively and qualitatively (respectively) sufficiently strong to fill the void of a lacking ideological consensus among the ruling forces are largely absent. Thus, possibilities for socio-economic and political reform become stalled until the emergence of such bloc and a concept of control. The above can be seen in Ukraine's multiple political crises due to a failure to form parliamentary coalitions among the competing ruling/capitalist forces, and/or the latter's inability to arrive at a compromise. In societies where a ruling bloc is established, individual capitals eventually acknowledge their essence as a class-in-itself and set aside competition with one another for the sake of protection of their interests against other classes, thus becoming a class-for-itself. Since the latter can best be done through the state as the highest authority, the new class-for-itself expresses its interests

through support for/partaking in political parties, lobby groups, NGOs, etc. Most recently there have been some notable shifts towards formation of such potential bloc with opposition parties joining forces against the usurpation regime of Yanukovych and his cronies, however, the results of those shifts are yet to be seen.

A historic bloc is always a fluid, spatio-temporally contingent dialectic construct that presupposes the transient nature of itself as a social construct and must be aware of its latter essential quality in order to reproduce. Such spatio-temporal contingency and fluidity of historic blocs was apparent through all 20 years of Ukraine's politico-economic transformation. It manifested itself in multiple forms. For example: (1) in Kuchma and his Dnipropetrovs'k bloc's multi-vectoral foreign policy and constant shifting of preferences in cooperation with the west or Russia/CIS; (2) in people's deputies' constant changing the political party membership; (3) in oligarchic sponsorship of different political actors at different points in time; and (4) in different degrees of commitment to westernisation of the above actors as I will show in Chapters Three, Four, and Five. A hegemonic bloc bears the ideational and ideological responsibility for the generation of consent in a given society on the premise of which its hegemony is reproduced. A hegemonic historic bloc is led by the ruling part of itself but goes to include all agents of all classes who share the hegemonic ideology and consent to its comprehensive concept of control. Thus, the hegemonic historic bloc is not limited to, although includes, its ruling part and is not, by any means, restricted by conceptual and factual barriers of social classes.

The lack of a comprehensive concept of control in Ukraine's polity thus is due to the lack of a hegemonic historic bloc, I argue, presents the main obstacle in the country's process of political-economic transformation and stabilisation of the economic situation. 'The notion of [comprehensive] 'concepts of control' … provides a clue to understanding the nature of relations between structure and agency' (Overbeek, 2002, p.174). However, instead of structure being 'defined by the process of the accumulation of capital' and 'the agency [being] that of the concrete social forces originating from the sphere of production relations and struggling continuously over the direction of the accumulation process, over the role and nature of the state, over the world order' (Ibid.), structure, as Knafo (2008) correctly argues, is a crystallised institutionalised manifestation of agencies of specific social forces and their concept of control.

Utilising historic blocs as units of analysis allows one to cut across the limitations of class as a unit of analysis. At the same time it allows one acknowledge the importance of both the consensual element to the reproduction of the hegemonic mode, and the agency of actors of all kinds of relations to the means of production in the process of the (hegemonic) mode of production reification. Moreover, it goes to show both the responsibility of every subject through acknowledging that subject's agency and it exposes vulnerabilities of both the subjects and hegemonic orders. It is from, and through, the organic intellectuals of the ruling or dominant historic bloc that a comprehensive concept of control is to originate for that bloc to become/remain hegemonic. Thus, it is fundamental that there is a consensual element within that bloc that consists of agents of various classes and class fractions i.e. carriers of different socio-economic interests. Without the consensual element within the bloc, the bloc in question cannot exist. Thus, a specific state/society complex and social order is institutionalised at a premise of a hegemonic concept of control where 'institutionalisation is a means of stabilising and perpetuating a particular order' (Cox 1981, p.219). Moreover, 'institutions are particular amalgams of ideas and material power which in turn influence the development of ideas and material capabilities' (Ibid.) thus they have to constantly readjust themselves to the 'developments of ideas and capabilities' to preserve their hegemonic position. So, Cox rightly pointed out there is 'a close connection between institutionalisation and what Gramsci called hegemony … [insofar as] institutions provide ways of dealing with conflicts so as to minimise the use of force' (Ibid).

Gramsci's 'historic bloc' concept and its further articulation in the transnational context provide, I argue, the most comprehensive framework for analysing the patterns of social transformation in the globalizing world. Analysis of the so-called 'transition economies', and thus Ukraine, benefits from such approach since most of social groupings and effectively respective social scientific categories that define them (such as class, strata, etc.) are often still in the making or are undergoing significant metamorphoses. Therefore, social categorisation even in its most abstract form is significantly complicated by the fluidity of social structures. For example, in Ukraine in the aftermath of the demise of the USSR people conventionally considered the carriers of cultural capital - i.e. teachers, academics, professionals etc. - often joined manual labour force or became traders or were otherwise socio-economically repositioned due

to a lack of employment possibilities. Therefore, class structure in a form that it existed in the USSR ceased to exist and the new one is still in the making at the moment of writing.

Institutionalisation of neoliberal capitalism: the state

Reinvigoration of Anglo-American imperialism in the 20th century, van der Pijl argues, 'put the USSR on the defensive, paradoxically generating a passive revolution within "Socialism in One Country" that reproduced aspects of previous "Hobbesian" experiences… but also allowed a progressive class to develop in the context of the planned economy' (1993, p.240). Until the late 1980s, the advance in a 'sense of a "progressive class" in the context of passive revolution remained surreptitious, based on molecular changes dependent on initiative "from above"' among the 'technocratic and democratic cadre class of managers, educators and specialists of all sorts' that emerged from a 'structural class compromise, a differentiation between class and society' in the USSR under Stalin (Ibid. p.248). In independent Ukraine they reformed in the new ascendant classes and class fractions with their own interests that also soon became forces for-themselves and important components of the state.

On the international level – interaction of social agents mediated in restrictive and otherwise manner by the states – hegemony is expressed in a similar fashion although with an added level of complexity. Thus, one must conceive of the hegemony of transnational (-ising) capitalist class that rests on consent, in Gramsci's terms, of the capitalist historic bloc globally - i.e. the bloc of agents that share the culture-ideology of consumerism based on the comprehensive concept of control rooted in quantitative positivist capitalist growth. Here we talk about a global construct with increasingly internationalised production, increasingly bordered movement of labour, and transnational(-ising) movement of capital fluidity. The latter, however, paradoxically relies on the reinforcement of the state as institution and active utilisation of the global hierarchy of states and forms of sovereignty.

The state as a unit of analysis is in fact constituted of numerous forces and their agencies - the society - that are not limited by but include, as Poulantzas argued, the institution of the state (1978). However, that state and society are not separate entities but by application of the dialectical method, although relatively autonomous, are deeply inter-penetrated. They constitute what Cox (1981, p.205) refers to as the 'state-society

complex' which, he argues, is to be the basic unit of analysis. It is to be used, he continues, instead of conventional IR fixation on centrality of state and perceiving of it as an empty 'bureaucratic entity' deprived of connection to society.[8] The 'state/society complex', introduced by Cox in 1981 has since then been further elaborated and applied in the transnational historical materialist analysis of transnational class formation through the work of van der Pijl in *The Transnational Classes and International Relations* (1998). While enjoying a relative autonomy from all the above, the state at the same time links and is linked to the same totality of actors, agencies, and structures. It is a position of the transnational historical materialist approach that 'relations among states are, as it were, embedded in a wider context of evolving transnational social relations' (Overbeek 2000, p.175). The restructuring of the state as an institution, or the transnationalisation of the state, in the era of the Washington Consensus is, essentially, an offensive on any other form of statehood (see van der Pijl, 1998),

Marx and Engels observed that 'through emancipation of private property from the community, the state… has become an entity, beside and outside civil society; but it is nothing more than the form of organisation that the bourgeois necessarily adopt both for internal and external purposes, for the mutual guarantee of their property and interests…. The state mediates in formation of all common institutions and the institutions receive a political form' (Marx and Engels 1970, p.80). Such a view, however, is reductionist as it assigns the state a merely instrumental role and thus denies the agency of the classes and their fractions that comprise the state. It declares homogeneity of the state and the ruling and capitalist classes and fractions that supposedly manoeuvre the state. In addition, it denies other than capitalist agency in the process of state formation and functioning. Just as Marx and Engels wrote elsewhere, we must check correspondence of our premises and material reality with those they utilised in *The German Ideology*.

In that respect, Poulantzas offers a more nuanced explanation of the state-capital relationship he observed in 1970s. He correctly noted that at that juncture the 'internationalization of capital neither [suppressed], nor [by-passed] the nation states…

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[8] Cox uses 'civil society' in original text; I prefer to use 'society' due to the ambiguities, Eurocentrism and discrimination undertones implied in the 'civil-uncivil' dichotomy that is embedded in the concept 'civil society'. Discussion of applicability of the latter to Ukrainian society, as well as the plausibility of such application, is beyond the scope of this thesis.

[I]nternationalization… deeply affects the politics and institutional forms of [all] states by including them in a system of interconnections which is in no way confined to the play of external and mutual pressures between juxtaposed states and capitals' (1975, p.73). Similar to Gramsci's ideas of cooptation and passive revolution in the target locales of globalizing capital, Poulantzas correctly observed how *'[peripheral] states themselves take charge of the interest of the dominant imperialist capital in its development within the 'national' social formation,* i.e. in its complex relation of internalization to the domestic bourgeoisie that it dominates' (1975, p.73).

More recently Clarke observed that the form of the national capitalist state is a determining factor in

> 'The form in which the inherent contradictions of capital accumulation confront the state. The contradiction inherent in capitalist accumulation, between the tendency to develop the productive forces without limit, and the need to confine the development of the productive forces within the limits of profitability, unfolds on a world scale, as capital seeks to overcome local barriers by developing the world market as a source of raw materials and an outlet for surplus capital and commodities. So long as capital is able to overcome the barriers to accumulation by global expansion its inherent contradiction is suspended. However, once this expansion approaches its limits the barriers to accumulation reassert themselves and the contradiction comes to the surface' (Clarke 2002, p.80).

Global over-accumulation of capital, he continues, presents itself to the state 'in the form of the barriers to the sustained accumulation of domestic productive capital' (Ibid). And while the state 'cannot resolve contradictions inherent in capital accumulation', it can contain the political impact of those contradictions to the extent that it is able to secure the integration of the accumulation of domestic productive capital into the accumulation of capital on a world scale'. Domestically the state's ability to achieve the above is 'partly set by the particular conditions of domestic accumulation and by the national form of the state, but are more fundamentally defined by the form of the international state system and the dynamics of global accumulation of which it is a part' (Ibid.). In the same manner, the transnationalisation of the Ukrainian state was determined by the inherent contradictions of domestic capital accumulation that relied on semi-licit mechanisms and neoliberal marketization policy prescriptions from IMF, WB, and EBRD.

Institutionally, transnational(-ising) accumulation and the social reproduction of the hegemonic capitalist order are ensured through the expression of universal norms

crystallised in the international organisations. The latter function, Cox correctly argued (1993, p.62) as 'the process through which the institutions of hegemony and its ideology are developed' and have four main features. First, 'they embody the rules which facilitate the expansion of hegemonic world orders'. Second, 'they are themselves the product of the hegemonic world order'. Third, 'they ideologically legitimate the norms of the world order'. And fourth, 'they absorb counter-hegemonic ideas'. Moreover, 'international institutions embody rules which facilitate the expansion of the dominant economic and social forces but which at the same time permit adjustments to be made by subordinated interests with a minimum pain'.

Nationally and globally, (civil) society 'embraces the whole material intercourse of individuals within a definite stage of the development of productive forces. It embraces the whole commercial and industrial life of a given stage and, insofar, transcends the State and the nation, though, on the other hand again, it must assert itself in its foreign relations as nationality, and inwardly must organise itself as State' (Marx and Engels 1970, p.49). Simultaneously, the processes of internationalisation, globalisation and transnationalisation are occurring, the acceleration of which was already observed by Marx and Engels. 'The further the separate spheres, which interact on one another, extend on the course of [development of history], the more the original isolation of the separate nationalities is destroyed by the developed mode of production and intercourse and the division of labour between various nations naturally brought by these, the more history becomes world history. … [Such transformation] of history into world history is not indeed a mere abstract act on the part of the "self-consciousness", the world spirit, or any other metaphysical spectre, but a quite material, empirically verifiable act' (Ibid. p.58). So, transnationalisation of the state and internationalisation of production are manifestations of shared history of the world that must also possess shared features of consciousness and hierarchies.

Formation of a 'shared consciousness', the consensual element of the global hegemony of the discipline of capital, occurs through the process of passive revolution which occurs on a national level when 'the impetus to change does not arise out of a 'vast local economic development … but is instead the reflection of international developments which transmit their ideological currents to the periphery' (Gramsci 1971, p.116). Further elaborating on Gramsci's writings on nature and origin of social transformations, Cox concludes that 'the group which is the bearer of the new ideas, in

such circumstances, is not an indigenous social group which is actively engaged in building a new hegemonic base with a new structure of social relations. It is an intellectual stratum that picks up ideas originating from a prior foreign economic and social revolution. Consequently, such thought takes an idealistic shape ungrounded in a domestic economic development; and its conception of the state takes the form of a "rational absolute"' (Cox (1993, p.59) on Gramsci (1971, p.117)). The above occurs through the process of co-optation, for example, 'elite talent from peripheral countries is co-opted into international institutions in the manner of *trasformismo*… they are condemned to work within the structures of passive revolution' thus facing gradual erosion of potential counter-hegemonic practices and visions (Cox 1993, p.63).

Gramsci observed that bourgeois hegemony on the national level in northern Europe was most accomplished when it 'necessarily involved concessions to subordinate classes in return for acquiescence in bourgeois leadership, concessions which would lead ultimately to forms of social democracy which preserve capitalism while making it more acceptable to workers and the petty bourgeois. Because their hegemony was firmly entrenched in civil society, the bourgeoisie often did not need to run the state themselves' Ibid. p.51). Gramsci concluded that 'to be meaningful, the notion of state would also have to include the underpinnings of the political structure in civil society. … [In concrete terms] – the church, the educational system, the press, all the institutions which helped to create in people certain modes of behaviour and expectations consistent with the hegemonic social order' (Ibid.).

Gramsci's analysis of the historical instance of the Russian Revolution compared to Western societies provides a valid insight in theorising the aftermath of the demise of the USSR and problems with political or otherwise leadership in contemporary Ukraine (Ibid. p.3). So, he observed, 'in Russia, the state was everything. Civil society was primordial and gelatinous; in the West, there was a proper relation between State and civil society, and when the State trembled, a sturdy structure of civil society was at once revealed' (Gramsci 1971, p.238). In the same manner, as it will be shown later in this thesis, the criminal political nexus was revealed in Ukraine once the USSR seized to exist. State intervention in domestic economy 'in favour of certain major indigenous monopolies against others, in favour of certain sectors of indigenous medium capital against others, or in favour of certain fractions of European [or other regional] capital against others' (Poulantzas 1978, p.75) was seen by Poulantzas as indirect intervention

on behalf of the already extrapolated fractions and sections of American capital upon which fractions and sectors of domestic capital depend. The above was true in the early 1970s and once historically appropriated can be used in our analysis. The dominance of the USA on the world market and in world politics is now challenged, particularly by the EU and especially by the German capital (van der Pijl, Holman, and Raviv 2010). The transnational(-ising) capital have undergone a few structural changes in and of itself, however, the manner in which its hegemony is reproduced globally have not essentially or methodically changed. Therefore, we can still talk about an internationalising state's intervention into its domestic affairs being an extension of servicing the transnational(-ising) capitalist forces centred around the core countries. Transnationalisation of the state is then channelled both directly through international organisations such as WB and IMF, and indirectly, through generation of consent in target societies where the hegemony of transnational(-ising) capital is exercised. The more dependent the state and the fractions of its bourgeoisie on foreign capital and/or markets, the larger is the potential depth of transnational(-ising) capitalist hegemonic penetration of that state and its society as a whole.

The state, Poulantzas argued, enjoys a 'relative autonomy' from the society and classes at the same time and is an institution of power. 'In its ideal form, power is concentrated in the state, which is thus itself the condensation of a particular class relationship of forces. The state is neither a thing- instrument that may be taken away, nor a fortress that may be penetrated by means of a wooden horse, nor yet a safe that may be cracked by burglary: it is the heart of the exercise of political power' (Poulantzas 2008, p. 368). The relative autonomy of the state is the dialectical outcome – momentarily compromise in essence – of struggle between classes and class fractions; the very nature of that compromise is what grants the state its relative autonomy. Poulantzas, although without using the term itself, refers to a 'historic bloc' as 'the effects of the concrete combination of the respective instances of the modes of production, effects of combination which are present in the effects of the structures of a *social formation* on its supports (that is to say, in the social classes formation) give rise to a whole series of phenomena of splitting and fusion of classes, in short of *over-determination* or of *under-determination* of classes, of the appearance of the specific categories, etc.' (Ibid.). In its role as the institutionaliser of the hegemonic order, therefore, the national state intervenes in the 'interior' field already crossed by

'interimperialist contradictions' and where the contradictions among the dominant fractions within its social formation *are already internationalized'* (Ibid. p.246). The nature of the state as institution is, thus, a determined by a *condensation of class relations in the society* (van der Pijl 2009, p.232) and at the same time it is a platform of socialization of the transnational(-ising) capital and its own, the state's, transnationalisation through the imposed teleology of the image of the legitimate form of the state. In the era of neoliberal financialization that form of state, Robinson argues (2001; 2002, and 2004), is the 'transnational state' that serves as a 'transmitting belt' for the transnational capital class' global accumulation of capital.

The transnational state thesis has received a lot of praise as well as a lot of criticism. So, for example, Went (2002) and Wood (2002) criticised Robinson for suggesting that the nation-state became redundant. However, he suggests such nowhere. Instead, Robinson (2001, 2002) argues that the state is as important as ever and that it became the 'transmitting belt' for the hegemony of the transnational capitalist class (2001). Moreover, I hold, it is precisely the existence of multiple boundaries and hierarchies of tax and tariff regimes, constitutionalities, and supra-national institutions more generally that allows accumulation of capital overcome the limits of the possible embedded in each individual circuit of capital accumulation within each separate state boundaries. Some suggest that the transnational state thesis is based on shaky empirical grounds, however, I argue otherwise. So, in his review of Robinson's *Theory of the Global Capitalism: Production, Class, and the State in a Transnational World* (2004), Anievas (2008) criticises the author's transnational state thesis on a number of grounds. He suggests that Robinson overestimates the role of TNCs in the global economy. Basing on the UNCTAD Transnationality Index of the 100 world largest TNCs (2002) that Robinson uses in his book, Anievas claims (p.196) that the increasing dominance of TNCs is in fact not pronounced strongly enough to suggest the emergen ce of the transnational capitalist class or state. It is so, he argues, because some of the largest TNCs in the UNCTAD Index are 'the least transnational'. Moreover, Anievas bases his claims on a study conducted by Rugman and Verbeke (2004) who argue that only 9 out of 365 TNCs on the *Fortune 500* list in 2004 were considered 'unambiguously global' in a sense that 'at least 20 per cent of their foreign sales went to all three major trade-bloc regions (ASEAN, EU, NAFTA) but less than 50 per cent in any one of these regions' (Ibid.). However, I argue, such criticism is ill conceived as it misinterprets both the

terminology of 'transnationalisation', and the phenomenon of it. The transnational(-ising) class, capital, and accumulation must be understood as those that *utilise, transcend, and circumvent* state boundaries at the same time. In fact, in the neoliberal era when most capital accumulation occurs in the sphere of finance, as Robinson too documents (2004: 25), estimating the 'index of transnationality' based upon the volume of sales calculations, or a number of employees across the markets penetrated by TNCs, would be short-sighted. Instead, and here Robinson's thesis too could be improved, one must look into the degree of agency, the room for manoeuvre, that the transnational(-ising) fraction of capital is enjoying both *within* their host state regulatory boundaries, and *within* the supra-national institutional frameworks e.g. WTO, ASEAN, EU, NAFTA, etc. A more accurate estimate of the 'transnationality index', I argue, would need to include such criteria as availability of tax evasion/avoidance mechanisms, utilisation of offshore spaces, transfer pricing utilisation, and so on - i.e. a comprehensive appraisal of legal frameworks for transnational accumulation in multiple constitutionalities at the same time. I hold that the availability of the mechanisms for accumulation transnationally in itself presents very strong evidence in support of the transnational state thesis. It is beyond the scope of this thesis to complete such an extensive analysis of TNCs' global functioning and is to be done elsewhere. In this thesis I will, however, provide empirical substantiation of the transnational(-ising) state and capital institutionalisation in Ukraine. I will do so by analysing the country's institutional neoliberalisation via privatisation and capital concentration, FDI and offshore recycling of capital, creation and functioning of Special Economic Zones, and state asset embezzlement through procedure abuse in Chapters 3, 4, and 5.

The nature of society, the state, the class, etc. lies in the dialectic totality of structure, agency and agents. Thus in analysing the nature of the Ukraine's state and class formation one must address that dialectic process. On the level of relations between society and state that process 'as well as relations between states as a consequence of their social interaction, has to be placed in the context of socialisation as a pervasive process. The ways in which capital (in the sense of total capital, i.e. a self-sustaining, quasi-totalitarian universe of competitive accumulation of surplus value) acts as the agent of socialisation while simultaneously constraining its potential (both in the sense of the division of labour and in the sense of universal culture/normative structures), has to be clarified and related to other structures of socialisation of a

community nature – family, nationality, ethnicity – as well as law and state as formal arrangements constitutive of legal/legitimate agents'.[9] The processes of socialisation in part correspond to the forces of globalisation – in all its meanings – that 'integrate material, political, social and cultural life of so many people on the planet, but which are simultaneously disintegrating previously embedded forms of socio-economic and political organisation' (Ibid. p.5). The above directly refers to the transformation processes in the post-Soviet states. Furthermore, the nature of global politico-economic transformations 'indicates contradictions between the logic of globalising forces and the political conditions of existence for the operation of those forces' (Ibid. p.12). In Eastern Europe programs such as SAPs with the 'reintroduction of neo-liberal marketization is generating a combination of widespread disillusionment and resentment, sentiments which are to a certain extent reflected in the resurgence of populism, racism, fascism, and gangsterism' (Ibid.).

In the rest of this thesis I will show how the continuous calamities of the state building process in Ukraine were shaped by inter- and intra-fractional capitalist and ruling class rivalry, domestic and foreign. The process of fractional class formation occurred in the process of primitive accumulation and was accompanied by increasing transnationalisation of the state and class fractional rivalry. The latter, I argue, continues to cripple potential stabilisation of social order, let alone establishment of a hegemonic rule in Ukraine. Gramsci argued that 'the movement towards hegemony … is a passage from the structure to the sphere of complex superstructures' (Gramsci in Cox, 1987, p.57) which means, in Cox's words, 'passing from the specific interest group or class [for-itself – *author*] to the building of institutions and elaboration of ideologies. If they reflect a hegemony, these institutions and ideologies will be universal in form i.e. they will not appear as those of a particular class, and will give some satisfaction to the subordinate groups while not undermining the leadership or vital interests of the hegemonic class' (Ibid, pp.57-8). The same laws of hegemony construction and maintenance apply within the hegemonic class itself. So, the capitalist class –in-itself is formed from fractions of capital which in their turn consist of individual competing capitalists. For the above to act as a class-for-itself, the class members and fractions

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[9] From a letter by Alex Fernandez, Otto Holman, Henk Overbeek and Kees van der Pijl sent to the editor, from 10 June 1991 in Gill, *Gramsci, historical materialism and international relations*, 4–5.

must be consensually arrive at a hegemonic ideology or a comprehensive concept of control. Provided such is not achieved, the hegemony of the class in question is impossible, as is in the case of Ukraine, and that means that stabilisation of the social order is impossible too.

A note on research methodology

A number of in-depth analyses of the transnational(-ising) class formation, membership and interlocking directorates have been published since 1980s which provide a comprehensive insight into the dialectic of functioning of the transnational(-ising) capitalist class globally[10] and which provide a comprehensive foundation for the analysis that I undertake in this thesis. A characteristic feature of the global networks of corporate power, as Carroll correctly noted, is its *duality* in a sense that 'not only *firms* but individual *directors* exert the agency that constitutes the network of overlapping affiliations' (Carroll 2010, p.11). In the case of Ukraine and Ukrainian *directors* such affiliation on interpersonal level are – apart from a few exceptions – nonexistent despite the presence of the boards of directors in the majority of companies. It is so primarily due to the fact that most corporations analysed in the course of my research documented in this thesis are vertically integrated. Such specificities of corporate structure and the custom of the main shareholders (oligarchs) in Ukraine to 'own and rule' companies effectively excludes outsiders' involvement in corporate decision-making. There is both a lack of interlocks of *directors* among the Ukrainian companies, and among the Ukrainian and foreign companies as my analysis of top-500 (*FT*, 2010) transnational corporations' boards of directors and executive boards confirms. The latter was not surprising considering that Carroll (2010) has already demonstrated a strong North-

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[10] William Carroll, "Transnationalists and national networkers in the global corporate elite," *Global Networks* 9, no. 3 (July 1, 2009): 289-314; Carroll, *The making of a transnational capitalist class*; Kees Van Der Pijl, *Atlanticism & the european ruling class* ([S.l.]: Pub By Ve, 1984); Van Der Pijl, *The making of an Atlantic ruling class*; M Fennema, *International networks of banks and industry* (The Hague: M. Nijhoff, 1982); Rugman, Alan and Verbeke, Alain, "Regional transnationals and Triad strategy," *Transnational corporations* 13, no. 3 (2004); Alan Rugman, "A new perspective on the regional and global strategies of multinational services firms," *M I R: Management International Review* 48, no. 4 (April 1, 2008): 397-411; Van Apeldoorn, *Transnational capitalism and the struggle over European integration*; Bastiaan Van Apeldoorn, "Transnational Class Agency and European Governance: The Case of the European Round Table of Industrialists," *New Political Economy* 5, no. 2 (July 1, 2000): 157-181; Overbeek and Van Der Pijl, "Restructuring capital and restructuring hegemony. Neo-liberalism and the unmaking of the post-war order"; Otto Holman, *Restructuring the ruling class and European unification* (Maarssen: CEPS, 1992); Van der Pijl, "The resurgence of German capital in Europe." – to mention the most promiment ones.

Atlantic prevalence in the global interlocks of directorates. However, the situation is different on company level and, as it will be shown in Chapter 5, interlocking membership of Ukrainian and transnational(-ising) companies in the global policy networks and lobby and interest groups for foreign business in Ukraine is constantly growing. In Chapter 5 I will map the network of transnational(-ising) capital on the level of individuals, corporations, and organisations and interest groups through which the global discipline of capital is institutionalised. That network of policy platforms is a product of the dialectic embedded in the slowly transforming hierarchies of global, regional, and local agencies and thus its form are constantly changing. The changing composition of the membership of capitalist class fractions' formations and is documented in the work of Fennema (1982), van der Pijl (2012 (1982)), Carroll (2009; 2010), and van der Pijl, Holman, and Raviv (2010) - to name the most relevant.

The network of companies and individuals, where applicable, were analysed and visualized using two complementing software packages: UCINET (Borgatti et al. 2002) and NetDraw (Borgatti 2005).

In the following chapters, the process of formation, institutionalisation and transnationalisation of classes and class fractions will be shown in a historically grounded empirical network analysis of persons, mafia groups, companies, and Financial Industrial Groups. The shadow economy in Ukraine is vast and purposeful misrepresentation of corporate data and audit information is widespread and often involve state officials and agencies (Kalman 2004; Levitsky and Way 2002 and 2010; Los 1992; OECD 2005; Savitsky 1992; Shelley 2003 – to mention a few). In the light of the above I based most of my research on academic work, independent research institutes' and centres' publications (Ukrainian Centre for Independent Political Research, Razumkov Centre, Kyiv International Institute of Sociology, etc.) and journalistic investigations that often presented the only relevant sources of information necessary for the completion of my study. In addition to the vast shadow economy, and in the light of various data on increasing tax evasion, state asset embezzlement through procedure abuse, and offshoring of revenue as well as heavy reliance of population on non-market (i.e. undocumented) means of subsistence, it appears that application of standard economic situation evaluation methods presents a distorted picture of the Ukraine’s economy. Application of the transnational historical materialist method of enquiry, I hold, allowed me overcome some of the shortcomings of standard economic

research methods and measurements by putting people before numbers and agency on the par with structure as structure is a form of agency. So, I conducted a study of the dossiers of the people listed in the ratings of the most influential (2003-2011) and richest (2006-2011) of Ukraine according to *Korrespondent* magazine, a study of the new 'elite' of 1990-1996 by the Independent Institute for Political Research (Kyiv, 1997), and the list of the members of the Donets'k mafia groups compiled from journalistic investigations documented in Penchuk and Kuzin's *Donets'k Mafia* (2006), Boyko's *Criminal Occupation: The History of the Party of Regions* (2007), Aryev's *Donets'k Mafia. Reload* (2007; see Appendix 2 for the full list). In addition, a number of other relevant publications were analysed, they are as follows: Glenny *McMafia* (2008), Volodarsky *KGB Poison Factory* (2010), and multiple news articles from *Ukrayins'ka Pravda, Korrespondent, Financial Times, Kyiv Post* – all are individually referenced in the text of the thesis. The full list of all the above personal and corporate interlocks can be found in Appendix 1.

In the study of the Financial Industrial Groups and clusters, the top 100 enterprises on Ukraine's market were analysed based on the rating of the *Focus* magazine (2010). The information about the structure of the clusters and their ownership that I present in Appendix 3 is compiled from information available on the FIGs and the individual companies' websites. However, in many cases the above do not provide sufficient information about either the companies, or the owners. In such cases, I have used dossiers of individuals and companies available at several independent and non-oligarchic media portal and newspapers. While documenting the data, information in the dossiers was crosschecked between the media utilised, and any information deemed unreliable or unsubstantiated was overlooked. The printed and online media used are: *Focus* magazine (printed and online), *Korrespondent* magazine (printed and online), *Liga.net* (online information portal), and *Comments.ua* (online information portal).

I acknowledge the many limitations to my research a lot of which is due to the informative potential of the data I use in this thesis. From the date of initial submission of this thesis and until the moment of the current submission, I have kept collecting data and various publications on Ukraine's political economy that verify the hypotheses I lay out both in my theory and empirical Chapters. In the final section of this work, I address and summarise some of the above, however, it is beyond the scope of this thesis in its

current version to include all the new data and information. That is something that I will do in the next phases of my research and writing.

Chapter 3

The formation and institutionalisation of capitalist and ruling class fractions of independent Ukraine in Donets'k and Dnipropetrovs’k

Introduction

In this thesis I argue that the post-1991 transformation of Ukraine's economy has been shapedby the dialectic of rivalry among the ruling and capitalist class fractions, foreign and domestic. This triggered a series of institutional reforms by which other social forces such as labour were disempowered. Preferential treatment and cronyism in tender auctions, company mergers and acquisitions, etc. accompanied the loss of the social status of workers. Common features of those reforms were the continuous accumulation by dispossession of the state assets, and the increasing transnationalisation of the state. In this Chapter I will document the emergence of the present-day Ukrainian ruling and capitalist class fractions from the politico-economic contingency of the late 1980s and their institutionalisation in the 1990s. I will show that class formation was a product of the long dialectic between the ruling, managing, and criminal social elements of the USSR that can be traced back to the early 1960s. After that point, the criminal-political nexus formed where gangsters serviced the shadow economy under the patronage of the Party officials, or the nomenklatura, of various ranks. During Perestroika it the criminal-political nexus further crystallised as a semi-licit bloc of the ruling and nascent capitalist forces. It extended to include Komsomol members and the so-called 'red/Soviet directors' whom Gorbachev's reforms granted limited yet entrepreneurial rights. Since 1991, as I will show in this Chapter, that heterogeneous bloc of forces - i.e. the (neo)nomenklatura, criminals, directors, and Komsomol - utilised political and economic marketization reforms, as well as crime, to institutionalise as the ruling and capitalist class of the present day Ukraine.

The fractions that institutionalised as the most powerful formed in Donets'k and Dnipropetrovs'k oblast's which are the largest manufacturing areas in the country. The market-oriented reforms of the late 1980s allowed for accumulation through partial commodification of product supply. In Ukraine the most profit was made through three main interconnected production chains. Those chains are: (1) coking coal – coke – sheet metal/pipes; (2) thermal coal – power –metal; and (3) gas –metal – gas pipes; the last being the most profitable (Lyakh 2007). Starting with the first wave of privatisation in

1992, and thus the legalisation of full commodification of production process, accumulation of SOEs engaged in those production chains and their gradual concentration in Financial Industrial Groups began. By the late 1990s, the ascendant capital class fractions emerged as class fractions-for-themselves by discarding the remaining political proxies and actively engaging in the policy -making process. That was done by direct individual participation in policy-making, non-partisan and later increasingly so partisan as the centripetal tendencies within individual fractions reflected the concentration tendencies of capital accumulation in FIGs. The result of the latter was the formation of new political parties, often through merging already existing parties into larger entities i.e. the Social-Democratic Party (United; founded on 24 April 1996 to represent the Kyiv capital fraction), Hromada (March 1994; Lazarenko and Tymoshenko fraction), and the Party of Regions (26 December 1997; the ascendant capital of Donets'k). Political forces not aligned with business consolidated into the People's Democratic Party (24 February 1996), however, their institutionalisation attempts proved less fruitful. I argue that the present day ruling and capitalist class fractions of Ukraine originated in this phase of the process of primitive accumulation. Such identification helps us explain the institutionalised fractional rivalry that continues to shape Ukraine's domestic and foreign policies. An investigation of this fractional rivalry, as well as an analysis of the intricacies of the ongoing accumulation *within* the above three product/commodity chains, can help us to understand the lack of a policy consensus in Ukraine. Behind the façade of political struggle we are looking at an ongoing, unfinished class formation process.

In this Chapter, I will document the process of formation of the ruling and capitalist fractions through a diachronic analysis of power struggles in the politico-economic transformations in the country from Perestroika until the presidential election of 1999. Following the method of Antonio Gramsci (1971) as articulated by Robert W. Cox (1987), I will show the formation and institutionalisation of social forces in-themselves and for-themselves within the relations of production, accumulation, passive revolution, and *trasformismo*. This latter term refers to the acceptance of (neoliberal) capitalist subjectivity by forces not originally part of the ruling bloc. I will show how the richness and concentration of natural and industrial resources in Donbas region conditioned the emergence of the most powerful capitalist and ruling class fractions of Ukraine, as well as the most pronounced fractional rivalry. I concentrate here on the

largest capitalist and ruling fractions; there are also other, less prominent ones, but I am primarily concerned with the capital and state power concentration in the hands of a few oligarchic forces. My research confirms that the latter are associated with Akhmetov (SCM), Hayduk/Taruta/Mkrtchan (ISD), Pinchuk (Interpipe), Kolomoyskyy and Boholyubov (Privat Group), Firtash (RosUkrEnergo and Group DF), and Tymoshenko (YeESU; until 1998).

Perestroika, cooperatives and the capitalist antecedents in Soviet Ukraine

The institutionalisation of the ruling and capitalist class fractions of independent Ukraine began during Gorbachev's Perestroika, which opened the way for the criminal-political nexus i.e. nomenklatura, gangsters, red directors, and Komsomol. In 1985, when Gorbachev became the General Secretary of the Communist Party of the USSR, the need for economic and social restructuring was urgent (Zaslavkaya 1992, p.79). The GDP growth slowed down and during 1980-5 averaged at 1.9% per annum and the state budget deficit stood at less than 2% of GDP of 1985. This was perhaps not dramatic but it was not a sign of economic efficiency either, as the following increase to 9% in 1989 will confirm (Aron 2011). After an array of futile attempts to restructure the USSR productive sector in 1957, 1965, 1973 and 1979 that since Stalin had been over-centralised and focused on the military industrial production, 'the basic operating features of the economy remained remarkably impervious to change' (Rutland 1993, pp.10-11). The system needed restructuring as the two prominent USSR economic sociologists Zaslavskaya (1990) and Aganbengyan (1994), among others, documented. The economy, however, was not the only concern. The system was over-bureaucratised, corrupt, inefficient, and by the mid-1980s the USSR was ridden by a shadow economy that compensated for the state consumer goods supply failures (Aron 2011; Shelley 2003). Gorbachev together with a team of academics began to work on scenarios for restructuring of the USSR economic and political systems already when working as the Minister for Economic Policy under Andropov (Dyker 1992, pp.79-80).

Scholars of the USSR breakup point out such centrifugal tendencies within nomenklatura during Perestroika (Kudryachenko et al. 2006; Lane and Ross 1999, pp.89-121). So, Kudryachenko *et al*. argue that the fracturing of the Soviet power apparatus played a vital role in the dissolution of the system, and that it had a direct impact on Gorbachev reforms. According to them, by the late 1980s there were four

fractions in the nomenklatura: (1) the conservators of the old regime, (2) those who obtained their privileged position due to the new General Secretary personally, (3) those preparing for their future prospects of enrichment via Perestroika reforms, and (4) those making careers – political and economic alike – on more local levels, in separate republics of the USSR (an opportunity made possible by partial devolution). The second and third were not interested in preserving the system in any form and effectively undermined the support for Gorbachev which he needed to further his democratization reforms into societies of member republics (Kudryachenko 2006, p.375). Lane and Ross (1999, p. 90) also document that the 'political elite as a whole was fragmented and lacked moral cohesion'. Moreover, the 'transformation of the regime… was led [by those]… closely allied to the leader, Gorbachev' (Ibid.). It were they, the Gorbachev allied the nomenklatura, who organised the *coup d'état* of August 1991which led to the demise of the USSR. And it was they who will reorganise as pro marketization neo-nomenklatura in the newly independent post-Soviet states. The old regime conservators will mostly reorganise as de jure left-wing forces and will be supporting various forms of the post-Soviet states economic reintegration i.e. the Commonwealth of Independent States since 1991 and the Eurasian Economic Community since 1996. The fourth category will experience the most structural political mobility in the early to mid-1990s, both upward, and downward. In Ukraine, the ascent to power of the regional neo-nomenklatura from Donets'k e.g. Zvyahilksyy in 1993, and the ascent with the following ousting of Lazarenko in 1995-7 are examples of such mobility.

In June of 1987, in an attempt to boost the economy through partial marketization, a programme for economic reform was adopted by the Supreme Soviet of the USSR that was also followed by the abolition the state monopoly on foreign trade. It was based upon three main principles – independence, self-financing, and self-sufficiency of enterprises. The programme was aimed at breeding 'competition, market price regulation, and even bankruptcy now [became] an option' (Boguslavkii 1989, pp.5-6). This stimulated investment interests both domestically and abroad, as I will shortly show. In 1988-9 the formulation of the above became more concrete and was released as part of a new set of changes that included an introduction of (1) a market (socialist) system, (2) removal of centralised price creation mechanisms apart from those on key commodities, (3) introduction of new types of ownership and business forms (cooperatives, shareholding, lease-holding, etc.) and an effective emergence of a

stock market, (4) devolution in financing, wage, and labour enterprise strategies, and (5) an introduction of an 'active banking system' to service the new market actors (see Dyker 1992, pp. 94-5 for details). Next, on the 1st of January 1988 a law 'On state enterprise (venture)' came into force that formalized a new concept of the 'state-imposed socialism' (Kudryachenko 2006, p.371). The law had a strong imprint of the Soviet central planning that was largely reduced by legislation on cooperatives adopted later that year. The law states that 'the new cooperatives would operate on a limited liability basis, would be allowed to employ non-cooperative labour, apparently with no upper limit, and with wages and working conditions subject to individual contract' (Ibid.). In addition, the income distribution in cooperatives 'would be decided exclusively by the members of the cooperative, and cooperatives would have complete freedom in questions of sales and purchases contracts' thus ensuring gradual marketization of economy. And last but not least, cooperatives were allowed 'to raise capital by issuing shares, but only for sale to their own members and employees' (Dyker 1992, p.95). The above was the reform that enabled the strengthening of the managerial class and the so-called 'red directors' but also the emergence of a propertied class as such.

The introduction of economic incentives to be gained through engagement in cooperatives became increasingly popular among Komsomol members and those who used Komsomol as a proxy. So, 'by mid-1988 cooperatives were employing between 100,000 and 200,000 people; by the first half of 1990 the figure had risen to 3.1 million (2.4% of the work force) with cooperatives generating perhaps 3% of Soviet GNP; [according to some Soviet economists] they could ultimately have accounted for as much as 10-12% of national income' (Dyker 1992, p.95). The problem with all of the above for the Centre was that the 'realisation of [those laws and the following, more liberalizing, legislation] threw out of balance the whole system of economic management without guaranteeing production effectiveness growth' (Kudryachenko 2006, p.371). Instead, the above changes set into motion a process that due to its controversial nature is known as 'spontaneous privatisation' and must be considered, I argue, a stage in the process of privatization of the state-owned enterprises. The above is often unacknowledged as a stage in publications on the emergence of private property in Ukraine (see, for example: Aslund 2007; Dobrinsky 2007; Eyal and Szelenyi 2000; Soos 2010) and in the post-Soviet space generally (for some notable exception see Johnson et al. in Milor 1994). Spontaneous privatization was a process of *de facto*

devolution of authority to managers and directors of individual state-owned enterprises when retaining *de jure* state ownership of the enterprises in question.[11] Therefore, Johnson, *et al* define ’spontaneous privatisation’ as a process ‘occurring when managers acquire, on their own initiative, residual rights of control over their firms’ (Milor 1994, p.174).[12] It is at this juncture in the milieu of Komsomol that the first traces of many members of both ruling, and capitalist class fractions of independent Ukraine become palpable. Tymoshenko (since 1988, Terminal cooperative; the KUB and YeESU), Tyhypko (PrivatBank, 1992), Kolomoys'kyy (Fianit cooperative since 1989; since 1992 PrivatBank), Boholyubov (Fianit cooperative since 1989; since 1992 PrivatBank), Pinchuk (Interpipe, 1990), and Firtash (NA; since the mid-1990s Itera, EGT, RosUkrEnergo, and finally Group DF) have all derived their political and economic capitalist agency from the structural institutional shifts that were embedded in Perestroika reforms, as I will detail shortly.

The criminal-political nexus

Komsomol, red directors, and CPSU members were not the only social forces whose agency Perestroika reforms extended. Legalisation of entrepreneurial activity, if with limitations, made decriminalisation of previously shadow economic activities possible. Thus the institutionalisation of the previously criminal part of the criminal-politicalnexus as capitalist was made possible also. The latter forged as a result of numerous systemic problems in the USSR’s planned economy and by the 1980s became an inseparable component of the Ukraine's state-society complex. In the USSR the law was mainly utilised to ‘force compliance with state objectives’ and that meant that all had to be in compliance with the CPSU official line of centralised authority that – even in instances of unmistakeable breach of law – was not to be questioned (Shelley 2003, p.202). The rule of law per se was absent and therefore the legal system was constantly subject to pressure from CPSU for the Plan targets to be met. Effectively the law and justice became tools of the state i.e. the state class – the nomenklatura, rather than were

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[11] A question arises as to whether such devolution of authority and granting of relative autonomy of enterprises can be deemed as privatization at all. It is my position that it can since ‘spontaneous privatisation’ in the case of post-Soviet states was a part of the stage of initial accumulation of various kinds of capital by the emerging new capitalist-minded historic bloc. For a theoretical contention see Chapter 2.

[12] The authors use the term SOE ‘to refer to a particular legal form, and *firm* to refer to a set of assets’.

separate social institutions performing their conventional roles. In such conditions ‘legal officials had value not as objective enforcers of the law but only as persons who could achieve tangible results. Legal authority was personalised; a development that often continues to the present day. The source was not the law but the bureaucrat who held the position of responsibility’ (Shelley 2003, p.202). Moreover, since the Party was the highest authority in the USSR, where the legal system was subordinate to it, ‘corrupt officials could justifiably feel that they were above the law' (Ibid).

As Shelley (2003, pp.201-2) correctly documents, there were four main systemic conditions that facilitated the forging of the criminal-political nexus. First, private property acquisition in the USSR was severely restricted. Second, the state interests i.e. interests of nomenklatura, preceded those of an individual. Third, commitment to legality by the state i.e. the nomenklatura, in the sphere of property right protection was missing. And fourth, civil society was being systemically destroyed through direct (i.e. creation of groups and organisations run by the state) and indirect (i.e. ensuring unavailability of amenities and resources) government control of social groups, their formation and agendas. Shelley adds factors such as ‘absence of a free media, civilian watchdog organisations, or financially independent individuals who could afford to oppose the government’ (Shelley 2003, pp.201-2). Also, some social forces had fewer opportunities to intervene due to a lack of political and social representation and continued social exclusion. So, ethnic Russians have historically been the hegemonic social force in the Politburo between 1966 and 1991, at least, as Lane and Ross's analysis shows (1999, pp.35-6). In conditions where ethnic minorities such as Caucasians, Jews, Tartar, and Central Asians were persistently ‘excluded from positions of power in central government and circumscribed even at local level’ (Shelley 2003, p.203) the shadow economy offered them opportunities for socio-economic activities as well as the mobility unavailable to them legally. Indeed, many have taken that option, as is evidenced by strong ethnic dominance of Caucasians, Jews, and Tartars in the gang formations of the late 1980s (Shelley 1999, p.85). Such contingency also conditioned the formation of ethnic gangs in Ukraine’s Donbas - one of which was the gang of Akhat Brahin and his right hand Rinat Akhmetov that I will discuss shortly.

Most of the industry in the east of Ukraine worked for defence and by the mid-1970s included 60% of all industry and 80% of machine construction plants. As a comparison, consumer goods production comprised some 29% of gross country output

when in advanced western economies the same index averaged 50-60% and even more (Lavrynovych 2006, pp. 322-323). After WWII, and especially in the 1960s, the shadow economy growth accelerated to satisfy the increasing consumer demand in the USSR and Ukraine alike where most of the production was geared towards the military (Feldbrugge 1984, p. 207). The demand included consumer goods and services, which were either in acute deficit on the market, were illegal, or simply were not provided for by the state such as real estate brokering and property sale, purchase and exchange (Feldbrugge 1984 and 1989; Grossman 1977; Katsenlinboigen 1977). Moreover, as mentioned in Chapter 1, the centralised market system involved administrative punishment for failure to meet the Plan targets and economic remuneration in premias (i.e. bonuses) for over-fulfilment of those targets. That, combined with multiple systemic inefficiencies of centralised planning increasingly forged *blat* i.e. interpersonal networks, that served to compensate for the failures of planning and more (Randall 2001, pp. 54-63). During the 1990s the shadow "service industry" also extended to include physical protection from racketeers, gangs, robbers, etc. (Feldbrugge 1984 and 1989).

Misallocation of resources with focus on military production resulted in systematic undersupply of consumer goods and services, demand for which:

> '[Was] met only by the growth of an unofficial parallel market. Goods for this market came in the main from illegal production undertaken by managers of state enterprises, and this production involved such criminal offences as misappropriation of state assets, payment of bribes to superior officials, and, eventually, protection money to criminal elements. This was the core of the shadow economy, which grew to at least 15 per cent of the Soviet GDP by 1982' (Ibid. p.74).

Ukraine's economy was becoming increasingly criminalised. In their study of the criminogenic situation in Ukraine and its change since 1977 (before that the crime levels in all of the USSR were unnaturally low), Solomon and Foglesong state (2000 p.72) that 'between 1988 and 1997, Ukraine experienced a dramatic, two-and-a-half-fold surge in its overall rate of recorded crime'.[13] Interestingly, the change in this dynamic did not emanate from 'violent crimes (which experienced a small rise) but from property crimes (theft, robbery, swindling, and extortion) and economic crimes

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[13] Data analysed in the report is drawn from: Kulik and Bobyr (1994, pp. 5-37, pp. 134-86; 1999).

(bribe taking, counterfeiting, and trading in narcotics)'.[14] This tendency was most pronounced among the socially excluded, as I mentioned earlier, and the youth who were hit hardest by growing shortages, unemployment, and general economic decline. So, Kudryachenko *et al*. document that between 1985 and 1988 the adolescent alcohol consumption rate grew by a third, the drug use and solvent abuse rate increased 5-fold, and youths were responsible for 52,6% of all documented crime in the country (2006, p.395). Many young people who lacked alternative choices in the early 1990s joined gangs and were used as pawns in the process of accumulation by crime that I will detail shortly. So, Pyymachuk, the Head of Slovyansk (Donets'k) Militia, testifies that by the mid-1990s 'people disappeared by dozen... often in the process of the so-called "cleansings" when [a group of youths were sent to murder someone and then all traces had to be removed]. ... Relatives would usually ask no questions... and perhaps receive a compensation' (in an interview with Boyko 2007). In the time of overall corruption, unlawfulness, and general state failure, many turned to 'barbaric' (as some later called them) means of extra-economic nature to provide for themselves and later to expand their economic agency i.e. racketeering, blackmail, threats and even murder (Aryev 2007; Kuzin and Penchuk 2006; Los 1992; Shelley 2003). Those people later became known as 'clans'. They were, and still are, present in the most of Ukraine, although the strongest and richest ones formed in the Donbas industrial region, mainly in Donets'k and Dnipropetrovs'k (Kovaleva 2007). This was conditioned by the richness of Donbas in resources, its abundant productive base, high unemployment, lawlessness in the early 1990s, and Ukraine's highest concentration of prisons used as labour correction institutions. During Soviet times, convicts from all over the USSR were sent to areas of intensive industrialisation where prisons were set up for the specific purpose of utilising convict labour in the production process. So, out of 183 such institutions of the State Penitentiary Service in 25 oblast's of Ukraine, 19 are in Donets'k and 14 in Dnipropetrovs'k oblast's with Donets'k incarceration rate averaging 3-5 times higher than elsewhere in Ukraine (e.g. out of 1016 charges and 818 convictions, 244 and 195 respectively in summer 2010 were in Donets'k oblast; source: State Penitentiary Service 2010). This created a set of circumstances that explain why crime could become such an

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[14] Due to space limitations, I will only address the criminalization of sectors relative to my thesis. For detail on various crime rates, rations, and dynamics see: Solomon and Foglesong (2000).

important component of accumulation process in the natural and manufacturing resource rich Donbas and especially Donets’k.

According to Serhiy Pryymachuk (op cit.) in the 1990s in Donbas the process of centralisation of gangs commenced. The records of oblast militia show 55 ordered murders in Donets'k in 1991 alone. The situation became even worse in 1992 with an average of 5-6 ordered killings in Donets'k per week (Ibid.). By comparison, in the Western oblast's of Ukraine the number was 4-5 ordered killings per year (Ibid.). Many petty criminals, butchers, and professional gamblers joined mafia groups. The most brutal gang in Donets'k oblast was an ethnically Tartar organization led by Alec the Greek, or Akhat Brahin, and his right hand, Rinat Akhmetov. Gang members did not shy away from murders that gave the gang a “comparative advantage” in the process of accumulation by crime that eventually helped Akhmetov and Kolesnikov become the richest people in the post-Soviet space. By the late 1990s those 'clans' or ascendant capital fractions concentrated their assets in FIGs; although, some still rely on crime as a 'convincing' technique in that capital concentration process as I will show in Chapter 4. In Table 3.1 below I present the most notorious murder cases associated with capital accumulation in Donets’k oblast’ in the 1990s. Since 1995 a clear tendency towards centralisation is reflected in high-profile murders and the consequential acquisition of the deceased person’s capital assets by people associated with other gangs. Such tendency contrasts with the dozens of murders of the nameless cooperative owners and gangsters in the early 1990s.

Table 3.1. Murder cases associated with economic activity in Donets'k in 1990s.

Name(s)	Business / company name	Date of death	Beneficiary/ies of business/current owners
55 ordered murders, names NA	NA, illicit	1 Jan – 31 Dec 1991	NA
Yanosh Kranz	NA, illicit	10 Nov 1992, gang crossfire	NA
5-6 per week, NA	NA	1 Jan – 31 Dec 1992	NA
Alec the Greek or Akhat Brahin	Lyuks	15 Oct 1995, VIP box explosion at a football match	Akhmetov with Vasylyev and Voloshchuk
Oleksandr Momot	Danko	16 May 1996, shot	Akhmetov (Danko is now part of SCM)
Oleksandr Shvedchenko	Itera	March 1996, shot	Kolesnikov (Roman's ex-partner; Akhmetov's right hand, now Minister for Economic Development of

			Ukraine; oligarch)
Serhiy Roman	Skandin-Yuh	Spring 1996, shot	See above
Yevhen Shcherban'	DTEK, Aton	Nov 1996, shot at Donets'k airport	Akhmetov (now part of SCM)
Yuriy Pavlenko	Sarmat brewery	1998, tortured to death	Akhmetov
Volodymyr Hutsul	Budtekhnika Electronics retailer chain	1998, shot	Akhmetov
Vadym Het'man	Head of Ukrainian Interbank Currency Exchange	22 April 1998, shot	NA; since 2007 post held by Perezerzev; Donets'k bloc; 1995-2007 worked in SCM structures

Source: compiled by the author from date available in Aryev (2006), Boyko (2007), Kyzin and Penchuk (2006), and Kovaleva (2007).

Multiple journalistic investigations and conspiracy theories point to certain present-day oligarchs as perpetrators of the assassinations of the 1990s. It is beyond the scope of this thesis to investigate those murder cases. What I present here is the data on corporate ownership and the transfer of ownership rights previously held by the murdered entrepreneurs. It is safe to conclude that after the assassination of Akhat' Brahin in 1996, the largest capital assets in Donets'k oblast' were consolidated into business structures previously run by the deceased and now owned by his right hand Rinat Akhmetov and less so Borys Kolesnikov. Around the same time, the two began cooperation with Viktor Yanukovych who by 1996 was the Governor of Donets'k oblast' – a connection that I will address in detail shortly.

From Perestroika to Privatisation

The processes of privatisation commenced with the State Enterprise Law in 1987 which allowed marketization through Komsomol and then the Law on Soviet Cooperatives (which came into force on 26 May 1988) which allowed any 3 persons aged 16 or above to form a cooperative, made private economic activity very popular in Ukraine (Nuti 1992, p. 251-3). So, according to Goskomstat, out of a total of 77548 cooperatives in the USSR, 13534 were registered in Ukraine (Ibid.). They employed 248.8 thousand people, and functioned in the spheres of natural consumption (2575 cooperatives), catering (852), retail (118), trading (639), popular consumption (4252), intermediate goods (510), and other spheres (4588; Ibid. p.251). Many of the cooperatives were registered as Joint Stock Companies (JSCs) with at least one foreign

partner, and they functioned primarily as importers/exporters of commodities. In Ukraine at that time, as Pekhnyk correctly argues (2007, p.42), high deficits of supply allowed the JSCs to overprice imported goods thus making imports profitable. As for exports, they primarily involved goods made 'temporarily competitive' due to artificially low production costs in Ukraine subsidised by the government that as an economic strategy was only deepening the crisis discussed earlier (Ibid.). The characteristic feature of these joint ventures of the late 1980s and early 1990s was the attraction of foreign capital though personal connection or family links (Ibid. Pond 2002: 146) Such specificity explains the low cumulative FDI volume during 1991-4 that was a mere $483.5 million (as of 1 Jan 1995; State Statistics Committee 1995).

New market opportunities were often utilised for the legalisation of already existing (shadow) market relations, as well as their expansion and, since 1991, the offshoring of revenue that I will address shortly. So, ‘state-owned enterprises [i.e. their managers/directors] reacted to the liberalisation of central planning system by formally and informally leasing property and facilities belonging to the … enterprises they managed to various co-operative and small enterprises’ (Lyakh 2007, p.86). Perestroika reforms relaxed centralised price determination and was a time of drastic shortages. This created a niche for the new small firms that functioned as wholesalers for various SOEs and in fact engaged in the so-called ‘skimming’ (Ibid.). The latter meant ‘the partial withdrawal of surplus value, the privatisation of cash flow of an enterprise, and earning arbitrage profits as a result of either intermediary activity or the resale of the enterprise’s goods’ especially when Soviet and world market prices coexisted (Ibid. pp.86-7). Such small enterprises later became eligible for government subsidies and state-guaranteed loans which they widely (ab)used especially in 1992-4 (Ibid., p.87) which, I hold, was a form of institutionalised 'skimming'.

In Donets’k oblast such intermediary firms were involved primarily in the fuel and energy sector and in the metallurgy industry (Ibid.). Such enterprises were closely linked to both the “paternal” SOEs and to the state authorities, national and regional, on the level of personal connections between their managers and directors. So, Wittkowsky (1998, pp.124-5) and Yoffe (1995, pp.27-8) documented that directors/managers of a given SEO as well as officials working for branch ministries were most often in charge, currently or formerly, of intermediary firms through either trustees or relatives. Protection of such activities from criminal responsibility and/or numerous inspections

of tax administration, fire department, etc. by the nomenklatura was maintained through direct links between the above and specific firms. Thus the traditional Soviet link between economic entities and the state was preserved in the process of accumulation by dispossession of state property (Kovaleva 2007; Lyakh 2007, pp.86-91; Zimmer 2004; Zimmer and Sabic 2004 – to mention a few). The above explains the lack of interest of either politicians or the newly emerged businessmen in 'comprehensive market transformation, excluding privatisation, which would have entailed the legalisation of property ownership and the decriminalisation of their activities' (Wittkovsky 1998, p.125).

Since privateproperty as such did not exist in Ukraine until privatisation reforms commenced in 1992, privatisation in Ukraine had to obtain certain features uncharacteristic to it elsewhere. So, corporative economic sector, market infrastructure, small owners, and a system of extra-bank financial intermediaries had to be created from scratch. In 1997 the state share in capital funds of productive sector decreased from 81,4% (1990) to 55,7%, in workforce (excluding collective farms and small businesses) from 82,9% (1992) to 60,6% in revenue (excluding agricultural sector) – up to 29,7%. By 1 January 1999 state share in the capital funds of the same sector reached 50%, in workforce – 58-55% (Ibid.). The most popular forms of privatisation in the 1990s became the two following schemes: the 'lease-with-buy-out' and the transfer of privatisation vouchers (i.e. de facto SOE shares) to the employees of a given SOE (Lyakh 2007, p. 87). The latter type in fact preserved – at least on initial stages of such privatisation – the controlling link between the directors of the SOEs and the intermediary firms and effectively preserved the shadow schemes that were operated though such links (Ibid.). With the demise of the USSR, in Donets'k and Dnipropetrovs'k supply and demand inter- and intra-sector linkages were interrupted due to the severed links among the ex-Soviet republics that were now commodified and had to be individually coordinated and maintained (see van Selm 2002 for details). That in itself being highly problematic and time-consuming, political uncertainty, as well as uncertainty in monetary and fiscal spheres, made survival of industry hard to achieve. Naturally, industries that relied upon, and had access to, local and cheap raw materials and/or had governmental subsidy support performed best (Lyakh 2007, p. 88). The 'iron and steel industry became the leading exporting branch of the economy' (Ibid.) especially with the strong backing of the cheap coal supplies that hinged upon the

miners' movement and their representatives' leverage in Kyiv that will be discussed shortly.

More generally, privatization methods utilized in Ukraine were appropriations and mutations of the mechanisms of accumulation already available in the global business regulation. Moreover, as I show in this thesis, various combinations of social forces appropriated them to fit their accumulation ambitions. Soos's (2010, p. xviii) argues that Ukraine witnessed 'the emergence and increasing role of privatisation methods usually applied in Western market economies: sales to strategic investors, international tenders, IPOs and the like' and that 'with this development, the wide variety of creative privatisation methods in former communist countries ended' (Ibid.). However, my research shows that the above implementation of Western privatisation and concentration methods does not automatically translate into declining of the 'variety of creative methods applied' but rather the opposite. The result in Ukraine was a combination of traditionally Western methods of accumulation, and the extra-legal methods i.e. bribery, personal networks, administrative restrictions and pressure (Kusznir and Pleines 2006, pp. 37-45), threats, racketeering (Levitsky and Way 1998), etc. So, Kusznir and Plaines document that in Ukraine, as in many other post-Soviet states, "the sale of firms at stock exchanges or in the framework of auctions or tenders had a […] modest role, and the transfer of their ownership to favoured groups (almost) free of charge was more frequent. In such contingency, privatisation outcomes were mainly determined by the potential winner's personal connections within the State Property Fund that guaranteed them preferential treatment" (Kusznir and Pleines 37-45). One of the examples of such conduct during 1990s included the late announcing of privatisation auctions so that outsiders and foreign investors simply did not have time to apply for participation in them. Dubrovsky et al. also confirm observations of procedure abuse and claim 'even though privatization has never been the only source of accumulation of the new private capital, it provided the society with the clear evidence of obvious deceit and inequality in redistribution of state assets, which became owned by the oligarchs' (2007, p. 15).

The Soviet directors have seen their opportunities for economic activity increase since Perestroika and then through marketization reforms. Their 'lack of managerial experience... under new, i.e. market, conditions especially in managing production and sales' and lack of a consistent plan for economic reconstruction (e.g. Honcharov, 2007:

88-89) was seen by some as an obstacle to marketization and foreign capital entry of Ukraine's economy. Indeed, marketization reforms were not going as smoothly as the IMF and EBRD advisors had hoped (e.g. Oddling-Smee/IMF 2001). However, I argue, blaming such protraction on the 'lack of experience' oversimplifies the complexity of the marketization process as well as it underestimates both the expertise and agency of the Soviet directors. Once 'democratisation and privatisation' commenced, it was the Soviet directors and apparatchiks or the neo-nomenklatura who were in charge of both ruling the country and denationalising the state property.[15] Combined with an emergent opportunity for private investment and borrowing since the late 1980s, that expertise and personal connection put the neo-nomenklatura and directors in prime position for accumulation of the SOEs undergoing privatisation. In fact, as I will show in Chapter 4, control over the State Property Fund allowed to control what was to be privatised, under what conditions, and thus determined the winners of tender auctions. At the same time, gradual legislative institutionalisation of private enterprise created a legal space where shadow economic forces - i.e. criminal - could emerge as capitalist. In conditions of omnipresent lawlessness and the dissolution/restructuring of law enforcement agencies and with strong links to the ruling bloc, the new capitalist forces will also accumulate assets, often by crime. First, however, I will show how the emerging ruling and capitalist forces of independent Ukraine began to institutionalise as forces-for-themselves in the early to mid-1990s. Then I will address the centripetal dynamics in the process of capital accumulation.

Kuchma's first presidency, the Dnipropetrovs'k bloc and the gradual institutionalisation of its Donets'k rival

The independence of 1991 did not bring changes into the ruling bloc of the country. The former Communist Party Secretary and now newly elected President Kravchuk 'simply re-appointed all heads of all of the Oblradas as representatives of the president of Ukraine in the regions without any system changes' (Kovaleva 2007, p.67). And most of that neo-nomenklatura were from Dnipropetrovs'k. The ascent of the Dnipropetrovs'k bloc to echelons higher than their regional began long before Ukraine

[15] Political lustration was impossible due to mere lack of other than Soviet cadre. For a discussion of the above see: Letki (2002)

became independent. Pikhovshek et al. argues that the selection of 54 biographies presented in their study represents ‘the skeleton of the ruling elite of Ukraine’ or the decision-making core of the country in 1996 (1996, p. 3). Indeed, there are many facts proving the strong role that people from Dnipropetrovs’k played during the Soviet times. So, in 1990 a commission specially designated by Gorbachev in the Organisational Department of the Central Committee of KPSS conducted an investigation that showed that 53% of the Ukrainian Communist Party executive cadre came from Dnipropetrovs’k. In fact, even before that, the Ukrainian Party 'elite' led KPSS in Moscow twice as well as dominated the Party structure within the Moscow metropolitan area, and run the Party in Kazakhstan and Moldova. Also, due to the high industrial and economic importance of the regions, party leaders from Donets'k, Dnipropetrovs’k, and Kharkiv had significant leverage in decision-making in the USSR and in the Ukrainian SSR in particular. (Pikhovshek, 1996: 8-9)

In 1991 Kravchuk followed the long established tradition of KPU and surrounded himself with people he could trust (Boyko 2007), or the neo-nomenklatura.[16] Kravchuk’s Prime Minister, Leonid Kuchma, was part of the Dnipropetrovs’k ruling class fraction who too gathered a circle of “his people” in the Cabinet. The latter due to Kuchma’s long and successful career in the Soviet manufacturing were well connected in industry as well.[17] In general, Kuchma’s government was the first of the independent Ukraine and the first example of the ascendant capitalist and ruling class fractions attempt at institutionalisation of a class compromise. It included industrial directorates, regional ruling class fractions, and the parliamentary democratic opposition coalition, Narodna Rada.[18] So, representatives of

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[16] So, in 1993 V. Borysovs’kyy was appointed the Minister for Investment Policy and Construction Complex, and V. Horbulin becomes Director General of the National Ukrainian Space Agency – both were from Dnipropetrovs’k. A number of Donetsk representatives found room in his team also – Masol, Fokin, Zvyahilskyy, Dyuba, Nedryhaylo and Landyk; and a few people from around the country – V. Symonenko (Odesa), A. Rakhanovs’kyy (Crimea), O. Yemel’yanov (Kharkiv) and post-democrats Ya. Mendus’ and B. Ternopil’skyy (Kononchuk and Pikhovshek 1998).

[17] Lobov, Chaika, Pustovoitenko, Kuznyetsov (from Dnipropetrovs’k), Hal’chynskyy, Chernyak, Tabachnyk (from Kyiv), and Ryzhov and Huhel’ from Kharkiv (Pikhovshek 1996, p.15).

[18] Narodna Rada was a wide coalition of members of Ukraine’s Parliament – Verkhovna Rada – between 1990 and 1994; included MPs from various parties as well as many non-partisan members. Formed in 1990 of 125 MPs, the faction was a major counterweight to the leading majority, which stood for an independent Soviet Ukraine. They were the main political driving force for political and economic

Donbas industry were present in Kuchma's Cabinet already and held positions strategic for the industries of their region: the Minister for Industry Holubchenko (Donets'k), Minister for Energy and Fuel Complex Yoffe (Luhans'k), and vice-Prime Minister for Industry and Construction Yevtukhov (Dnipropetrovs'k). It is not until the mid to late 1990s that the Donets'k forces began to gradually take over the main fraction of the ruling class in the country. Yoffe and Yevtukhov will join the Party of Regions in 2006 that can be interpreted as one of the indicators of centripetal dynamics within the ruling forces of the county that will be addressed later.

The Donets'k representatives enjoyed both economic and political power during the USSR years due to 'the geographical concentration of the coal' and metallurgy industries in the oblast' (Kovaleva 2007, p.65). The economic importance of the oblast' has helped its labour movement become historically strong as a class-for-itself. The local neo-nomenklatura and red directors often used such contingency as leverage in power bargaining with the ruling bloc in Kyiv. The labour-intensive production of Donets'k oblast' 'produced a powerful workers' movement which since 1970s opposed equally to both Moscow and Kyiv'. That became manifest in the miners' unrest of 1989 where 'strikes were organised by ad hoc strike committees' (Ibid.). The overall dissatisfaction with authorities, poor work conditions, low wages, etc. undermined both respect for, and willingness to cooperate with, authorities; a general feeling of mistrust has taken over the miners' community and the region as a whole.[19] In the early 1990s, the neo-nomenklatura from Donets'k 'attempted to gain political autonomy for the region from Kyiv. Political mobilization remained high in the region owing to hyperinflation, the scarcity of goods and energy supplies and the proximity of the oblast to Russia where living standards were higher' (Kovaleva 2007, p.67). Such contingency spurred a series of protests in 1993 that, according to Kovaleva (Ibid.), were used by the neo-nomenklatura to demand autonomy for Donbas within independent Ukraine. However, she continues, it was rather a bargaining manoeuvre used to achieve expansion of political and economic agency for the Donets'k forces i.e. the neo-nomenklatura and red directors. The impact of the unrest was dramatic and contributed

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independence of Ukraine in the Parliament (see NRU website for details: http://www.nru.org.ua/society/analitic/?id=608)

[19] For detailed analysis of miners' strikes, working conditions, etc. see: Lane (1978); Kovaleva (2007, p. 65–7); Mykhnenko (2002).

to both parliamentary and presidential elections being rescheduled to take place in 1994. Moreover, at this juncture the institutionalisation of the Donets'k forces as the ruling bloc began when ‘a “Donbas” government’ formation in Kyiv with Yukhym Zvyahils’kyi, a red director, appointment as an acting Prime Minister from the position of director of Zasyadko coal mine' (Ibid., p.68) on 22 September 1993. The latter was made possible because ‘the Donets'k elite painted the unrest not as separatism, but as resistance to the early economic reforms of then-prime minister Kuchma' (Ostebaan 1997, p.2). Thus, 'a Donbas government' of Zvyahilskyy was a trade-off where the separatist ambitions were dropped and the Donets'k forces 'were allowed to continue dealing directly with Russia and to continue reaping benefits’ from the delayed coal sector reforms (Ibid.).

The 'Donbas government', however, was not elected but appointed and had little chances to last after the rescheduled elections. Such contingency conditioned the forging of a ruling-capitalist class fraction compromise between the ascendant rival forces from Donets’k and the ruling fraction of the Dnipropetrovs’k neo-nomenklatura in Kyiv. So, the Donets'k industry decided to support Kuchma's candidacy for President and also guarantee their representation in the Parliament as a force-for-itself. For that purpose, on 4 December 1993 (officially registered at the end of 1995), the Mizhrehional’nyy Blok Reform (Inter-regional Bloc for Reforms) political party was formed. The same year Kuchma was elected President of the Ukrainian Union of Industrialist and Entrepreneurs (URPP) that was a clear indicator of his political leadership being chosen by the country’s emerging capital. Kuchma himself claimed in an interview with his biographer that the presidency was a move desired by the large industry owners and directors:

> ‘A few days after the [Parliamentary – *author*] elections a whole delegation visited me in Dnipropetrovs’k… They were directors of the largest enterprises of Dnipropetrovs’k, Kharkiv, Donets'k, my friends from Yuzhmash. The team was led by the Director General of Motor-Sich V. Bohuslayev. The conversation was turned to business straight away. “[The elections result is good but can be better]. We mean ‘larger’. We are confident that you shall run for presidency”. “What are you saying? “Presidency. Kravchuk does not have any real opponents… We need a president capable of saving the industry. Once we save industry – we save the country”… At the end the decision was made, not even mine, but rather collective. The decision was to run for presidency to represent and protect large industry – and in that sense – interests of the country’ (quoted in Bondarenko 2009, pp.58-9).

Such strong backing by the country's industry and thus by the voters of the densely populated industrial regions in the east and south of Ukraine helped Kuchma win the 1994 Presidential election. Immediately upon having assumed office he began to forge the ruling bloc by appointing even more 'reliable' people from Dnipropetrovs'k in his administration and Cabinet of Ministers.[20] According to the findings of Kononchuk and Pikhovshek, by the end of 1996 the overall number of Dnipropetrovs'k representatives in the 'Kyiv's structures of power and other "groups of influence" (executive, legislative, judiciary authorities, political parties, army, banks, church, mass media; youth, women, civil rights and veterans protection organisations, trade unions, state and privately-owned business, non-profit scientific and research institutes and foundations) comprised 206 persons' (1996: 6). The authors claim that the ascent to power by many who did not belong to the "Dnipropetrovs'k Family" was a due to Kuchma's need to 'dilute the Dnipropetrovs'k monopoly' on power).[21] In addition to the Donets'k forces insertion into the ruling bloc of the country, the Dnipropetrovs'k family itself was not a homogeneous force and as Pikhovshek (1997) correctly argues by the mid-1990s there were two 'Dnipropetrovs'k teams' and only one of them was supported Kuchma's leadership. I hold that such correctly observed fractioning of Dnipropetrovs'k ruling bloc is better understood once relations of Kuchma and Lazarenko are positioned within the contemporary relations of production and accumulation. So, Kuchma by the mid-1990s represented Dnipropetrovs'k ruling class fraction that was in a class fraction compromise with Donets'k neo-nomenklatura and red directors. Lazarenko, and his partner Tymoshenko, on the other hand, were in a position of rivalry over gas supply market in Donets'k with the forces allied with Kuchma i.e. Gazprom related Itera and the newly established by an emergent and partially decriminalising fraction of Donets'k capital ISD.

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[20] Horbylin, Pustovoitenko, Yutsuba, Derkach, Kuznetsov, Borodych, Shmarov – to mention a few in the highest positions. For the full list see Pikhovshek (1996, pp.15-16).

[21] One of the proofs of the above can be the statement Kuchma made in an interview on October 19, 1995: '… I can sense I will be blamed for more people from Dnipropetrovs'k being appointed to Kyiv' (in Pikhovshek, 1996: 18). The appointees were: Osyka, Udovenko, Yekhanurov, Poltavets', Durdynets', Pynzenyk, Kinakh, Kuras, Sabluk, Radchenko, Dan'kevych, and Svatkov (Ibid.). The second wave of appointments from 'the team' included: Ovcharenko (Minister for Social Citizens' Protection, appointed in 1996), Bochkarev (Minister for Energy and Electrification), Khorishko (Minister for Agriculture and Food), Kistruts'ka (Head of Main Archive Administration at the Cabinet of Ministers, appointed at September 3, 1996), and Minchenko (State Minister for Fuel and Energy Complex and Policy, appointed in September 1996 (Ibod., pp.16-7).

By 1995, the power struggle was becoming even more acute in the light of the new Constitution drafting. The main task for Kuchma and the capitalist class fractions that supported him was to guarantee the highest position for the institution of presidency in the new Supreme Law of the country. As for the opposition forces, mainly the nationalist People's Movement of Ukraine (Narodnyy Rukh Ukrayiny; NRU) and their leader Vyacheslav Chornovil, options were poor. With less than two years left before the Parliamentary elections, popular support for the party was insufficient to provide the majority in the Parliament or otherwise and therefore NRU sought allies. The decision was made in favour of the ruling forces led by Kuchma. The only other alliance option that would allow considerable political leverage was the Communist Party of Ukraine that in the mid-1990s still enjoyed more popular support than any other party (24.65% of votes in the 1998 Parliamentary election; The Central Electoral Commission 1998). For NRU this was an ideologically unthinkable alliance. The rest of the sizeable political parties were often mostly proxies to gain access to the state asset accumulation by embezzlement. So, the Hromada Party (founded in 1993; 4.64% of votes in 1998; Ibid.) led by Lazarenko (and Tymoshenko) mainly served to guarantee his own business interests. The Narodno-Democratychna Party (People's Democratic Party or NDP; 5.01% of votes; Ibid.) was founded in Kyiv on 24 February 1996 as a result of a merger of 7 other parties and social organisations[22] with Matviyenko as its leader (replaced by Pustovoitenko in 1999) and declared 'moral and political' interests of the Ukraine's people as its political goal.[23] However, by 1997 the party's 'mission into power' had already transformed into a 'gateway to power' for officials of various importance who began to join the party in large numbers to facilitate their own vertical career mobility (Bondarenko 2009, p.102). One of the results of such essential change was the split of the party into two wings by the end of that year – (1) the democratic wing (Matviyenko, Stets'kiv, Koly'ushko, Filenko, Yemets, and Syrota) and (2) the neo-nomenklatura wing (Pustovoitenko, Kinakh, Kushnaryov, and Bezsmertnyy) as the appointment of Pustovoitenko became a source of disagreement between the two (Ibid.). The rest of the

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[22] Partiya Demokratychnoho Vidrodzhennya Ukrayiny (National Renaissance of Ukraine Party), Trudovyy Konhres Ukrayiny (Labour Congress of Ukraine), Soyuz Pidrrymky Respubliky Krym (Union for Crimea Republic Support), Soyuz Ukrayins'koho Studentstva (Ukraine's Students Union), "Nova Khvylya" (New Wave), political clubs of 'Nova Ukrayina' (New Ukraine) and Asotsiatsiya Molodykh Ukrayins'kykh Politykiv ta Politolohiv (Association of Young Ukrainian Politicians and Political Scientists)

[23] http://ndp.org.ua/index.php?pid=1287388855&id=17

parties that would make it into the Parliament in 1998 were the Socialist and the Peasant Parties' alliance (8.55% of votes), the Progressive Socialist Party (4.04%), the Green Party (5.43%), and the Social-Democratic Party (United; 4.01%). The first two were the neo-nomenklatura with orientation towards status quo preservation in the county, the Green party was the most ideologically cohesive and comprised mainly of environmental activists, and the last one was associated with the Kyiv fraction of the ascendant capitalist class. Founded in 1990 already as SDPU, and revamped in 1996 as SDPU (United), the party was a structure of the Kyiv ruling and emergent capitalist class fractions-for-themselves. It included the first president of Ukraine Kravchuk, the Kyiv neo-nomenklatura, and the red directors among which the most prominent became known as the "Kyiv Seven". The latter were in a ruling-capitalist class fraction compromise with the Dnipropetrovs'k "family".[24] The seven businessmen became acquainted through work in the Dynamo FC in the 1980s and by the early 1990s emerged as the largest business group in Kyiv. They were (Investgazeta 2003): Victor Medvedchuk, Ihor and Hryhoriy Surkis, Valentyn Zhurskyy, Bohdan Hubskyy[25], Yuriy Karpenko and Yuriy Lyakh[26]. The above ruling-capitalist class fraction compromise will last until the power usurpation by the Donets'k bloc that will be addressed in the following Chapter.

Compromises with the ascendant ruling and capitalist fractions from Donets'k were being forged at the same time. So, a trade-off between Kuchma/Dnipropetrovs'k and V. Shcherban'/Donets'k was made and Shcherban' was appointed Governor of Donets'k Oblast by Edict 597/95 (July 1995). However, the above lasted as long as the spheres of interest of the two regional class fractions did not overlap. As soon as V. Shcherban 'became involved in the energy sector and proposed in July 1996 that the management of the coal industry should be transferred to the oblast administration he was removed from office' (Kovaleva 2007, p. 69). V. Shcherban' was de facto replaced by Viktor Yanukovych when the latter was the vice-Governor of Donets'k oblast' (September 1996 to May 1997) and since 14 May 1997 de jure. Yanukovych's rapid

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[24] Popov and Milshtein (2006); Victor Medvedchuk in an interview to Investgazeta on 10 March 2003 among other;

[25] Scientist (Physics and mathematics), in 1993 – advisor to the President on financial stabilization; since 1998 – people's deputy in Verkhovna Rada (MP)

[26] President of Ukraine's Credit Bank; previously: advisor to the PM in the late 1990s; worked in Inkombank and Delovaya Rossiya bank in Russia in 1991 and chaired the Currency Reserve department in Ukrayina bank in 1992 (Ukraine). Committed suicide in 2004, incident treated as suspicious.

ascent in the ruling structures of regional, and later country, level began in the milieu of the criminal-political nexus discussed earlier. According to fellow inmates and militia officers interviewed by Aryev (2007), while serving his two sentences in prison (1967 and 1970) the young Viktor Yanukovych collaborated with prison guards that both helped him establish life-long connections with security service officials and build a spectacular career upon release. Starting with 1972 his career progressed from an electrician and then a mechanic (1973) to multiple directing positions in coal transportation enterprises and by 1996 the director general of Ukrvuhlepromtrans, the enterprise in charge of all coal transportation networks (KMU 2011). Such career trajectory meant that Yanukovych had direct access to the coal link in the commodity chains mentioned earlier. This explains his current and lasting relationship with Akhmetov, Kolesnikov, and a number of other entrepreneurs who emerged as a capitalist class fractions-in-themselves by accumulation through those commodity chains. It is through the above personal and business connections combined with Yanukovych becoming the Governor of Donets'k oblast' and next moving into the ruling structures in Kyiv that institutionalization of the Donets’k capital-for-itself as the Ukraine's ruling class fraction began.

Meanwhile, the situation in Ukraine was becoming worse by the day and was described by some as hyper-stagflation with output shrinking by some 50% and inflation reaching 10 000% in 1993 alone while the drop in wages was more than 60% in real terms.[27] By 1996 the state of affairs was at its worse in the whole history of independent Ukraine with GDP at $44.5 billion ($151 billion PPP adjusted) and the productive component of GDP being as low as 47.8% of its volume in 1990 (Ukrstat 2011). In such conditions, the ruling bloc of the neo-nomenklatura and red directors could not stall reforms any longer. That was mainly due to the fact that in the light of growing popular discontent and falling profitability the unreformed SOEs were no longer cash cows. Conflicts between the rival ruling and capitalist class fractions seeking to expand their political and economic agency escalated as the constitutional foundations of post-Soviet Ukraine were negotiated. The lack of consensus was further aggravated by two additional problems: (1) a mere absence of a comprehensive

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[27] Vaugham-Whitehead in Uvalic and Vaugham-Whitehead (1997: 230), see full chapter for detail, pp.230-265.

legislative framework[28] that accounted for the politico-economic transformations in Ukraine since 1990-1; and (2) the effective complications of and obstructions for reforms on all levels in the country. An interim fractional compromise materialised in the Constitutional Agreement between the Parliament and the President 'On General Principles of Organisation and Functioning of State Authorities and Local Self-Governance in Ukraine until adoption of the New Constitution of Ukraine'.[29] The Agreement further expanded the grip of the ruling bloc on decision-making in the country by granting President Kuchma unprecedented power. He could appoint the PM and the members of the Cabinet alone without any consultation (Article 22/1), the PM and the Cabinet could function within limits designated by the President (Article 30), and effectively the President decided on the directions that each and every Ministry (i.e. area of society and economy) was to follow (Article 31). The State Property Fund was subject to his control now also (Article 24/1[7]) that was crucial for accumulation of SOEs by Kuchma's cronies.[30]

The adoption of the Constitution of Ukraine in 1996 became a watershed moment in the history of institutionalisation of the ascendant capitalist class fractions by proxy of links to Kuchma. The key issue was the division of powers between the judiciary (a range of courts with the Constitutional and the Supreme Court at the top of the hierarchy), legislative (the Parliament, oblast', and rayon councils), and executive (the President, the PM, and the Cabinet of Ministers) branches stipulated in the supreme law of the country. The President, the PM, and the Cabinet now enjoyed increased administrative power while there was a notable loss of authority for the oblast' and rayon councils. This indicated centralisation of political power in Ukraine by the ruling bloc in Kyiv. Through the aforementioned strong links between the emerging oligarchic

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[28] From the moment of independence, and until the 1995 Constitutional Agreement, the highest law of Ukraine was (later amended on multiple occasions) Constitution of the Ukrainian SSR adopted as long ago as 1978. Full text available here:

[29] See full text of the Agreement here: http://zakon.nau.ua/doc/?uid=1069.1704.0. Code of the document in Verkhovna Rada library catalogue: N 1к/95-ВР, 08.06.1995.

[30] Even though in 1995, for example, only 25% of the targeted large industrial enterprises were privatized, the figure can be considered very impressive since the emerging capitalist class in Ukraine were no interested in enterprises that required vast investment at the time but rather focused on extraction industries. As for foreign investors, they were more interested in light industry. Additionally, the lack of stable legislative platforms for business operation topped with ineffective law enforcement and omnipresent corruption scared many potential foreign investors away (see Pekhnyk 2007, pp.42-50 for detail).

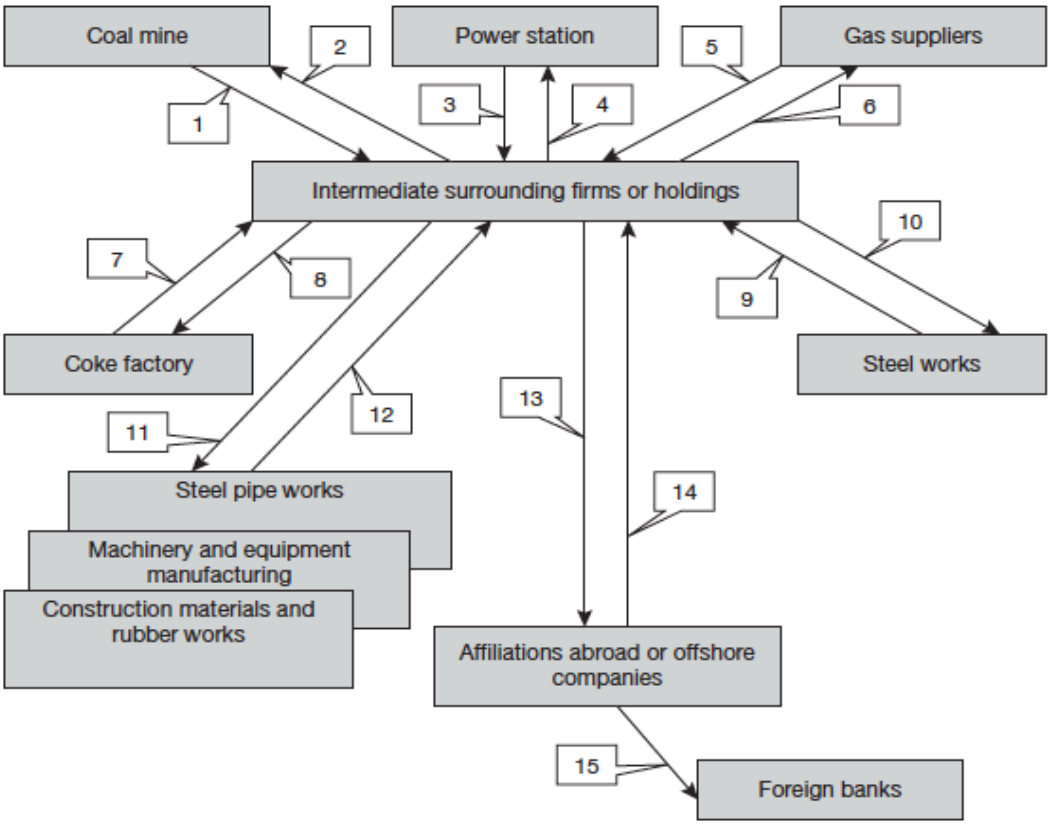
capitalist class fractions in the east of the country, reforms now could be put in place to aid further accumulation by concentration of capital assets in FIGs.

Concentration of capital during the mid and late 1990s.

The oligarchic capital of Ukraine shaped through accumulation by dispossession and concentration in the industrial east of Ukraine primarily revolved – and still does – around enterprises linked to three main commodity chains: (1) coking coal–coke–leaf metal/pipes; (2) thermal coal–power–metal; and (3) gas–metal–gas pipes visualised in the Figure 3.1 below; the last being the most profitable (Lyakh 2007). The gas-based commodity chain (3) is built in the other two on nearly every step of production process that explains both the leverage of gas suppliers embedded in the specificity of relations of production in Ukraine and the accumulation potential of gas trade in the country.

The first Dnipropetrovs'k oligarchs, Tymoshenko and Lazarenko, made their fortune by accumulation thought gas and lubricants supply along those increasingly commodified chains. For the Donets'k capital that was becoming increasingly concentrated in FIGs of industrial enterprises heavy reliant on gas imports control over gas supply and prices was crucial. The latter was linked in the most profitable commodity chain (3) 'gas-metal-gas pipes' where 'gas was paid for with gas pipes but the terms of the barter transactions overvalued the pipes relative to gas, permitting companies trading gas pipes to accumulate significant profits through arbitrage pricing of gas' (Lyakh 2007 p. 88). The 'gas pipe' link of that commodity chain was serviced by Interpipe owned by Pinchuk who was Tymoshenko's business partner in 1994-5 (Leshchenko 2009). Together with Lazarenko they co-owned Sodruzhestvo Corporation, a trader of Turkmenistani gas in Ukraine (Ibid.). Lazarenko who at that point was the Governor of Dnipropetrovs'k oblast' was in charge of the business (Ibid.). Donets'k industrial capital needed control over the above commodity chain for two reasons. First, the expansion of that chain '[reduced] the liquidity in two other commodity chains' (Lyakh 2007 p. 88). And second, as mentioned previously, Lazarenko, YeESU, and Tymoshenko and the Russian intermediary Itera that was a part of Gazprom, controlled the gas chain in the mid-1990s. Tymoshenko's entry into the fuel market can be traced back to 1991 when together with her husband Oleksandr Tymoshenko (and by proxy of Oleksandr Hravets)

Figure 3.1. The ‘coking coal–coke–metal’ and ‘thermal coal–power–metal’ commodity chains.



Flows:
1 – coke and thermal coal; 2 – steel, equipment and parts, conveyor belts, construction materials, power, mutual arrears clearing, money for salaries; 3 – power; 4 – thermal coal, gas, mutual arrears clearing, money for salaries; 5 – gas; 6 – money; 7 – coke; 8 – power, gas, mutual arrears clearing, money; 9 – steel; 10 – coke, gas, power, construction materials, equipment and parts, money; 11 – steel, power, gas, mutual arrears clearing, money; 12 – gas pipes, equipment and parts, conveyor belts, construction materials; 13 – steel, gas pipes, equipment and parts; 14 – money, imported equipment and materials; 15 – cashed arbitrage profits.

Source: Lyakh (2007, p.87)

she founded KUB (Korporatsiya Ukrayins’kyy Benzyn – Ukrainian Petrol Corporation).[31] KUB specialised in purchase of fuel and lubricants from Russia and Turkmenistan, and sold those to Ukrainian consumers primarily in the agricultural sector in the early 1990s (Ibid.). By 1995, Lazarenko became a partner of the above

[31] The three were part of the Komsomol enthusiasts who made use of the relaxed legislation of the late 1980s and started their business in 1988 by opening one and later a chain of private video-screening salons (i.e. small cinema theatres that usually operated VHS recordings of foreign films in local youth clubs, etc. in charge of which was Komsomol). Information from Y. Tymoshenko’s personal website; accessed at: http://www.tymoshenko.ua/uk/page/about

three owners of KUB through re-registration[32] of the latter and renaming it as Yedyni Energetychni Systemy Ukrayiny (YeESU - United Energy Systems of Ukraine). By 1996, YeESU already was a monopoly of the energy market and the Donets'k capitalist bloc with its heavily energy-dependent business sought control over energy supply (Lyakh 2007, pp.78–96). According to Lyakh (Ibid.) Donets'k business established Industrial'ny Soyuz Donbas (ISD) by proxy of the oblast's authorities for the purpose of competing against the Dnipropetrovs'k-controlled YeESU. Yevhen Shcherban, a Donets'k businessman whose ascent began in the criminal structures of Akhat Brahin and Rinat Akhmetov, was appointed as the head of ISD (Kovaleva 2007). Shcherban and Brahin were slaughtered in the late 1990s and their business was transferred to Akhmetov who currently is one of the richest people in all of the post-Soviet space. 'The Donets'k Oblast Administration ensured that the largest iron and steel enterprises in the oblast purchased their gas from ISD' and soon after Lazarenko's resignation in 1997 they controlled some 80% of Donets'k oblast gas market effectively having removed YeESU from the market although not completely. Its corporate affiliates in gas transit schemes, after ousting Tymoshenko and Lazarenko, remained with the local ascending oligarchs, Pinchuk and Firtash (Rachkevych 2010). In 2002, the Russian gassupply intermediary, Itera, linked to Gazprom and the Moscow Solntsevo gang was replaced by EuralTransGaz and then in 2005 by RosUkrEnergo (Glenny 2002: 94). Both EuralTransGaz and RosUkrEnergo are linked in Ukraine to Firtash and, less explicitly, Pinchuk (Ibid.).

By the end of the 1990s the main oligarchic capital class fractions of the present day Ukraine had formed. They were: Akhmetov (SCM), Hayduk/Taruta/Mkrtchan (ISD), Pinchuk (Interpipe), Kolomoyskyy and Boholyubov (Privat Group), and Firtash (RosUkrEnergo and later Group DF). Emerging from this melee of neo-nomenklatura, red directors, Komsomol, and gangs, and utilising legal and extra-legal accumulation opportunities created by the market reforms, they all strove to gain control over the mechanisms of accumulation for their FIGs. That latter was achieved by extension of transnationalisation of opportunities for accumulation embedded in the joint venture

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[32] Re-registration was chosen over registering a new firm in order to preserve the tax privileges that KUB enjoyed due to its partly foreign ownership i.e. KUB was co-founded with Somalli Ltd. registered in Cyprus (*Korrespondent* 2010e).

legislation of 1987-8 already and, among other, involved creation of Special Economic Zones and Priority Development Areas.

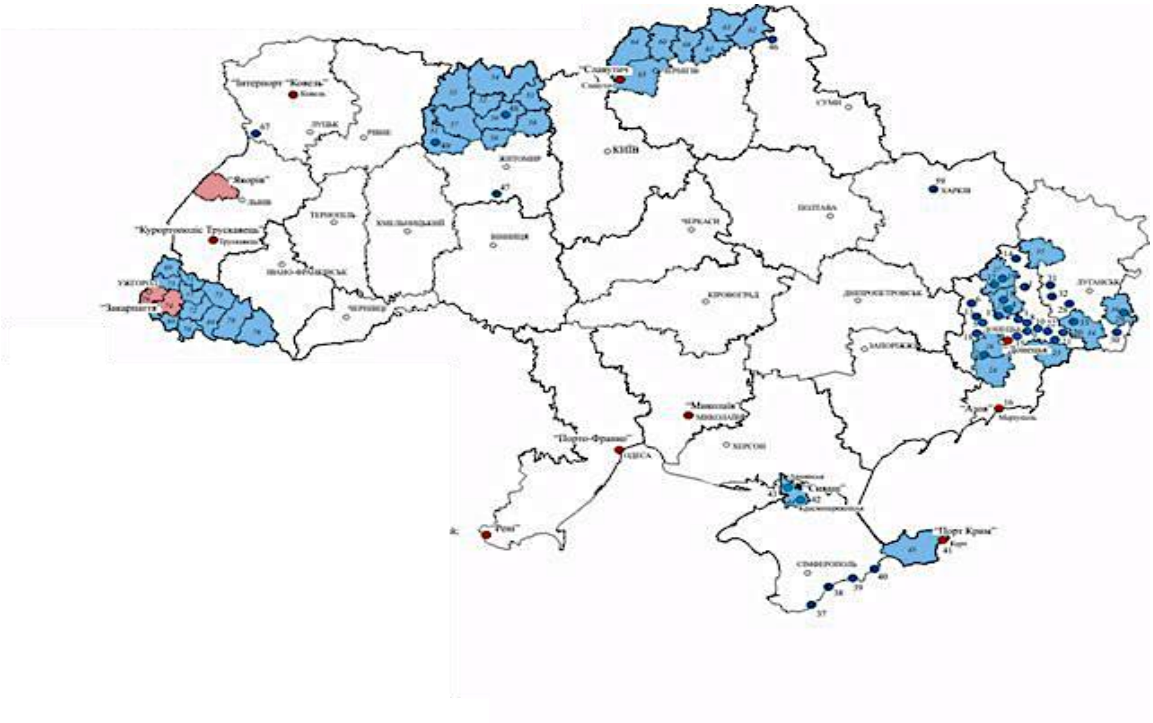
Institutionalisation of transnational(-ising) accumulation in Ukraine: Special Economic Zones (SEZs), and Priority Development Areas (PDAs)

Accumulation along the above-mentioned three commodity chains was accelerated by offshoring of revenue, administrative devolution, and tax evasion. All of those were made possible by creations of Special Economic Zones (SEZs), and Priority Development Areas (PDAs) that also was one of the main examples of class fraction compromise between the Dnipropetrovs'k "leaders" in Kyiv and the ascending Donets'k capital. The latter has gained increasing political and economic leverage by the end of the 1990s due to the country's GDP heavily relying on Donets'k industry and Kuchma relying on Donets'k (the most densely populated oblast of Ukraine) electorate in the coming 1999 presidential election (Bondarenko 2007). In addition, by the late 1990s the Donets'k capital was institutionalising as a class-for-itself, first with Yanukovych becoming the governor of Donets'k oblast in 1997 and then with consolidation of their members in one political party, the Party of Regions, during the same year. Moreover, in 1999 Mykola Azarov of the Party of Regions was appointed the Head of the State Taxation Administration, which gave the Donets'k capital direct access to shaping taxation legislation in the country and effective tax avoidance that will be addressed in Chapter 4.

The areas were established with the adoption of the Law of Ukraine 'On general positions of establishment and functioning of Special (free) Economic Zones' (SEZs) between 1998 and early 2005 and an array of other laws and bylaws (see Table 3.2. and Figure 3.2 below for details) which theretofore regulated founding and functioning of 12 SEZs and 72 PDAs on 13 October 1992. In Ukraine, the territory of those areas comprised almost 10% of the country. In addition, some zones were granted wider privileges than the other mainly Donets'k and Azov (both in Donets'k oblast, see Figure 3.2 below) were established for 60 years when the rest of the zones for 20-30 years. Investors in the special zones were given considerable tax breaks and other benefits presented in Table 3.2 below. According to Article 5, the Council of the above SEZs 'was formed as a management body for the two special economic zones: Donets'k and Azov (located in Mariupol) [port on the Azov Sea coast]. The power to appoint

members of the Council was reserved by the Donets'k Oblrada (oblast' council) and had multiple functions, among which were: '[acting as] intermediary between investors, local authorities and central legislative and executive authorities and [supervising] the proper utilization of investment; … [responsibility for] the development of appropriate measures to attract investment; … [authorization to] control both regional businesses and investment flows into the region; … [and functioning as a mediator] between the regional and central government interests' (Kovaleva 2007: 72-3).

Figure 3. 2. Spatial distribution of the Special Economic Zones (indicated in red) and the Priority Development Areas (indicated in blue) in Ukraine, 1998-2005.



Source: www.ipa.net.ua. Last accessed: September 2010

Table 3.2: Major investor subsidies in Special Economic Zones in Ukraine; established 1998-2000.

Subsidies SEZ, Name, Law that regulated functioning	Special customs zone regime	Revenue tax relief	Investment tax relief	Custom duty and VAT relief	Compulsory sale of inflow in foreign currency relief	Land duty payment relief	Some budget funds tax relief
1	2	3	4	5	6	7	8
"Azov", 24.12.1998 N356	+	Rate - 20 %	+	-	+	+ (plot assimilation period)	+
"Donetsk", 24.12.1998 N356	+	Rate - 20 %	+	-	+	+ (plot assimilation period)	+
"Zakarpattya", 9.12.1998, N3039	+	Rate - 20 %	-	-	+	-	
"Yavoriv", 15.01.1999 N402	-	+ (5 years), next years - 50 %	-	+ (5 years)	-	+ (3 years), next - 50 % of active duty	+
'Avtoport "Krakovets"'	+	+ (5 years), next years – 50 %	-	+	-	+ (3 years), next years – 50% of active duty	+
"Slavutych", 3.06.1999 N721	-	+ (3 years), 4-6th year – 50% of active tax rate	+	+ (5years)	+	+ (3 years), 4-6th years – 50% of active duty	+
"Kurortopolis Truskavets'", 18.03.1999, N514	-	+ (3 years), 4-6th year – 50% of active tax rate	+	+	+	+ (assimilation period), next 10 years -50% of active duty	-
"Portofranko", 23.03.2000 N1607	+	+ (3 years), 4-6th year – 50% of active tax rate	+	-	+	-	-
"Reni", 23.03.2000, N1605	+	Rate - 20%	+	-	+	-	+
"Port Krym", 27.06.1998 N740	+	Rate - 20%	+	-	+	+ (5 years)	+
"Irterport Kovel'", 22.06.1999 N702	+	Rate – 20%	-	-	+	+ (5 years)	+
"Mykolayiv", 13.06.1999 N1909	+ (only shipyard territory)	+ (3 years), 4-6th year – 50% of active tax rate, 4-10th year - reinvestment	+	+ (5 years)	+	+ (5 years)	-

Source: compiled by the author from data available at the Verkhovna Rada of Ukraine website and Paskhaver (2006).

It was thus not surprising that those selected areas attracted the largest FDI inflow, however, most of it was in fact Ukrainian oligarch's money recycled through offshore zones (Пехник 2007, p. 44). The SEZs legislation in Donets'k oblast was of a rather selective nature and mainly benefited large oligarchic FIGs then general improvement of investment climate and regional development. So, 'ferrous metals, coal mining and electric power generation, [or industries associated with oligarchic FIGs, were] included in the list of priority sectors and industries in the law' (Пехник 2007: 45). As a result, the law's goal was far from '[encouraging] progressive structural change of the regional economy, which would create an alternative system of jobs and reduce region's dependency on unstable global raw materials markets. Equally the law encourage[d] only large investments and [did] not support investment in small business, which can be active agents for effective restructuring'. Moreover, as mentioned earlier, 'nearly half of the FDI in Donets'k oblast originated from offshore financial centres [e.g. British Virgin Islands – 42% of FDI in the region, and Cyprus – 6% respectively] that suggests that much of this investment consists of capital that has flowed out of the country before returning to the region as FDI' (Ibid). The analysis of transition economies and investor behaviour in the CEECs by Carlin et al. (2010) confirms the tendency of foreign investors to 'avoid enterprises in branches requiring extensive restructuring, such as steel, coal mining, heavy machinery and basic chemicals'. Basing on Carlin's study, Lyakh (2007) concludes that a high proportion of FDI flow in Donets'k oblast going towards heavy industry confirms the assumption that local capital was recycled through offshore zones. Lyakh's conclusion can be further substantiated by the fact that most industrial enterprises in the oblast' are owned by Ukrainian FIGs rather than foreign companies. The situation in the late 1990s – early 2000s was further aggravated by low availability and high interest rates of credit, combined with low incomes that inhibited development of small and medium business. Presently, the trend continues and, according to the most recent data by the State Institute of Statistics, in the first six months of 2012 $5,810.1 million from Ukraine ended in offshore accounts of Cyprus alone (*Uniworld* 17 Sept, 2012).

The creation of SEZs and PDAs was introduced under a façade of economic growth stimulation strategy as that which would attract FDI into the country. Instead, it institutionalised transnationalisation of accumulation in Ukraine as legal economic activity, and thus was one of the major indicators of transnationalisation of the

Ukrainian state. Instead of stimulating economic growth in the country, SEZs and PDAs were used for the recycling and offshoring of capital. Thus it allowed the emergent oligarchic capitalist class fractions to funnel revenue out of the country by circumventing potential state capital controls. The latter, combined with the increasing leverage in the ruling bloc of Ukraine, will eventually lead to the Donets'k capital becoming most powerful in the country both economically and politically. After a short interval in the aftermath of the Orange Revolution, the Donets'k forces led by Yanukovych will begin to swiftly remove the competitive ruling and capitalist class fractions by administrative pressure, political persecution, and occasional yet habitual assassinations - as I will show in Chapter 4. They will continue with the neoliberal transnationalisation reforms also although, as I will show in the same Chapter, in a very particular manner which instead of attracting foreign investment will do the opposite as the data I present in Chapter 5 confirms. FDI and transnational functioning of TNCs more generally require the rule of law in the target countries and a cooperating ruling bloc. Indeed, as I will show in Chapter 5, the transnational(-ising) capital actively advocated and facilitated Ukraine's integration into the transnational mechanisms of accumulation and its economic neoliberalisation more generally speaking. However, as I will show in the same Chapter, that integration was uneven and mainly benefited Ukraine's oligarchs.

Chapter Four

Centralisation of power by the Donets'k ruling bloc

Introduction

In this chapter, I will discuss the concentration of power by the Donets'k capitalist class fractions and their simultaneous institutionalisation as the ruling bloc of Ukraine. I will show how that was achieved through a series of legislative reforms, attempts at 'manufacturing [popular] consent' (Herman and Chomsky 1988) by faking democracy (Wilson 2005a), and coercion through suppression of counter forces described by some as 'competitive authoritarianism' (Levitsky and Way 2010). The most decisive were the changes to the Constitution of Ukraine and the judiciary reform. The former changed Ukraine from a Presidential republic to a Parliamentary one and back (2004 and 2010; *Radio Svoboda* 2010). The latter was implemented in July 2010 without the Venice Commission recommendations and 'significantly [reduced] the power of the Supreme Court and [increased] the authority of the High Council of Justice, a body criticised for the lack of independence' (Human Rights Watch 2010). The ascent of the Donets'k bloc that largely originated from the criminal-political nexus of the USSR was accompanied by a widespread criminalisation of the economy. Building on journalistic investigations, leaked documents, publicly accessible information on FIGs, individual politicians and political parties, and independent social research publications, in this Chapter I will show that in the ascent of the current ruling bloc one crucial component was the institutionalisation of lawlessness. Moreover, I will show that through primitive accumulation and accumulation by concentration of capital in FIGs the emergent capitalist class has been both transnationalising the state and institutionalising semi-licit mechanisms of accumulation. In such manner, the criminal-political nexus prevailed, only now with security forces and state administrators being at service of gangsters-turned-oligarchs. The above is evidenced by the administrative pressure on the capitalist class fractions rival to the ruling bloc, return of lawlessness i.e. raiding, telephone justice and selective justice, and prosecution of the political rivals i.e. Tymoshenko and Lutsenko among others.

One indicator of the ongoing unlawful nature of accumulation is the corruption crisis in Ukraine. According to Transparency International, apart from a brief improvement in 2005-6, the Corruption Perception Index score has been getting worse

since 1991 and by 2011 Ukraine's was rated 152 of 183 countries surveyed making it the lowest rating to date (Transparency International 2012). The situation with human rights' violations in Ukraine reached its worst when the anti-Kuchma newspaper founder and journalist Georgiy Gongadze disappeared in September 2000 (Karatnyky 2001, p. 73). The disclosure of the infamous Melnychenko tapes that verified complicity of Kuchma, his Chief of Staff, the Head of State Security, and the Interior Minister Volodymyr Lytvyn in the journalist's disappearance became a watershed moment for Kuchma's administration (Ibid., p. 76). What followed was the so-called Kuchmagate crisis that together with the Donets'k capitalist class fraction's attempt to seize power by electoral fraud in the 2004 presidential election led to the Orange Revolution and the effective end of the Dnipropetrovs'k neo-nomenklatura as the ruling force in Ukraine. The Orange bloc of forces lacked homogeneity and combined the dispossessed and ascendant rival oligarchs Tymoshenko and Poroshenko, right wing opposition parties, and the neo-nomenklatura who tried to preserve their positions within the ruling bloc e.g. Lytvyn. Seen in the West as a 'democratic breakthrough' and an opportunity to improve the souring political and economic relations with the country, Yushchenko's administration received extensive support from the US, EU, and IFIs. Investor relations with foreign capital accelerated soon after the Orange Revolution too as I will show in Chapter 5 that however did not last long. The Orange forces have failed to arrive at a coherent strategy and fell victim to capitalist class fractional rivalry (Firtash in *The Guardian* 2007). A schism between Yushchenko and Tymoshenko undermined a possibility to generate a *concept of control* that is fundamental in establishing and maintaining hegemonic leadership (Gramsci 1971, p. 169-9; see Chapter 2 for further theoretical argumentation). The result was the defeat of Orange forces due to the loss of popular support that paved the way for the oligarchic Donets'k capitalist class fraction-for itself institutionalisation as the ruling force. They have usurped the power in the country, first by winning the parliamentary election in 2007, and later the presidential in 2010. Control over both legislative and executive branches of power allowed the Donets'k capital to have an upper hand in the accumulation by dispossession of SOEs crucial for profitability of their FIGs i.e. energy generation and supply SOEs and more. Through a series of legislative and state administrative reforms, Yanukovych-led forces have institutionalised as an authoritarian ruling bloc of cronies whose power rests primarily on the element of coercion rather than consent. The latter's destabilisation

however, is its own endemic component that makes the future of the current ruling bloc uncertain as I will show in this Chapter.

Kuchma's second presidency and the decline of Dnipropetrovs'k neo-nomenklatura

The foundation of appropriation and capital concentration strategy of the Donets'k bloc by the end of the 1990s was precarious. At the time of the presidential election campaign Ukraine's society was atomised as a result of economic hardship and instability as well as the lack of trust in political forces that were constantly changing shape and direction. The country's politics were monopolised by Kuchma, his cronies from Dnipropetrovs'k, and increasingly so from Donets'k as I discussed in the previous Chapter. The two blocs of forces almost entirely usurped control over the Ukraine's economy and turned it inwards (Pond 2002, pp. 145-7). Unlike the Russian oligarchs, the local capitalists of Ukraine preferred to attract new investment that they might get a share of but in a few years the direct equity investors were chased away due to Ukraine's 'ubiquitous chicanery, demand for bribes, taxes that often exceeded 100% of profit, and ever-shifting law with arbitrary application' (Ibid., p. 147). The practice of drawing companies into bankruptcy and manipulation of barter payments to maximise profits became rather common especially by gas companies (Pekhnyk 2007, pp.42-4) as I mentioned in Chapter 3 and will detail further in this Chapter. By the end of the 1990s, the 'chronic schizophrenia' between the Western direction in foreign policy and 'domestic entropy' have soured Ukraine's relations with the EU (Pond 2002, p. 147) and jeopardised their political and economic rapprochement. According to Pekhnyk and Pond, among others, western investors from the USA, EU, and Germany (Ukraine's strongest backers) became 'disenchanted with the country' however did not give up on it (Pond 2002, p.151). Instead, as I will show in Chapter 5, both the US and the EU have continuously attempted to deepen cooperation with Ukraine. So, in 1999 the EU businesses established the European Business Association in Ukraine that was aimed at lobbying their interests where the European Commission effort did not suffice. The EBA group has since successfully functioned as a platform of co-optation of domestic corporate managers and directors too. The latter were unsurprisingly enthusiastic about cooperation with foreign partners considering their heavy reliance on both imports, and exports (Lyakh 2007) as I will detail shortly. The US too have been actively

extrapolating the interests of their capital and administration alike i.e. the Washington Consensus by engaging with Ukrainian authorities via the IFIs (WB and IMF), lobby, and interests groups (American Chamber of Commerce, Council for US-Ukraine Relations, and US-Ukraine Business Council).

In the light of the continuous economic decline with GDP in 1999 reaching $31.58 billion at the current exchange rate i.e. the continuous fall from $81.456 billion in 1990 (OECD 2000), the presidential election was hard to win for Kuchma and the oligarchic capital associated with his administration. In order to secure his victory, Kuchma and his supporters had to manufacture the popular consent. For those purposes a few advisers and PR agents from Moscow who helped Yeltsin in his campaign and who employed the Russia-tested strategies in Ukraine were hired (D'Anieri et al. 2007, pp.86-7). The latter primarily meant smear campaigns and pressure on independent press to present Kuchma in a favourable light. D'Anieri documented that 'it was relatively easy either to force a newspaper to close or to use the threat measures [by the state executive apparatus] to persuade editors to modify their coverage' (Ibid., p. 86). The above 'strategies' towards mass media were used throughout Kuchma's second presidency, and were combined with direct ownership of mass media outlets by oligarchic capital as I will show later in this Chapter as well as methods of coercion.

In the run-up of the presidential election 1999 two of the main candidates died. The first, Vadym Het'man, enjoyed high popular support due to the monetary reforms of 1994-6 which he coordinated together with then the Head of the National bank of Ukraine, Yushchenko. The reform stabilised the Ukrainian currency through devaluation and simultaneous introduction of a new currency, hryvnya. Since 1993 Het'man was the Head of the Ukrainian Interbank Currency Exchange, and had high chances of winning the election if not shot dead by a Donets'k gangster in April 1998 (Aryev; Boyko). The second, Vyachslav Chornovil, was the leader of the Narodnyy Rukh nationalist opposition party; he died in a car crash in 25 March 1999. The accident was allegedly organised by Kravchenko, proxy of Kuchma-allied forces who also financed the split of the Rukh party the same year (Wilson 2005, p. 154-7). With the main rival, Chornovil, removed, Kuchma's competitions now were Symonenko (the Communist party leader) and Moroz (the leader of the Socialist party). Moroz did not make it to the run-off. Symonenko had strong popular support especially due to the large proportion of ageing population in Ukraine who in the light of deteriorating socio-

economic conditions were nostalgic about the Soviet times (Kuzio 2006, p. 78). However, he still lost the election to Kuchma who received 36,5 and 53,6 per cent of the votes in the general election and the run-off respectively (Kravchuk 2002, p. 81). With Kuchma's victory the oligarchic capitalist class fractions backing him won too. They were: Bakai and Medvedchuk from the Kyiv capitalist class fractions, Pinchuk from Dnipropetrovs'k, and Akhmetov, Taruta, and Mkrtchan from Donets'k. The latter at this point were still supporting Kuchma as their power proxy however by the next presidential elections they had a candidate of their own, Viktor Yanukovych, as I will show shortly.

The Donets'k capital and the struggle over the energy market of Ukraine

By the end of the 1990s, oligarchic capital of Ukraine was already concentrated in vertically integrated FIGs and sought institutionalisation as a class-for-itself within the ruling bloc in Kyiv. The FIGs were essentially a stepping stone in the process of power consolidation by the ascending Donets'k ruling bloc i.e. capitalist class fractions-for-themselves. At the same time, the above FIGs were comprised of unreformed enterprises that relied both on cheap energy supplies, and state subsidies. Building on the past industrial glory of Donbas, Donets'k capital sought more political leverage as well as administrative devolution to make it easier to conceal profits and evade taxes (see Chapter 3 and Pekhnyk 2007, pp. 50-4 for details). However, the contribution of the Donets'k FIGs to Ukraine's economy was far less than that portrayed by the advocates of regional industry. So, Lyakh points out a structural problem in the nominal indices of Donets'k industrial growth; that is that at least in the late 1990s 'the economic power of the region [was] built on the hollow foundations of heavy industries' with doubtful future prospects (2007, p. 78). He goes to explain that heavy industry was 'less affected than final-product manufacturers by the break-up of technological ties among enterprises and the loss of energy resources, cheap raw materials, and sales markets after the disintegration of the USSR; … while at the same time … they appeared to be quite competitive in external markets mostly owing to low prices (as a result of [various] subsidies), low labour costs and ecological expenses' (Ibid. p. 79).

Lyakh explains that the hollow foundations of the seemingly rapid economic output indicator increase in 1999 and 2000 as compared to 1998 were attributed by five factors that also explain the drop in indices in the following years (pp. 79-82).[33] First, 'the high rates of economic growth are a statistical effect because they are compared to a very low base' and in fact in 1998 with a continuation well into the 1999 'whole branches of regional industry (for example light industry, construction materials, glass industries and engineering) nearly disappeared or dramatically reduced in size'. Thus, indicators of output on the few still functioning enterprises leveraged the regional statistics although with a dramatic increase of the share of heavy industries. Until 2001 'the share of ferrous metallurgy in the gross production of Ukraine reached about 27%, whilst in the Donets'k region this share exceeded half the regional output; thus even a small growth [in the sector] automatically reflected in the regional statistics as a growth of the whole economy'. In addition, metallurgy is densely concentrated industry with some 20 large enterprises accountable for the oblast output as a whole and 'two huge metallurgical plants located in Mariupol' account for nearly half of the regional profit total and 36% of the taxes collected from regional firms'. Second, an improvement of external market conditions for the basic goods (export of which account for some 70% of the oblast total) in late 1999 and 2000 due to the growing demand in Russia, Belarus, and western Europe have benefited Donets'k producers. Third, following the rouble crisis of 1998 and the subsequent depreciation of hryvnya, Ukrainian goods competitiveness increased both home and abroad 'which led to a growth in the output of key exporters and the substitution of imports' (if partial). Fourth, the impact of monetary factors on industrial growth of 1999 and 2000 was profound. So, 'settlement of budget arrears' and 'the sale of hryvnya for hard currency … to service external debt resulted in an increase in the inflation rate from 19.2% in 1999 to 25.8% in 2000'. However, such trends did not impact consumer demand thus increasing retail turnover. In 2001, the inflation rate decrease to 6.1%, the resulting money supply decrease, and the appreciation of hryvnya 'meant that by the end of [the year] the impact of the

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[33] For a detailed analysis of Donbas industrial structure and restructuring and the regional economic divergence in Ukraine see: Vlad Mykhnenko, "Ukraine's diverging space-economy: The Orange Revolution, post-soviet development models and regional trajectories," *European Urban and Regional Studies* 17, no. 2 (April 1, 2010): 141-165; Swain and Mykhnenko, "The Ukrainian Donbas in 'transition'."

increased money supply in generating economic growth was reduced by nearly a half' (Ibid.; see also Pynzenyk 2002).

And the fifth, 'the non-payment of electricity and gas [bills] by heavy industrial enterprise increased their liquidity and encouraged industrial growth'. In fact what it meant was that 'one branch of Ukrainian industry – electricity generators and importers of gas from Russia and Turkmenistan – was a creditor to all other sectors of the economy'. In my view, it can also be presented somewhat differently. Since all energy generation and distribution in Ukraine is owned and run by the state and is therefore funded by the state budget, big private industry was and still is funded by the state. The practice continues until now as the recent write-off of UAH 14bl worth of utility bill fines and debts owned by the oligarchic FIGs to the state-owned utility companies by the Law N3319-VI in May-July 2011 show (Verkhovna Rada 2011). Such interpenetration of the oligarchic capital and the state became deeply institutionalised during the second term of Kuchma's presidency.

One of the first decisions of Kuchma's second term was the proposal of Yushchenko's candidacy for Prime Minister that was approved on the 20 December 1999 by 296 of 246 necessary votes of the Parliament (Kravchuk 2002, p. 82). Yushchenko's appointment can be interpreted as an attempt to save the declining popular support for Kuchma and his administration. Tymoshenko was appointed vice-Prime Minister for the Fuel and Energy Complex. The latter previously was a partner of the ex-PM Lazarenko in YeESU - a company rival to Donets'k ISD and Russian Itera on Ukraine's energy market. In the late 1998 Lazarenko's involvement in a money laundering scandal and the anti-monopoly legislation provided grounds to remove YeESU from the gas and energy markets and gave way to different monopolists, Firtash and Bakai, through Naftogaz Ukrayiny (*The Guardian* 2007) founded on 18 April 1998 i.e. almost instantly after Lazarenko's flight. Having assumed the vice-PM office, Tymoshenko continued centralization of Ukraine's energy sector assets i.e. the scheme that she commenced with Lazarenko as the co-owner of YeESU on the corporate level. The above implied removal of intermediaries and traders (among those were Hryhoriy Surkis and Konstantin Hrihorishin, from Russia) from the commodity chain and dealing with Gazprom directly through Naftogaz Ukrayiny (*The Guardian* 2007). In addition, Tymoshenko enforced collection of the outstanding debts or nonpayment on Russian-supplied energy by the oligarch-owned companies.

The role of suspicious resale intermediaries did not reduce but rather became worse when Putin became president of Russian Federation in 2000 and began consolidation of power and resources in the hands of his administration. The above was rooted in the Russian criminal-political nexus with its own idiosyncrasies where former KGB officials were in charge – Putin himself being a former agent (Solomon 2006) however with the strong criminal element still remaining. The latter was manifest in the case of Mogilevich, an international criminal who is on the FBI most wanted list. He was released in 2010 after having been caught in Moscow in 2008 reportedly due to the 'absence of a crime in the act' (Ibid.). Gazprom became Putin's special project that he launched by replacing Vyakhirev with Aleksey Miller, his old KGB friend from St. Petersburg (Glenny 2008, pp. 96-7). Such changes in Gazprom translated into intensification of rivalry in Ukraine's energy supply market. Between August 2000 and January 2001 a series of criminal investigations into Tymoshenko's husband's business and then her own YeESU were launched that cost her office and thus control over the energy market via Naftogaz. The assets of YeESU were reprivatised in 2001 by ISD and then in 2002-3 transferred to Akhmetov's SCM. Tymoshenko effectively was removed from the energy market and from a position of power. In Russia, Putin's next step was replacing Itera (by refusing to renew the contract that expired in 2003) with EuralTransGas (ETG). Thus instead of eradicating intermediaries he inserted a new one into the scheme only this time it was owned by Gazprom (*The Financial* Times 14 July 2006). The exclusive role ascribed to EGT in transportation of gas for both Gazprom of Russia and Naftogaz of Ukraine – state-owned, countries' largest gas producers, importers/exporters and distributors - caused a lot of suspicion. For example, in 2004 an internal memo published by OECD raised the issue of 'the possibility of connections between several of [the above] companies and associates of Semyon Mogilevich' and a few journalistic investigations have shown the same but were denied by Russian legislators (Glenny 2008, p. 97). Moreover, such exclusive control over gas supply market by EGT and thus Firtash explains Tymoshenko's rivalry with the latter that I will address later in this Chapter. The carving up of YeESU assets by Donets'k oligarchs will later contextualise her so-called 'war on oligarchs' in the aftermath of the Orange Revolution.

EGT was founded in December of 2002 in Hungary in a small shop of a tiny village Csabdi by four people: Louise Lukacs (an unemployed actress), two unnamed

‘pioneers to the venture’ – an IT worker and his partner (recruited by Lukacs), and Ze’ev Gordon – a Tel Aviv lawyer of Simeon Mogilevich who was wanted by the FBI for racketeering, fraud and money laundering and who I mentioned above (Glenny2008, p. 94).[34] Gordon, in a personal interview with Misha Glenny claimed that he was ‘merely asked to act as a shareholder for a Ukrainian businessman, [Dmytro] Firtash’ (Ibid.; Nemtsov and Milov 2008). The connection between Mogilevich and Firtash was later confirmed in one of the Wikileaks reports (*The Guardian* 2007). In the latter the former ambassador of the USA to Ukraine William Taylor mentions that Firtash himself admitted connections to Mogilevich (Ibid.). Meanwhile, EGT miraculously, in the first year, from a $12000 business went to $2 billion turnover with pre-tax profit of $180 million (Glenny 2008, p. 94). Even more interestingly Andras Knopp (then the CEO of EGT, former Hungarian Minister of Education and then the senior representative of Reemtsma tobacco in Moscow) said that ‘Strictly speaking, the shareholders remain three Romanian citizens and an Israeli, but the real parents are Gazprom and Naftogaz Ukrayiny’ (Ibid. pp. 94-5). The above was done, he continues, in order for the two to qualify for the offshore status for the intermediary company after the gas conglomerates failed to obtain necessary papers for business registration in Hungary before 31 December 2002 i.e. ‘the cut-off point for new business’ to register as off-shore to qualify for a 3% company tax (Ibid. p. 95). Before 2001 when Rem Vyakhirev chaired Gazprom, the intermediary company contracted to transport gas from Turkmenistan to Ukraine through Russia was Itera International Energy Corporation (Nemtsov and Milov 2008). The latter company is allegedly controlled by the Solntsevo Brotherhood that is one of the most influential and internationally operating gangs from Moscow; the above-mentioned Mogilevich is part of the gang (Glenny 28, p. 112). William Browler of Hermitage Investment (one of the US investors of Gazprom) conducted an investigation of the connection between Itera and Gazprom and discovered that large sums of money were transferred from the latter to the former for no obvious reason (Ibid. p. 96). He discovered that payments of total $120 million annually were made to Itera for merely transporting gas from Turkmenistan to Ukraine. Furthermore,

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[34] Mogilevich was ‘a powerful man and close associate’ of the Solntsevo mafia of Moscow and operated in Moscow and most of CIS, including Ukraine, and Israel, USA and England. Crime involved include arms trade, cigarettes contraband, the Heating Oil Scandal that hit Europe in the 1990s, money laundering and fraud in gas and oil trade, through EGT among other scams (Ibid. p.88-9).

Hermitage Investment's Vadim Klein in the report 'How Should Gazprom Be Managed in Russia's National Interests and the Interests of Its Shareholders' wrote that in 2004 Gazprom 'presented' EGT with $767 million for resale operations on Turkmenistan gas to Ukraine (Nemtsov and Milov 2008, p. 16). The nascent money laundering scandal with Gazprom was muffled by dropping EGT from the scheme and replacing it with RosUkrEnergo - yet another intermediary later confirmed to be owned by Gazprom and Firtash/Fursin (Chyvokunya 27 Apr 2006; Warner 27 Apr 2006). In 2006, PriceWaterHouseCoopers, the auditor of RosUkrEnergo, identified in their report Firtash 'as 90 per cent owner and [Fursin – another Ukrainian businessman] as 10 per cent owner of Centragas Holding, an Austrian-registered company that owns the 50 per cent stake' (Warner 27 Apr 2006). Founded in 2005, RosUkrEnergo is an intermediary that in 2005 already received $478 million in revenue payment from Gazprom (Nemtsov and Milov 2009, p. 17) and '[that by 2006 supplied] gas worth about $10bn (€8bn, £5.6bn) a year at current prices, with two-thirds going to Ukraine and the rest to the European Union' (Warner 27 Apr 2006). The gas market, however, was not the only sphere of the economy subject to semi-licit accumulation schemes. During Kuchma's second term as president an overall institutionalisation of state-gangster connections in Ukraine occurred that sprouted from the criminal-political nexus of the USSR.

Institutionalisation of crime during Kuchma's second term

One of the most characteristic features of Kuchma's second term was the institutionalisation of the mechanisms of semi-licit accumulation and accumulation by crime. The above was in fact an entrenchment of economic practices that began to evolve long before the USSR disintegrated in the criminal-political nexus discussed in Chapter 3. Misha Glenny, on the basis of his analysis of criminal activity around the world and mafia networks concludes that during Kuchma's ten years as president of Ukraine, the latter 'presided over the total criminalisation of the Ukrainian government and civil service' and himself often covered up large-scale fraud and money laundering (2008, p. 108). In addition, some mentioned the involvement in arms trade that was a popular means of making money even before Kuchma. The reference is made to Kravchuk's establishing a commercial department at the Defence Ministry in 1991 'whose main aim was to turn the vast store of Soviet weapons inherited by Ukraine into cash' (Ibid. p. 108-9). The subsequent arms trade scandals included the transportation of

a ship filled with arms by to Bosnian Serb forces by Global Technology Inc. (Bromley 27, p. 12) against UN embargo and a sale of '$100-million worth of high-technology anti-aircraft radar systems'' (*iWatch* 15 April 2002) against UN sanctions to Iraq in 2002 (Marcus 2002). Furthermore, Glenny argues that 'the Ukrainian experience was unprecedented' and even in Yeltsin's Russia some distance existed between the political and the economic (2008, p. 100). In Ukraine, he continues, by the end of the 1990s 'the oligarchs and government became one, fused together by the superglue of the SBU's, post-independence intelligence service' (Ibid.). Glenny's findings were also confirmed by the infamous Melnychenko tapes released in 2000. The authenticity of the recording was tested and verified by the 'audiotape expert Bruce Koenig of Virginia-based BEK TEK' (van Niekerk and Verlöy 2002).[35]

In such conditions, for the status quo of the ruling bloc that rested mainly on coercion and 'faking democracy' (Wilson 2005) to be preserved, any information leaks about Kuchma's administration had to be muffled at all costs. The biggest scandal of all was the murder of Georgiy Gongadze in 2000. The latter was an investigative journalist who founded an online newspaper *Українська правда* (Eng. Ukrainian Truth) which published anti-Kuchma materials.[36] Gongadze's decapitated body was found months after his abduction with signs of severe beating. It was identified that he died as a result of strangling; the body then was covered in petrol and burned. His skull was only found nine years later (*BBC World News* 28 July 2009). The most recent investigations show

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[35] Also, as a result of an investigation conducted by the FBI the authenticity of other fragments of the tapes has been acknowledged by the US government of the high-technology anti-airplane radar system Kolchuga sale to Iraq in 2000 (Kuzio 2002). The lawmaker, Oleksandr Zhyr, reported that on March 3, 2002 Kuchma was informed that the parliamentary commission that led the investigation had undeniable evidence of his involvement in the Kolchuga sale (van Niekerk and Verlöy 2002). The mere three days later Malev the Chief of the State Arms Exporting agency Ukrspetseksport was killed in a car crash. Zhyr claims that the accident was premeditated and needs investigating in the light of Kolchuga scandal (Ibid.). moreover, he claims that it was suspiciously similar to the one that killed Chornovil a few years earlier. All in all, *The New York Times* wrote on April 9, 2002, six people were killed and two injured in car accidents since 1997 in Ukraine who all have 'threatened the established power structure' (Ibid.).

[36] The newspaper was one of the few independent anti-Kuchma publications in Ukraine. One more example is *The Kyiv Post*, a Kyiv-based Anglophone newspaper . The latter too released many critical articles about Kuchma, however their American expatriate owner Jed Sunden was dealt with differently. In 2000 after a series of 'harassing inspections' of Kyiv Post by the tax police, he was pronounced persona non grata without explanations and would have had to leave Ukraine unless as he himself said, 'some diplomatic wrangling' (*Kyiv Post* 19 Oct 2005). It appeared that Kuchma and his cronies could still be slapped on the hand, at least by the US officials. Gongadze's case was different, he was a Georgia-born Ukrainian and could not secure the same diplomatic protection as Sunden.

that Medvedchuk, the former head of the presidential administration, Marchuk, the former national security chief; and Derkach, the former head of the Kyiv security agency were all linked to the case (Olearchuk 1 April 2011). Basing on Melnychenko's tapes it was discovered that following the order of General Kravchenko, General Pukach (as he admitted when interrogated) organized the abduction of Gongadze and personally strangled him (*BBC* 28 July 2000). Kravchenko himself was not able to confirm the above since he was killed the night before his testimony on 4 March 2005 (*ForUm* 23 April 2007). At the moment of writing the case is still open and is often used as a tool for manipulation in the ongoing fractional rivalry within the ruling bloc. Gongadze's murder and Melnychenko tapes resulted into 2000 public unrest led by the anti-Kuchma fractions of the ruling bloc that became known in Anglophone press as the 'Kuchmagate' crisis (Kuzio 2007). The political counter-movement 'Ukraine without Kuchma' was composed of 24 oppositional political parties and social movements some of which have been fighting against the rule of nomenklatura since the 1980s. The movement was led by Lutsenko (Socialist Party), Chemerys (social organization Respublika Institute), and Shkil' (leader of UNA-UNSO; Olearchuk 21 Dec 2000).[37] The protests were suppressed and the movement's leaders and coordinators were prosecuted and, if briefly, incarcerated by the SBU (*Istorychna Pravda* 3 March 2011). Thus, the criminal-political ruling bloc of Kuchma continued to rest its power on the element of coercion rather than consent.

The Parliamentary elections 2002: the ascent of the Donets'k capitalist class

By 2002 the oligarchic fractions of the capitalist class of Ukraine grew strong and their respective political parties were gaining weight. However, the parties' support alone was not strong enough to guarantee sufficient leverage in the new parliament that was necessary as a step in the formation of a class-for-itself. Therefore the stakes on both the latter and on the individual deputies in majoritarian constituencies were high.

[37] The supporters have built a protest camp on Maidan Nezalezhnosti on December 15, and later 'led a 5,000-strong pack of protesters from Maidan to the Verkhovna Rada, and then on to the Presidential Administration on December 19' (Ibid). At a pretext of street reconstruction the camp forced to move December 27 however was renewed on January 14, 2001 only to be removed again, this time by force, on March 1. The protests were supported by a newly created on December 19, 2000 public committee 'For Truth!' led by former political activists of early 1990s – in Lviv (led by Markiyan Ivanyshyn), in Kyiv (Oles' Doniy and Vyachslav Kyrylenko), in Kharkiv (Yevheniy Zolotaryov), in Rivne (Mykola Lyakhevych; Bondarenko 2009, p. 128).

Moreover, as the 1999 presidential campaign showed, thorough strategising prior to elections (rather that ad hoc pulling of deputies into coalitions and oppositions more widespread previously) was essential. Also, due to the Kuchmagate crisis, the 2002 parliamentary election was the first in the history of independent Ukraine to be closely monitored by the EU, USA, and the country's financial partners IMF and WB among others.[38] Close international attention largely limited the possibility for fabrication of election results, as was often a common practice.

Political forces were divided into three main competing blocks as identified by the Norwegian Centre for Human Rights (with 21 parties and 12 blocks in general registered for elections; 23 Oct 2009): Our Ukraine, the Communist Party of Ukraine, and For a United Ukraine. The three 'gravitation poles' or 'electoral camps' began to form around those already in power i.e. members of the Cabinet of Ministers, Presidential Administration, etc. In Table 4.1 below I present the three largest blocks and the parties that comprised them. Such a concerted manoeuvre was strategic as it would ensure that the transition toward the new parliament and later, in 2004, presidency could be performed in the smoothest manner. Kuchma's influence within the ruling bloc as well as his popular support was fading and it was evident to his apparatus too. Simultaneously, the leverage of the Donets'k capitalist class was on the rise as well as the anti-Kuchma bloc was gaining momentum. One notable sign of that was the organised removal from office of the vice-speaker of the Parliament Medvedchuk by joint efforts of right and left wing opposition parties and factions. Medvedchuk was the President's long-term ally and the leader of SDPU(U), the ruling bloc party. This was also the first time that national-democratic and left forces have acted together; the union that took shape and became stronger by the 2004 presidential election. At this point, however, the parties went into the elections separately i.e. Our Ukraine of Yushchenko and BYuT of Tymoshenko.

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[38] The participant organisations were: BSEC, CE, CEI, CIS, EAPC, EBRD, ECE, GUUAM, IAEA, IBRD, ICAO, ICC, ICCt (signatory), ICRM, IFC, IFRCS, IHO, ILO, IMF, IMO, Interpol, IOC, IOM, ISO, ITU, MONUC, NAM (observer), NSG, OAS (observer), OPCW, OSCE, PCA, PFP, UN, UNAMSIL, UNCTAD, UNESCO, UNIDO, UNIFIL, UNMEE, UNMIBH, UNMIK, UNMOP, UNMOT, UNMOVIC, UPU, WCL, WCO, WFTU, WHO, WIPO, WMO, WToO, WTrO (observer), and ZC (CIA Worldbook 2003)

Table 4.1. Three main blocks of forces competing in the Parliamentary elections 2002.

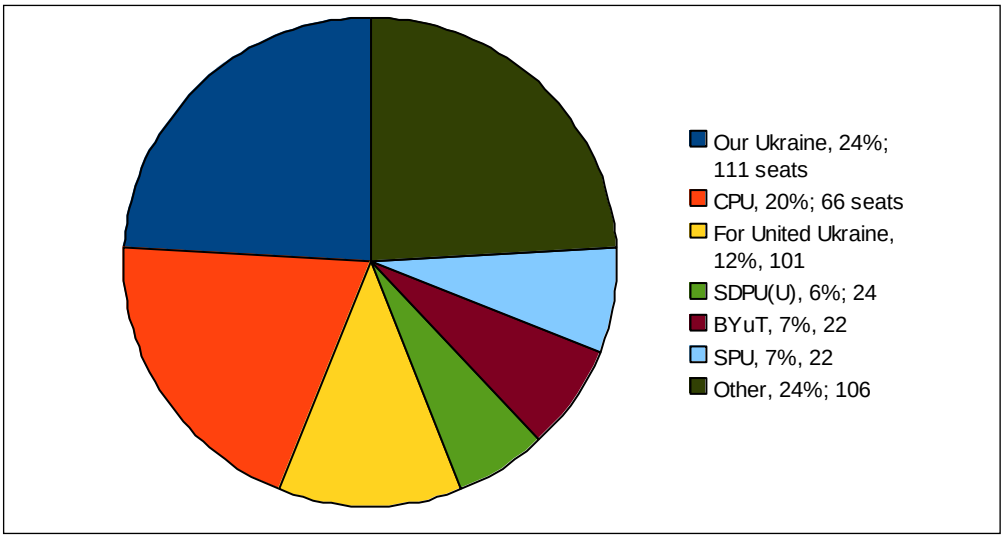
For a United Ukraine (4-5 parties) Volodymyr Lytvyn	Communist Party of Ukraine Symonenko	Our Ukraine (10 parties) Leader: Viktor Yushchenko
People's Democratic Party (Pustovoitenko) Party of Regions (Semynozhenko) Labour Party (Tyhypko) Agrarian Party (Hladiy) The Union of Industrialists and Entrepreneurs Platform: Market economy Strong central authority 'To Europe with Russia' ('government/new oligarch' party)	Left Platform: Against privatisation of land Occasionally pro-establishment Pro-Russia and CIS Against NATO membership	Rukh (Udovenko; right opposition) Rukh (Kostenko; right opposition) Reforms and Order (Pynzenyk; centre-right opposition) Platform: Transparency in the economic sphere Balanced budget Market economy Western oriented Pro-NATO cooperation Pro-EU

Source: compiled by the author on the basis of the Nordem Report (2009) and the Central Electoral Commission of Ukraine data (2002).

As a result of the election, many of the so-called neo-nomenklatura and the Dnipropetrovs'k family lost their seats in the parliament and many other positions within the ruling bloc as I show in Figure 4.4 below. Instead, the new ruling bloc was beginning to include the capitalist class fractions.

With the new electoral legislation put in place just before the elections, the 450 seats of Verkhovna Rada were now to be distributed differently. 'Under Ukraine's new election law, 225 of the Supreme Council's seats [were] allocated on a proportional basis to those parties that gain 4% or more of the national electoral vote; the other 225 members [were] elected by popular vote in single-mandate constituencies' (CIA World Factbook 2003) – all to serve a four-year term. The results were as shown below in Figure 4.1.

Figure 4.1. Results of the Parliamentary elections of 2002: parties with percentage of votes and parliamentary seats allocation.



Source: compiled by the author on the basis of data of the Central Election Commission of Ukraine, 2002.

The support for the Communists (20%) and the Socialists (7%) was still going strong however was already weakening. The capitalist class fractions were clearly identified and gaining strength at this point. They were three: (1) Our Ukraine backed by Poroshenko (Ukrprominvest), Taruta/Mkrtchan (IDS); (2) BYuT/Tymoshenko or the so-called 'irremovable bloc of ex-oligarchs and ex-dissidents' (Bondarenko 2009, p.145), and (3) For United Ukraine/conservators of the Kuchma regime, Pinchuk (Interpipe), and Akhmetov (SCM). It is worth mentioning that Kolomoys'kyy and Boholyubov (PrivatGroup) stayed out of direct political party support until the elections of 2004. Kovaleva (2007: 64-5) shows that the Donets'k bloc ‘has significantly influenced Kyiv’s policies and has challenged the further development of market reform’ which is manifest in individual political presence of the above in the ruling bloc of the country. My analysis of the *Korrespondent* top-100 Most Influential People of Ukraine ratings too show dramatic shifts in the ruling bloc of the country between 1990-6 and 2003 (see Figure 4.4. below for details) that I will address shortly. However some are noteworthy at this point already. So, the governor of Donets'k oblast Viktor Yanukovych became the Prime Minister of Ukraine in 2002 (November) whose career was the ‘first example of a regional governor moving to a senior position in the executive power without having previously occupied an intermediate position in the central state administration’. Shortly after a number of appointments of the Donets'k

representatives followed. The former head of the State Tax Administration, Mykola Azarov became the first deputy Prime Minister and Finance Minister; Vitaliy Hayduk, a former director of IUD, became the deputy Prime Minister for Fuel and Energy Complex. Next, Serhiy Tulub ‘was appointed Minister for Energy and later became the Director of Energoatom, the country’s nuclear power company’ (Kovaleva 2007, pp. 64-5). Other representatives of the Donets'k bloc included the former Finance Minister Ihor Sushko, and Serhiy Lyovochkin, ‘a senior aide to President Kuchma’s top aide’ (Ibid.). Moreover, by early 2000s the Donets'k bloc exercised leverage in the Parliament through the newly-formed Party of Regions faction and the Strong Ukraine faction. In addition, Andriy Kliuev (PR) ‘who was previously the deputy Head of the Board on Special Economic Zones in Donets'k oblast, became head of the Committee of Verkhovna Rada on the fuel and energy complex, nuclear policy and nuclear safety’ (Ibid.) and thus guaranteed protection of the Donets’k bloc’s interests in the energy sector.

In the last days of his presidency, Kuchma and the forces he represented (Pinchuk and the Donets’k capital) had to guarantee their future access to decision-making in the country in the case of defeat in the forthcoming election. Thus, they had to make sure that the powers of the future President were restricted (that could always be reversed provided their candidate, Yanukovych, wins) and that the Parliament where their coalition now had 101 seats was granted more powers. The intention materialised in a draft law submitted by Kuchma to the Parliament on amending the Constitution of Ukraine. On 8 October 2004 the Decree N2222-IV was signed by president Kuchma where the Amendments to the Constitution of Ukraine described below were stipulated. The new Constitution was to enter into force on 1 September 2005 (provided it was adopted by the Parliament prior to that date; 1 January 2006 otherwise). The powers of the president over the parliament in general were made stronger and mainly aimed at avoiding a potential political stalemate in case of a lack of a Parliamentary majority during the voting procedures. Thus, according to the Amendments (Article 90), the President could dismiss the Parliament in three cases: (1) ‘the Verkhovna Rada of Ukraine fails to form a coalition of deputy factions in compliance with Article 83 of this Constitution within one month; (2) no new Cabinet of Ministers of Ukraine has been formed within sixty days after the resignation of the Cabinet of Ministers of Ukraine; (3) plenary sessions fail to commence within thirty days of a single regular session’

(Verkhovna Rada 2004). At the same time, the inability to dismiss the parliament elected at extraordinary elections after the early termination of powers of the parliament of previous convocation during the first year of office was preserved. The Amendment of Article 93 removed the power to initiate legislation from the National Bank of Ukraine and that of Article 98 have granted the Chamber of Accounts the power to exercise control not only over the use but also over the revenue to the State Budget. Next, in a case of early dismissal of the President, his duties were to be performed by the Chairman of the Verkhovna Rada (previously it would be the PM) apart from duties stipulated in the items 2, 6 to 8, 10 to 13, 22, 24, 25, 27 and 28 of Article 106 of the Constitution. Thus, as a result of the above reform, the president would be subject to parliamentary control and would not have the power that Kuchma enjoyed. The reform in such manner allowed Kuchma's cronies from the Dnipropetrovs'k bloc to continue exercise control over decision-making in the country through parliamentary representation provided the candidate they support did not become the next president in 2004.

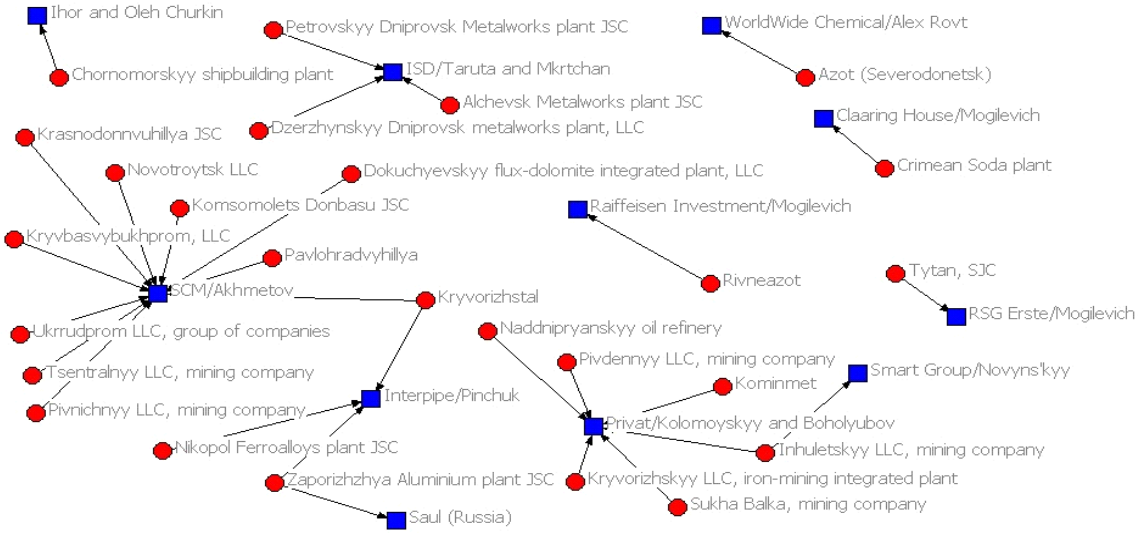
At the same time, the emergent capitalist class fractions associated with the ruling bloc ensured accumulation by concentration of SOEs in their FIGs by launching a wave of privatisation with the Donets'k capital representative Chechetov in charge of the process. By the end of Kuchma's second term most of the large industrial previously SOEs were concentrated in the hands of four industrial clusters/FIGs: SCM (Akhmetov, Donets'k), Interpipe (Dnipropetrovs'k, Pinchuk/Kuchma), ISD (Taruta/Mkrtchan, Donets'k), and Privat Group (Kolomoyskyy/Boholyubov, Dnipropetrovs'k). As his time in office was approaching its end, a wave of ambiguous privatization cases or simply audacious expropriations of state property by oligarchs occurred. In 2003 Kuchma promoted Mykhaylo Chechetov from the First Deputy Head of the State Property Fund to the Head of the Fund that was approved by the parliament (in the repeat vote, first time they voted against) 3rd of April. Now in charge of state-owned property, Chechetov launched a wide-scale privatisation of the latter. This practice of pre-election privatisation, as it will be showed in Chapter 5, will be repeated in 2012 and at the moment of writing is underway. Basing on the data from the State Property Fund, a report by Paskhaver, Verkhovodova, and Aheyeva of the Centre for Economic Development "Privatisation and Reprivatisation in Ukraine after 'the Orange revolution'" (2006), and various newspaper publications, I have compiled a table (Table

4.2) of the enterprises privatised between 2003 and 2004 most of which later have been called for reprivatisation and/or renationalisation by Tymoshenko. Figure 4.2 below is the network visualisation of the same data.

Table 4.2. The largest SEOs privatized in 2003-4

Name of the enterprise	Share, %	Price, billion UAH	Buyer or final owner as of 2005
2003			
Krasnodonvuhillya JSC	60	770,3	SCM, Akhmetov
Komsomolets' Donbasu JSC	33,27	25,6	SCM
Alchevs'k Metalworks plant JSC	23,86	5,5	ISD, Taruta and Mkrtchan
Petrovs'kyy Dniprovs'k Metalworks plant JSC	42,26	65,8	ISD, later Privat – Boholyubov and Kolomoys'kyy
Kominmet	59,49	10,81	Privat
Nikopol Ferroalloys plant JSC	50%+1 share	660,5	Interpipe, Pinchuk
Zaporizhzhya Aluminium plant JSC	25	38,92	Interpipe and Saul (Russia)
2004			
Kryvorizhstal'	93,02	4260	SCM and Interpipe
Pavlohradvyhillya	92,11	1400	SCM
Ukrrudprom LLC, group of companies			SCM
Tsentral'nyy LLC, mining company	50+1share	106	SCM
Pivnichnyy LLC, mining company	50+1share	207,6	SCM
Inhulets'kyy LLC, mining company	n/a	n/a	Smart-Group, Novyns'kyy
Sukha Balka, mining company	37,57	162,9	Privat
Pivdennyy LLC, mining company	25,78	60	Privat
Kryvorizhs'kyy LLC, iron-mining integrated plant	n/a	n/a	Privat
Dokuchyevs'kyy flux-dolomite integrated plant, LLC	n/a	n/a	SCM
Kryvbasvybukhprom, LLC	n/a	n/a	SCM
Novotroyits'k LLC	n/a	n/a	SCM
Crimean Soda plant	89,48	346,7	Clearing House, Mogilevich
Tytan, SJC			RSG Erste (Germany), Mogilevich
Rivneazot	53,86	48	Raiffeisen Investment (Austria), Mogilevich
Azot (Severodonets'k)	n/a	n/a	WorldWide Chemical LLC, Alex Rovt (USA, owned by Abu Dhabi Almansoori Specialized Engineering), Yanukovych Ihor and Oleh Churkin (Russia)
Chornomors'kyy shipbuilding plant	90,25	119,35	
Dzerzhyns'kyy Dniprovs'k metalworks plant, LLC			ISD
Naddnipryans'kyy oil refinery			Privat

Figure 4.2. Network visualisation of SOEs privatized in 2003 and 2004 and companies/oligarchs who became their owners.



Source: Compiled by the author from the data gathered in Table 1 above; due to software requirements apostrophes were removed from the names.
Key: red dots indicate names of SOEs and blue squares indicate names of companies that acquired SOEs and the company owners.

As it is shown in both Table 4.2 and Figure 4.2 the SOEs privatised in 2003 and 2004 have all been acquired by the oligarchic FIGs (SCM, Interpipe, ISD, Privat, Smart Group, Saul) or by foreign businesses with criminal links (the rest of SOEs). The latter included FBI most wanted Mogilevich who is linked to Firtash (and Pinchuk) and Alex Rovt who is linked to Yanukovych through Alex Kiselev – the American PR agent of Yanukovych – who later spent some $1mln in the US on attempts to save Yanukovych's image in the presidential campaign of 2004. Interestingly enough, SOEs acquired by Privat Group of Boholyubov and Kolomoys'kyy – who supported Tymoshenko and Yushchenko in the electoral campaign 2004 – were not listed for reprivatisation. Data on whether those SOEs were undervalued in the process of privatisation in 2003-4 is unavailable. In addition to the rushed SOEs privatisation, control over gas supply had to be secured for the oligarchic FIGs linked to the Donets'k capital fraction through Yanukovych, Akhmetov, and Firtash (Glenny 2008: 92-4). That was done when then PM Yanukovych signed a Government Regulation N1603 that on the 29 November 2004, during his last days in office, that sealed RosUkrEnergo's exclusive right to trade all imported gas on Ukraine's market (Mendeleev 2011).

Kuchma's second terms as the president was characterized by the 'collapse of the national democrat–centrist alliance, the 'Kuchmagate' crisis, the rise of a non-communist opposition in the 2002 elections and the election of Viktor Yushchenko in the 2004 elections following the protests that sparked the Orange Revolution' (Kuzio 2005, p. 30. In the electoral campaign of 2004, Kuzio argues, 'a new reconfiguration of Ukrainian politics emerged with the national democrats allied to the moderate left against the executive–centrist oligarchic alliance, culminating in the Orange Revolution' (Ibid.). Such changes replaced the previously dominant Dnipropetrovs'k (and more recent Donets'k) bloc by the new bloc of forces as I will show in Figures 4.4, 4.5, and 4.6 and discuss shortly.

The presidential campaign of 2004 and the Orange Revolution

The second term of Kuchma's presidency was coming to an end and the reins of power had to be transferred to the candidate from the Donets'k oligarchic bloc, Viktor Yanukovych. The latter enjoyed a speedy political career with assistance from oligarchs and had good chances to win the elections. His main opponent was Yushchenko – the ex-Prime Minister and the ex-Head of the National Bank who also had oligarchic capital backing from both Donets'k and Central Ukraine (see Fig 4.2 above). Yushchenko had better changes to win especially in the western regions of Ukraine (Kuzio 2005, pp. 117-130). Nevertheless, 'most Ukrainians expected that Kuchma would end his 10 years in power by ensuring the succession of his hand-picked successor' who was also conveniently favored by Moscow, Viktor Yanukovych (Wagstyl and Warner 21 Dec 2004). The future of Ukraine's foreign relations much depended on the outcome of the 2004 presidential elections. For the US and EU, the result had to decide 'whether Ukraine would follow the path towards western liberal democracy or towards consolidated autocracy a la Putin's Russia' (Kuzio 2005, pp. 117-130). In other words, the future economic and political/security integration with the structures of transnational capital on the terms of the Washington Consensus and the EU/US/NATO respectively was at stake.

By the time of the run-off, political parties, actual and virtual (Wilson 2005a), split their preferences between the two candidates. In Figure 4.3 below I show the general political preferences of political parties represented in the Verkhovna Rada in 2004.

Table 4.3. Political parties' preferences in 2003-4.

	Left	Center	Right
Pro-Kuchma		For United Ukraine Social Democratic Party of Ukraine (United; Medvedchuk; Igor and Hryhoriy Surkis- Dynamo FC) Party of Regions (Akhmetov – SCM; Firtash – EGT; Pinchuk – Interpipe)	
Ambivalent	Communist party		Our Ukraine (Taruta/Mkrtchan – ISD; Poroshenko – Ukrprominvest; Zhvaniy; Berezovskiy)
Anti-Kuchma	Socialist party	BYuT (Tymoshenko)	

Source: Compiled by the author from Wagstyl and Warner (21 Dec 2004) and van Zon (2007) and Volodarsky (2009)

The 'national democrats and moderate left' (Kuzio 2005, p. 30) mentioned above many of who were parts of the movement for Ukraine's independence in 1989-91 (e.g. Narodnyy Rukh Ukrayiny) were not the only forces that supported Yushchenko and the Orange Rsevolution. Many, no doubt, had a genuine patriotic agenda but both the oligarchs, and some foreign actors too were banking on both main candidates as is shown in Figure 4.3 above. Political parties were also split in the presidential candidate support that was traceable in their behavior throughout 2003-4 already; oligarchs were often members of parties and provided them with financial support through their FIGs (Latsyba 2007). In the Table 4.3 above, the preferences of the largest political parties in 2003-4 are shown. Pro- and anti-Kuchma sentiments generally meant support or otherwise for preservation of the political and economic dominance of the Dnipropetrovs'k capitalist class fraction i.e. Pinchuk/Interpipe and Donets'k i.e. Akhmetov/SCM.

The element of consent to the power of the ruling bloc continued to be based primarily on coercion, the element of consent had to be manufactured. That meant that potential voters' support had to be won through 'information warfare' that became the determining factor of the elections outcome as I argued elsewhere (Yurchenko 2008). Kuchma's 'establishment' was limiting the amount of information in circulation and

thus creating an *information vacuum* (Dyczok 2005, p. 245).[39] In such manner, 'serious political and economic content which contradicted pro-establishment views was removed from the diverse, Western-looking and glossy landscape, creating a virtual reality the aim of which was to disempower society and blur its consciousness. Many in Ukraine called this "zombuvannya lyudej" i.e. 'making people into zombies' (Ibid.). However, it can be argued that by doing so a rather fertile soil was created for *any* new information to fill that vacuum –provided it was adequately and timely presented, - which eventually happened once the information blockade was broken.

Most of the 2004 campaign and the subsequent Orange Revolution evolved along the lines of media wars. There are two types of media ownership in Ukraine– municipal or state and private (see Figure 4.3. below for details); with the state unwilling to forfeit its dominance in the sphere of media control understanding the importance of it for shaping public opinion (Ivanov 2004, p. 20). The main advantage the online media was that it could not be subject to censure thence as there is less control over the content of publications. In the pre-run to the presidential election 2004, 'alternative information and perspectives were available to Ukrainians thought non-oligarch owned newspapers and [online media]' (Dyczok 2005, p. 241). However, 'those media outlets were not considered highly influential since in 2004 only 12% of Ukraine's population used the internet on a regular basis, and polls show that fewer than 20% of the population considered newspapers their main source of information' (Ibid., p. 247).[40] Both the ruling bloc and the counter-forces focused their media campaign effort primarily on television (Ibid.). Scholarly analyses confirm the presence of media wars, smear campaigns, and information blockade enforced by Kuchma on the state level and the rival capitalist class fractions directly via the mass media outlets most of

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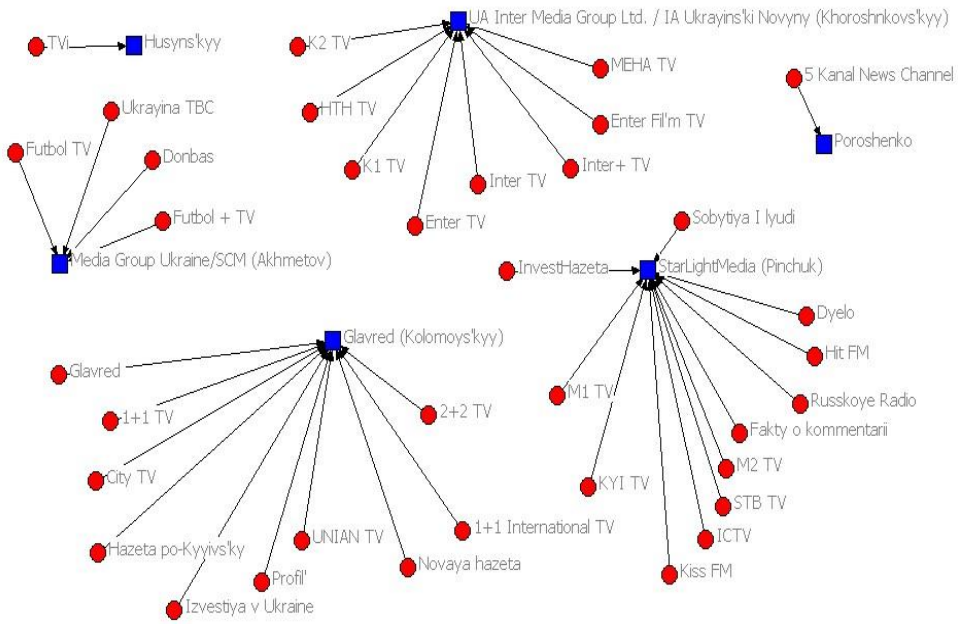
[39] *Information vacuum* was a phrase suggested by Iryna Pohorelova (a journalist from the glasnost era who never submitted to censorship; in 2004 – freelancer for a number of media including *Ukrayins'ka Pravda*) and Natalia Ligacheva (founder and editor of the Telekritika website) in a personal interviews conducted on 20 June and 22 July correspondingly in Kyiv.

[40] Account based on: "Bigmir.net Estimated the Size of Ukraine's Internet Audience," *Sputnik Media* 4 November 2004, http://sputnikmedia.net/news/330; "In December the Size of Internet Audience Grew by Six Percent and Reached 5.9 Million Ukrainians," *Sputnik Media* 11 January 2005, http://ru.obkom.net.ua/news/2005-01-11/1833.shtml. **Error! Reference source not found.**

which they owned.[41] In Figure 4.3 below I present a network visualization of the media ownership by oligarchic capital in 2004.

Figure 4.3. Largest mass media outlet (TV channels, newspapers, and radio stations) ownership in Ukraine by oligarchs and FIGs.



Source: Compiled by the author using data available at *Teleprostir* (TV and radio station information portal) for the list of media and individual websites of radio stations and TV channels for company ownership.
Key: Red spots indicate the names of the media resources; blue squares indicate the owner company and the owner of the company.

As is shown in Figure 4.3 above most of the media resources are owned by four oligarchs and their FIGs – Glavred of Kolomoys'kyy, StarLightMedia of Pinchuk, UA Inter Media Group by Khoroshkovs'kyy and Media Group Ukraine / SCM by Akmetov. In the electoral campaign of 2004 the first did not demonstrate public support for any of the candidates, the other three supported Yanukovych. TVi and 5 Kanal of Husyns'kyy and Poroshenko respectively supported Yushchenko. In conditions of an almost complete control of media outlets by the capital backing Yanukovych combined with Kuchma's *temnyky* and administrative pressure i.e. elements of coercion, manufacturing

[41] Aslund and McFaul (2006); Dyczok (2005; 2006; and 2009); Hesli (2006); Wilson (2005a and b); to mention a few.

of consensual election of the ruling bloc's candidate Yanukovych still proved problematic. The smear wars of 2004 were not unnoticed by the Ukrainian public. So Poroshenko – the owner of *5 Kanal* 24-hour news channel – claimed that 'before the elections, only 3 to 6 per cent of people were interested in political news. [When on 21 December 2004] the figure [was] around 50 per cent"' (Wagstyl and Warner 2004). Numerous media monitoring projects were launched during the election campaign and they all report systematic bias, one-sided reporting of political events in favour of Yanukovych, and unequal access to airtime for the candidates (*Ukrainian Monitor* 2004). The ruling bloc was involved in what Marta Dyczok termed 'Stop Yushchenko' project through *temnyky* and overt censorship (2005: 248). Moreover, attacks on mass media critical of Yanukovych and the members of the Party of Regions in general became customary during the 2004 electoral campaign too - both administrative (i.e. harassment through unsubstantiated and unexpected State Taxation Administration checks and audit, searches of newspaper/TV channel offices by SBU on fabricated pretexts) and physical (beating of journalists; see Kolodiy 2007).

In the poll of 31 October 2004, the first round of elections, the voters turnout was 79% with Yushchenko and Yanukovych gaining 39,87 and 39,82 per cent of the votes respectively (Central Electoral Commission 2004). The first round of elections was reported by the 'International observers and the opposition [to have been] a step backwards for democracy in the former Soviet republic of 48 million people, alleging widespread fraud and intimidation' (*BBC* 22 Nov 2004), nevertheless the runoff was scheduled for 21 November 2004. An independent exit poll by the Ukrainian *Fond Democratychni Initsiatyvy* (Democratic Initiatives Foundation) showed that Yushchenko was the winner by a margin of 43 to 54 per cent (Democratic Initiatives Foundation 27 Nov 2004) while a different poll by Ukraine's Social Monitoring Centre calculated Yushchenko was ahead by 49.5 to 45.9per cent. The Central Electoral Commission unofficial poll to the contrary showed that Yanukovych won by a margin of 49.5 to 46.6 per cent (Karatnyky 2006, pp. 38-9). Soon after it became known that the election was a nationwide fraud 'planned since the spring and most of the other "technologies" also dependent on the complicity of the Central Electoral Commission

and its equivalent local electoral commissions' (Wilson 2005b, p. 107).[42] The above facts confirm the continuous presence of the criminal-political nexus as an endemic component of the ruling bloc of the country both in Kyiv, and throughout the country. Clear falsification of election results brought some 10000 people to the streets of Kyiv and other cities of Ukraine in late November – December 2004 (*BBC* 20 Nov 2004). After the results of the second round of elections were finally annulled due to the public pressure and the abundant data that proved numerous violations of electoral procedures as well as votes' miscount (International Elections Observatory Mission 21 Nov 2004), the media situation began to change also. Yushchenko was elected president that will temporarily delay the Donets'k forces' power takeover in the country while at the same time intensify capitalist and ruling class fractional rivalry.

Yushchenko's presidency: paving the way for centralisation of power by the Donets'k bloc

As Wagstyl and Warner of *The Financial Times*, among many others, have predicted (2004), tensions emerged among Yushchenko's allies that included Moroz, the Socialist party leader, Kinakh, a former prime minister and an associate of Kuchma, and

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[42] Some of the most staggering facts of electoral fraud documented in Wilson (2005b, pp. 105-121) were:

(1) Serhii Kivalov, head of Central Electoral Commission responsible for collection, count, and announcing of results of elections, 'supplied a secret Yanukovych team housed in the Zoriany cinema… with accessed passwords to the Commission's computer base' and thus Zoriany team, not the Commission, counted the votes. The conversations were recorded by SBU where both candidates had their supporters and the tapes made their way to Yushchenko's right hand, Ryabachuk almost immediately. As one of the Commission members Ruslan Kniazevych confirmed in his testimony to the Supreme Court on December 2, 2004, 'a million votes [1.1 million to be precise] were thrown in after 8 o'clock' – the time when the polls closed. Half of the above votes were supposedly cast in Donets'k oblast' – home of Yanukovych. There 'turnout shot up from 83.7 to 96.6%... or an extra 511,780 votes, of which 96.2% were … [for] Yanukovych'.

(2) Blatant intimidation of voters, 'padding the turnout with "dead souls" [voters still on the list yet not alive anymore] … and "cookies" (extra ballot paper)'… and a "carousel technology" [where voters go to multiple polling stations with premarked fake ballots] ask for genuine ballots, deposit the fake, and move on'.

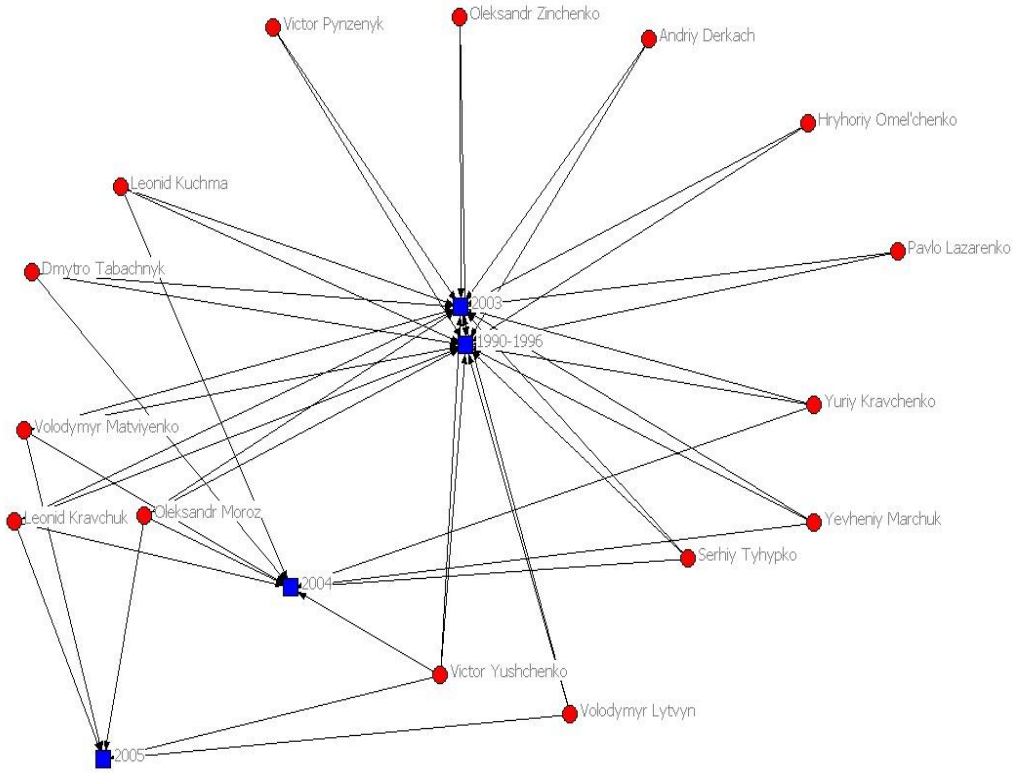
(3) Absentee voting fraud; provided for the invalids, in some places like Mykolyiv reached 30% that was far beyond a realistic number.

(4) An invention called 'electoral tourism'. Bilokon' - the interior minister – issued a directive in May 2004 stipulating that in the forthcoming elections it was not necessary to register with authorities in order to cast vote in other than one's designated polling station. According to various estimates some 1.5-2 million votes were cast by 'electoral tourists'. Then Minister of Transportation, Hryhorii Kirpa provided 125 additional trains over the period of October-November 2004 paid for by the Party of regions, Russian Orthodox associations, and various enterprises. The trains were used to transport absentee ballots, 'electoral tourists', and anti-Yushchenko propaganda.

Tymoshenko. The above was furthermore complicated by the conflicting interests of those who the new ruling bloc represented i.e. Taruta, Mkrtchan, Poroshenko, and the central and western Ukraine capitalist class fractions – and the Dnipropetrovs'k/Donets'k bloc (Akhmetov, Pinchuk, Firtash) that began to lose control over the policy-making. In a truly pro-western fashion Yushchenko's team began to implement reforms necessary for the country's 'Europeanization', or 'EU-nisation' at an unprecedented pace. So, by January 2005, Yushchenko's administration adopted 19 decrees and 5 ordinances on the issue on EU integration and passed 27 decrees and 26 ordinances through the Parliament. The latter in its turm adopted 20 laws and 10 decrees aimed at implementing the Action Plan for Ukraine that previously has been rather declaratory, than practical (European Integration Committee/Verkhovna Rada 2004). On the other hand, the political crisis caused by the elections and the Orange Revolution resulted in aggravation of the economic situation. The GDP of the country during the first two months of the Orange forces in power was three times as slow as the previous year and fell from 13.2% to only 4% in the first quarter of this year (KMU 2005).

Yushchenko began his presidency with making ambitious claims about overcoming corruption, building closer relations with the EU, and deepening Ukraine's integration into global capital markets through WTO membership; rapprochement with NATO was too on the agenda (Yushchenko's Inaugural speech 2005). Reshuffling of the state administration apparatus and power structures in general – economic and political - was indeed impressive. A comparison of the ratings of the most influential persons in the country I compiled based on data from Kononchuk and Pikhovshek for 1990-6 and *The Korrespondent* 'Top-100 Most Influential People of Ukraine' I present in Figure 4.4 below show that by 2003-2005 only a few members of the Dnipropetrovs'k family stayed in positions of highest influence in the country. So, by 2003 only 15 out of original 206 of the Dnipropetrovs'k neo-nomenklatura remained influential, by 2004 there were 10 and in 2005 - in the aftermath of the Orange Revolution - only 5: Kravchuk, Lytvyn, Moroz, Matviyenko, and Yushchenko. The rest 95 were the newcomers who primarily were associated with various capitalist class fractions and who now comprised the new ruling bloc of Ukraine.

Figure 4.4. The most influential political, economic and public persons interlocks of 1990-6, 2003, 2004, and 2005.



Source: Compiled by the author from the data available in Kononchuk and Pikhovshek (1997) and the *Korrespondent* 'Top 100 most influential' annual rating 2003, 2004, and 2005.
Key: red spots indicate the names of the persons; blue squares indicate the year of rating.

The Orange coalition of forces replaced the Dnipropetrovs'k bloc, however, only temporarily and by 2008-9 was replaced by other newcomers, from Donets'k.

In January 2005, Yushchenko, as agreed before the elections, made Tymoshenko Prime Minister. The latter immediately after launched a so-called 'war on oligarchs' that itself was a clear continuation of class fraction rivalry, was rather selective, and contained elements of favouritism towards the Privat Group of Kolomoyskyy and Boholyubov who helped Tymoshenko finance her electoral campaign. The 'war' in fact primarily concerned those oligarchs who were in a continuous confrontation with her i.e. Pinchuk and Akhmetov and included (1) mass re-privatisation through revaluation and resale of recently privatised SOEs and (2) investigations into tax evasion by large FIGs which included abolition of SEZs discussed in Chapter 3. So, in the first 6 months of her being in office 1700 investigations into privatisation cases were registered by the Ministry of the Interior. The process however was complicated by the lack of adequate legislation, necessary resources, and corruption and effectively many of the cases were

quickly dropped. The case of Kryvorizhstal steelworks reprivatisation is worth particular attention. In 2004, the plant was 'sold to a consortium headed by Rinat Akhmetov [Donets'k fraction] and Viktor Pinchuk [Dnipropetrovs'k fraction] for $800 million (4.26 billion hryvnyas), despite US Steel and India's LNM Group offering $1.5 billion... To narrow the field, the authorities insisted that bidders had to have produced 1 million tons of coke and 2 million tons of rolled steel in Ukraine for the last three years, with at least two of the years being in profit" (Wilson 2005: 114). In 2005, once in power, Tymoshenko's conflict with Pinchuk manifested itself in the privatisation reevaluation of his three enterprises– two fully owned, and one co-owned with Akhmetov. The first was Interpipe with two criminal investigations launched in April 2005 into its privatisation and both trials won by Pinchuk. The second was the Nikopol Ferroalloys plant. It was bought in 2003 for $80m when estimated price was some $1bn. The privatisation dispute peaked in 2005 and was won by Pinchuk when Kolomoys'kyy – an oligarch who initially supported Tymoshenko – sided with Pinchuk and bought 26% of the plant's shares. Nikopol Ferroalloys was re-nationalised in 2005 by the state and the attempts to remove the privatisation ban on it in 2006 failed. And third, Kryvorizhstal' steelworks mentioned earlier, was bought by Pinchuk in a dubious auction, renationalized and sold less than a year later to Mittal Steel for a staggering $4.8bn.

Next, SEZs and PDAs were abolished by Tymoshenko in March 2005[43] due to multiple evidence of substantial legislation misuse/violations and double-entry bookkeeping, tax and duty payment evasion, etc.[44] Despite the attempts to stop the abolition by a report commissioned to the Donets'k branch of the National institute of Strategic Research (adjunct to the Presidential administration) that contained warnings of possible negative consequences of such actions,[45] SEZs were removed. Now some of the richest oligarchic FIGs from Donets'k had to pay taxes in full or hide their revenue in offshore. Tymoshenko's "war" did not last long. Her directs attacks on oligarchs as

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[43] Ukraine. Verkhovna Rada of Ukraine. Law "Про загальні засади створення і функціонування спеціальних (вільних) економічних зон.". 17 February 2006. Available at: http://zakon2.rada.gov.ua/laws/show/2673-12

[44] Пехник (2007). See also: Ukraine. Verkhovna Rada of Ukraine. Law "Закон України. Про внесення змін до Закону України 'Про Державний бюджет України на 2005 рік' та деяких інших законодавчих актів України N2505-IV." 2005.

[45] Makohon (NISS, Donets'k), "'Нові форми організації територій з особливим податковим режимом (СЕЗ і ТПР)'. Аналітична записка," *National Institute of Strategic Studies*, 2005.

well as on the gas trading intermediary RosUkrEnergo that was linked to Firtash and Gazprom[46] made her inconvenient as the PM for the latter. In a Wikileaks report Firtash said to then US ambassador in Ukraine Taylor that he stopped the formation of a coalition of BYuT/Tymoshenko and the PR/Yanukovych last minute and did all possible to facilitate joining forces of the PR and Nasha Ukrayina/Yushchenko (*The Guardian* 10 Dec 2008). The Constitutional reform of 2004 that turned Ukraine into a Parliamentary Republic enabled the Donets'k forces to forge a coalition in 2005 and force Tymoshenko to resign after only 7 months in office. Tymoshenko was replaced by Yekhanurov who was a candidate better suited for oligarchic concentration of capital as he was against reprivatisation but pro 'talks, negotiations and... [possible] settlements' (quoted in CBC 22 Sept 2005). His appointement can be interpreted as a compromise between the rival forces of Dnipropetrvs'k (i.e. Boholyubov and Kolomoyskyy among others) associated with Yekhanurov and the Donets'k capital behind the Party of Regions who approved the PM candidacy only in the second round of voting.

The schism between Yushchenko, Tymoshenko, and their respective parties was irreparable by the time of the Parliamentary elections of March 2006. Now they were campaigning as two separate political forces with Yushchenko's popular support declining in the light of protracted rivalry within the Orange bloc and the schism wth Tymoshenko. Such lack of homogeneity within the ruling bloc of the country facilitated an increase of support for the Party of Regions and Yanukovych as its leader. His ascent to power was a classic example of institutionalization of criminal elements in the post-Soviet societies.[47] Combined with the strong connection with the Donets'k mafia addressed in Chapter 3 his task now was to lead the latter into power (*Financial Times* 10 Dec 2004). The results of the elections of March 2006 that I visualised in Figure 4.8 below show a clear strengthening of support for the Party of Regions with 32.14% of the votes and a loss of support for Our Ukraine with only 13.95% of the votes. The

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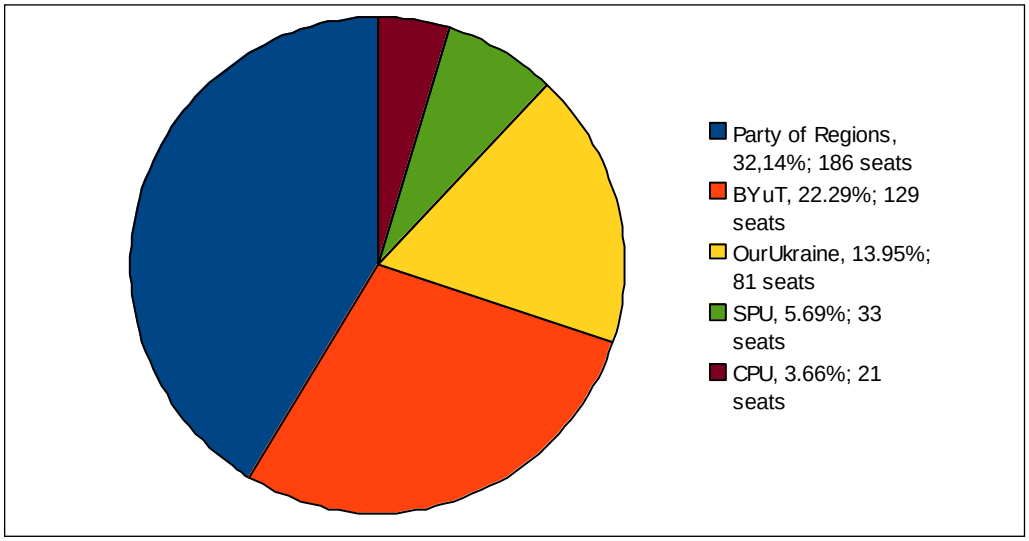
[46] Chyvokunya 2006; Warner 27 Apr2006. In 2006, PriceWaterHouseCoopers, auditor of RosUkrEnergo, identified in their report Firtash 'as 90 per cent owner and [Fursin – another Ukrainian businessman] as 10 per cent owner of Centragas Holding, an Austrian-registered company that owns the 50 per cent stake'. Founded in 2005, RosUkrEnergo is an intermediary that in 2005 already received $478 million in revenue payment from Gazprom and '[that by 2006 supplied] gas worth about $10bn (€8bn, £5.6bn) a year at current prices, with two-thirds going to Ukraine and the rest to the European Union'.

[47] His path began in an unfortunate family, his youth was troubled (he was imprisoned twice), he married a woman from a family with party connections and after that his convictions were written off and his career had witnessed a spectacular flight (Nikolayeva 2004; Chemerys 2004).

elections also revealed that Tymoshenko now had enough support for her party to be considered a political force in its own right with 22.29% of the votes cast for her BYuT. Tymoshenko's bloc now also included a few opposition parties.[48] By 2006 a notable decline of support for the Socialist and Communist parties began to show for the first time since Ukraine's independence with them winning 5.69% and 3.66% of the votes respectively. The number of their cadre in the influential positions within the ruling bloc of the country had significantly declined too (see Figure 4.4) and will continue to be minimal as I show in Figures 4.5 and 4.6 below.

Figure 4.5. Parliamentary elections 2006 results and seat allocation.



Source: compiled by the author from the data of the Central Election Commission of Ukraine (2006).

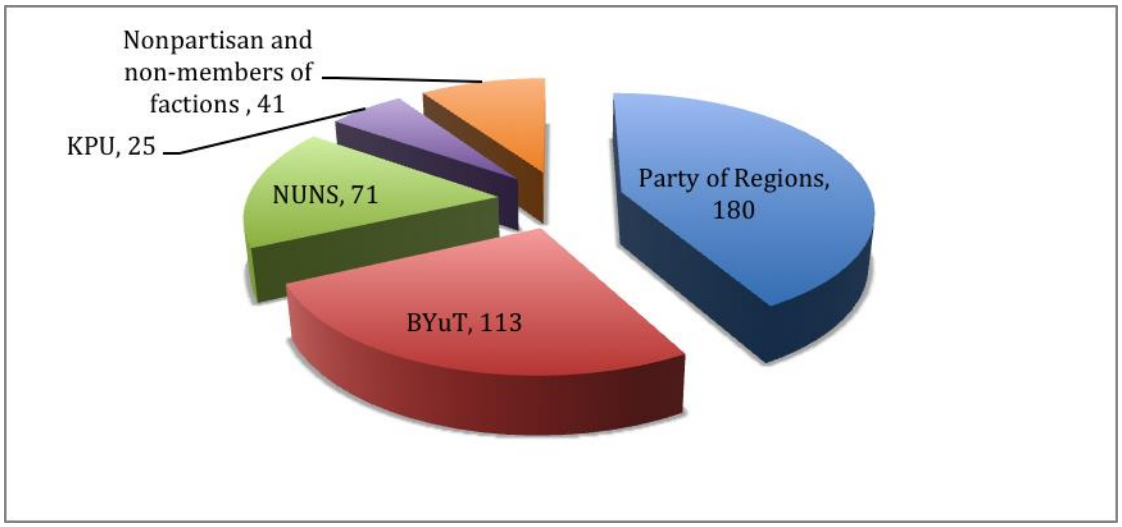
The schism between Yushchenko and Tymoshenko pushed the former's party Our Ukraine into a precarious coalition with the Party of Regions and a formation of the Government composed of ministers from the two parties. Yanukovych became Prime Minister and soon after assuming office began restoration of the 'damage to oligarchs' caused by Tymoshenko's actions when in office in 2005. One notable example of such ‘restoration’ was the signing of a contract during the “gas war” of 2006 on the 6 January between Gazprom and Naftogaz that canceled all direct supply of gas to Ukraine. Now RosUkrEnergo was the sole and exclusive company in control of supply/resale of all

[48] Fatherland Party (Tymoshenko/Turchynov), Ukrainian Republican Party “Sobor” (Matviyenko/ Omelchenko), Ukrainian Social Democratic Party (Lukyanenko). Source: BYuT (2006).

Central Asian and Russian gas to Ukraine (Nemtsov and Milov 2005, p. 17). As a result, money could now again be drained from Gazprom i.e. the Russia's state budget as well as from the Ukrainian state budget through artificially highly priced gas and redundant intermediaries. The unstable nature of Our Ukraine and the Party of Regions coalition combined with the strong opposition in the Parliament from BYuT and SPU resulted into a protracted political crisis that lasted from April to June 2007, a dismissal of the Parliament, and an early Parliamentary elections that took place in September 2007.

For the next 5 years, the Party of Regions comprised the majority in the Verkhovna Rada (see Figure 4.6 below). That secured more productive lobbying and almost guaranteed adoption of legislation that favoured PR and its sponsors through holding 42% of the Parliamentary seats. The Party of Regions is currently one of the political parties with the largest number of members in Ukraine and has representative branches in all 17 administrative regions of the country with some 11600 regional organisations (Party of Regions 2011).

Figure 4.6. Parties and factions in the Verkhovna Rada per number of allocated seats after elections of 2007.

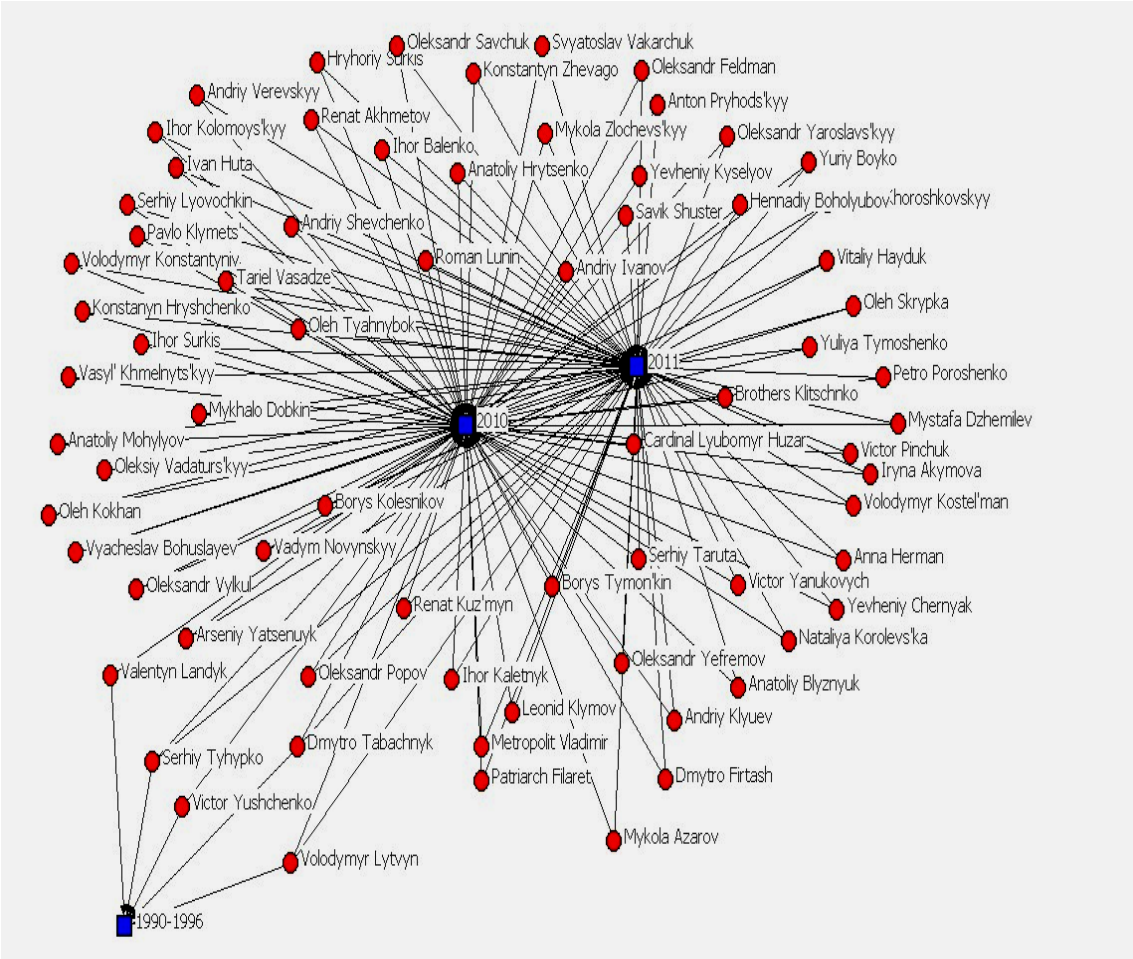


Source: compiled by the author using the data available at the Verkhovna Rada website.

In addition, in their annual analysis of the most influential people in the country, the *Focus* magazine (2011) documented an unprecedented number (67 out of 200) of the same political party affiliates – the Party of Regions in 2011. The latter serves as one more proof of concentration of power by the Donets'k bloc in the country as I show

in Figure 4.7 below. As one can see, only five out of 206 persons listed by Pikhovshek and Kononchuk as influential remained in positions of power by 2010-11.

Figure 4.7. Interlocks of the most influential people of Ukraine 1990-6, 2010 and 2011.

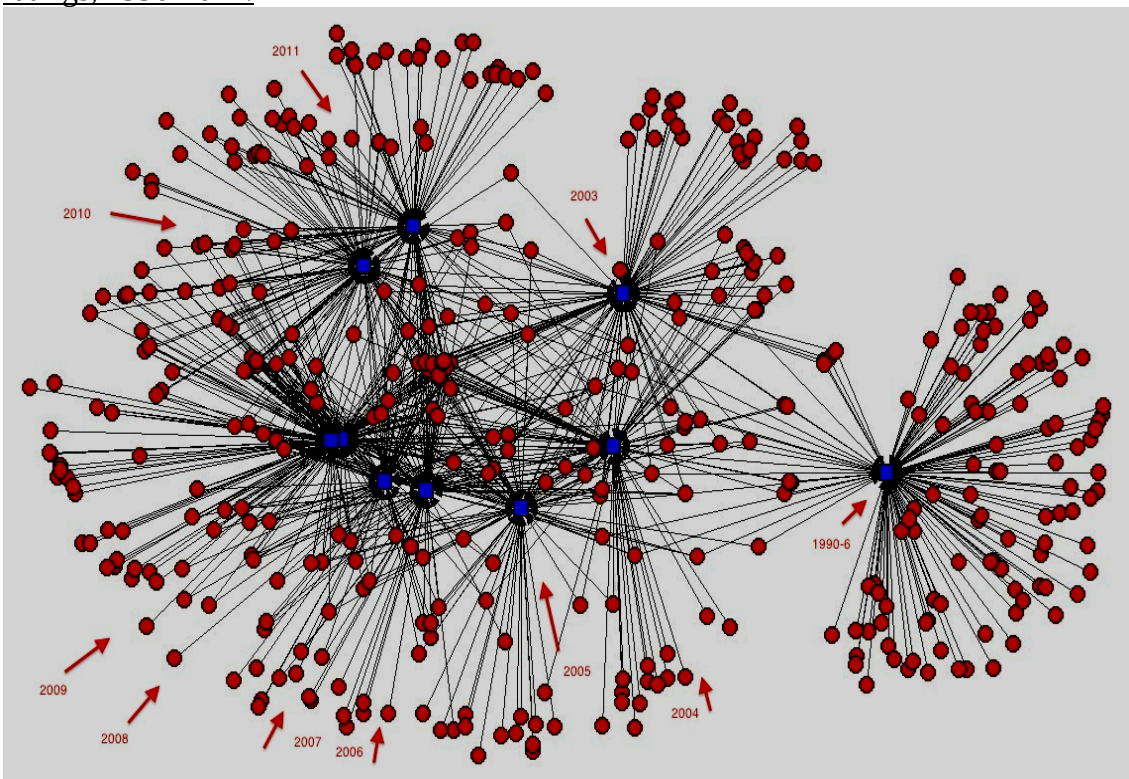


Source: Compiled by the author based on Pikhovshek and Kononchuk (1998) and *Korrespondent* 2010 and 2011 top 100 most influential rating.
Key: Red circles indicate persons; blue squares indicate years of rating, connections between the two indicate presence of given persons in the ratings of given years.

Moreover, the dynamic of shifts of the interlocks among the ratings of the most influential people of Ukraine between 1990 and 2011 that I present in Figure 4.8 below is a visualisation of the ruling and capitalist class fraction rivalry in the country since its independence. The first notable shift occurred between 1990-6 and 2003 with the ascendancy of the new class fractions and the decreased leverage of old apparatchiks or the neo-nomenklatura within the ruling bloc. The isolated red dots linked to 1990-6; blue squares signify the positions lost. The multiple interlocking as well as the multiple cases of isolated red dots between 2003 and 2009 signify the intensity of the

fractional rivalry within the ruling bloc year on year. The multiple interlocks mean that the core of the current ruling bloc as well as the counter-forces has been formed by and during that period. The simultaneous multiplicity of the isolated dots means that the ruling class formation in the country has not yet finalised, that the political process is still predominantly shaped via fractional rivalry, and that that there still are possibilities for the balance of forces to be changed despite the strong tendency towards power concentration by the ruling Donets'k bloc.

Figure 4.8. The dynamic of interlocks among the most influential people of Ukraine ratings, 1990-2011.



Source: Compiled by the author based on the rating of Pikhovshek and Kononchuk (1998) and *Korrespondent* 2003-2011 Top 100 most influential rating.
Key: Red circles indicate persons, blue squares represent years of ratings, and the lines connecting squares and circles indicate presence of persons in certain years' ratings.

By August 2012, according to the annual rating of the *Korrespondent* magazine 9 out of 10 most influential people in the country are members of the Party of Regions, 37 out of 100 most influential people are also on in the top 100 richest oligarchs that includes the son of president Yanukovych, Oleksandr, who joined the rating soon after his father assumed office (*Korrespondent* 31 August 2012). Yanukovych's Donets'k cronies have been benefitting greatly from his presidency and the PR parliamentary majority too. So, Rinat Akhmetov's documented revenue, for example, in 2011 alone –

a year of economic crisis in the country – increased from $17,8 billion to $25,6 billion most of which still remains untaxed *(Korrespondent* 9 June 2011).

The concentration of Ukraine's business by the Donets'k bloc

In their book on political economy of the post-Soviet Ukraine Mykhnenko and Swain (2007, p. 40) posed an interesting question: 'Even though privatisation and macroeconomic stability had been achieved, how can economic growth be explained given the (alleged) absence of structural economic reform or despite the (alleged) presence of rampant rent-seeking 'clans'?' The answer, I argue, is that 'stabilisation' has not been achieved but rather has been a temporary mirage based on hollow foundations of IMF loans, demand for Donbas steel fuelled by the real estate bubble, and cheap personal credit fuelled consumption in Ukraine (Yurchenko 2010). The temporal sustainability of the latter was made possible by availability of cheap credit for Ukrainian banks from the EU as an extension of the Anglo- Saxon financialisation (Konings et al. 2010; Nesvetailova 2010; Raviv 2008). Those loans were reloaned in Ukraine at higher interest rates. By utilising the multiplicity of already available and constantly expanding mechanisms of accumulation, legal and extra-legal, fractions of the emergent capitalist class of Ukraine strive to ensure continuous furthering of their economic agency in the midst of permanent intra- and inter-fractional rivalry that undermines stabilistion of a new social order. Moreover, by concentration of capital in FIGs that engage in surplus creation through commodity, productive, and money circuits simultaneously combined with direct involvement in law and policy making, oligarchic capital of Ukraine strives to overcome the limits of the possible embedded in each of the circuits separately. It is achieved through domestic and foreign economic policies that involve selective liberalisation and protectionism that favours oligarchic capital and through creation of virtual spaces of accumulation for offshoring the revenue, or "black holes" in the economy (Yurchenko 2013). The latter is done mainly through four forms of state asset embezzlement: (1) privatisation - from primitive accumulation to concentration and centralisation of State Owned Enterprises in the hands of Financial Industrial Groups and essentially oligarchs, (2) FDI regulations, the chronology of their reform, and their uneven implications for accumulation by both domestic and foreign capital, (3) creation and functioning of Special Economic Zones and capital operation in those zones, and (4) tender and state purchasing legislation

reform and procedure abuse. All four, I argue, are neoliberal mechanisms of accumulation that under the façade of free market democracy reform were utilised by oligarchic capital to create "black holes" in Ukraine's economy and both entrench embezzlement in the fabric of law, and manipulate law for the sake of embezzlement.

When Yanukovych became president in 2010, the last obstacles to concentration of power and capital in the hands of Donets'k capital were removed. Now, with legislative and executive branches of power under control, the "black holes" in Ukraine's economy used for oligarchic enrichment could be further expanded. At the moment Ukraine's economy is witnessing both political and economic inward orientated movement. In the first instance, political opposition leaders prosecution the most prominently manifest in inprisonment of Tymoshenko and Lutsenko and the continuously deteriorating stalemate in negotiations with the EU, IMF, and USA resulted in an undeclared diplomatic isolation of the ruling forces of Ukraine i.e. the Party of Regions, Yanukovych, and his administration. The second manifests itself in the mass privatisation and restructuring of the energy sector. Privatisation auctions remain a burning issue due to the lack of transparency, underpricing, and preferential treatment for the Donets'k fraction of oligarchic capital. The most demonstrative example of the above is the recent privatisation of gas ditribution SOEs where Gaztek and Finleks Ukraina associated with Firtash purchased 14 of 18 auctioned companies. Gaztek[49] earlier this year was given a loan by Nadra Bank – also owned by Firtash - of UAH 250 million to fund the above acquisitions (*UNIAN* 3 Sept 2012). The tactic of back door funding of their own companies' expansion is common in oligarchic FIGs and is an example of overcoming the limits of the possible in the process of capital accumulation. In Table 4.4 below we listed the SOEs in question, percentage of shares per SOE auctioned, starting and sale prices, and the new owners based on information provided by SPFU. In addition, I include SOEs's market value prices calculated by Forbes.ua based on equivalent companies that trade shares on *Latvijas Gaze, Lietuvos Dujos, Hokkaido Gas, Southwest Gas* exchanges that show a difference of some $100 million of effective savings or potential state revenue embezzlement by the SOEs's new owner, Firtash.

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[49] Gaztek is legally owned by Cypriot companies Porala Venchers Limited, Pasler Enterprises Limited, Nesiba Venchers Limited, and Krezer Holdings Limited that are linked to Firtash.

Table 4.4. Gas supply SOEs privatised in August-October 2012.

Name of gas company and percentage of shares auctioned	Starting price, million UAH	Selling price, million UAH	Investment obligation, million UAH	Share package estimate, Forbes.ua	Buyer
Mykolayivgaz, 25%	18.4	18.97		148	Gaztek
Chernivtsigas, 20,393%	6,7	8	2.3	63	Gaztek
Zhytomyrgaz, 15,864%	9.7	16	3.4	40.7	Gaztek
Tysmenytsiagaz, 26%	0.16	1	0.7	16	Gaztek
Sumygaz, 25,788%	15.6	16.9	4	64	Gaztek
Luhanskgaz, 26%	80.6	81.41	3.9	503.8	Gaztek
Zaporizhzhyagaz, 25%	14.1	16.8	3.9	327	Gaztek
Dnipropterovs'kgaz, 26%	58	58.65	5.2	350	Gaztek
Sevastopolgaz, 25%	4.2	4.45	0.6	6.8	Gaztek
Ivano-Frankivskgaz, 25%	32.6	33.35	4	69	Gaztek
Poltavagaz, 26%	20.1	20.305	3.7	350	Finleks-Invest (later resold to Vera Chetverikova)
Volyngaz, 23,4%	24.3	25.05	2.6	12	Gaztek
Lubnygaz, 26%	0.33	5.06	2.6	5	Finleks-Invest
Khersongaz, 20.82%	7	11.9	1.5	5.2	Sodruzhestvo
Gadyachgaz, 25,999%	3.1		0.3	n/a	Sodruzhestvo
Kremenchuhgaz, 26%	6.7	21.7	1	1.4	Sodruzhestvo
Vinnytsiagaz, 22.059%	1.5	3	3.3	305	Gaztek
Krymgaz, 23.989%	41.8	42.64	8	352	Gaztek

Source: SPFU of Ukraine and *Forbes.ua*. (18 Oct 2012)

In addition to the above, Ukraine's Parliament adopted a Draft Law N939 on 3 October, 2012 that removes Naftogaz SOE monopoly on trade in imported gas in Ukraine. The Law N163 that eliminated intermediaries on the domestic gas market adopted by Tymoshenko's government 5 March, 2008 (Verkhovna Rada 3 Oct 2012) was effectively abolished. In the light of the recent wave of privatisation of gas supply and distribution SOEs where Firtash's companies took control over the sector, the previously eliminated by Tymoshenko intermediary monopoly of RosUkrEnergo is effectively restored.

Ukraine's economy's heavy reliance on Russian gas is a continuous cause of both instability, and increasing costs, on the consumer and state levels alike. However, instead of energy wastage reduction that according to OECD/IEA estimates can save from EUR 1-6 billion per year through residential consumption efficiency improvement

alone, 10-30% consumption reduction respectively (van der Hoever 2012), Ukraine's government takes an environmentally damaging and unsustainable turn. The latter is beneficial for the oligarchic FIGs – SCM/DTEK and ISD, involved in coal mining in the Donbas/Donets'k as it automatically creates a market for their increasing output of low quality coal (Euracoal 2012). So, Yuriy Boyko, Minister for Fuel and Energy, announced the abolishment of the privatisation ban on 14 of 41 total TPSs and declared that there is an intention born of necessity to transfer all 41 from gas to coal as energy source that would allow reduction of gas consumption by 6 billion m^3 per year (*EPravda* 23 Jan 2012). According to SPFU, privatisation of the TPSs is due to commence in November 2012 with the main pretenders for purchase yet again being companies linked to Firtash (*Kommersant Ukrayina* 18 Oct 2012). In addition to the above, the mass privatisation of 1196 of 1492 of SOEs that were previously protected from privatisation is planned to commence in 2013 (*Kommersant Ukrayina* 26 Sept 2012). SOEs in question include coal mines, alcohol refineries, broadcasting centres and publishing houses, elevators, oil and gas transportation SOEs, sport and leisure institutions, and more (Ibid.).

The wave of tax reforms, the increasing neoliberalisation of the economy including talk of new SEZs creation (*ePravda* 4 Sept 2012), a wave of the currently ongoing privatisation of energy generation and supply sector, as well as the restructuring of the latter so as to create market for oligarchic FIGs e.g. switchover of Thermal Power Stations to domestically produced coal from imported gas as fuel (*Kommersant Ukrayina* 27 Aug 2012), all signal of the increasing inward reorientation of economy as well as indicate a promise of a further aggravation of the socio-economic disparities. Nevertheless, the essential authoritarianism and usurpatory policies of Yanukovych and the Party of Regions already generate socio-political dissatisfaction in the country and condemnation and sanctions threats from the US and the EU. In the light of Ukraine's growing external debt, increasing balance of payments deficit, and heavy reliance of the oligarchic FIGs on state subsidies and procurement tenders make teh country's economy as a whole dependent on IMF loans as I will discuss further in Chapter 5. Combined with the need of access to foreign markets for import and exports alike such dependency on foreign capital makes the current ruling bloc vulnerable to pressure from the West. The latter fact can generate shifts in the balance of power in

Ukraine as is evidenced by the most recent Yanukovych pardoning of Lutsenko's and 5 more political prisoners (*Deutsche Welle 7* April 2013).

Conclusion

By the 1st of January 2010 the ruling bloc of Ukraine became more homogeneous than ever before. It was expected that the neoliberal reform advised by the EBRD and IMF as part of the TACIS/ENP programme and SALs respectively would permit easy market penetration for FDI and TNCs, as it has previously been the case in Latin America and Sub-Saharan Africa (Easterly 2005). Instead, as I will show in the Chapter 5, TACIS/ENP and SALs, among other, were welcome by the international financial institutions and created a discursive façade for the entrenchment of semi-licit mechanisms of accumulation in Ukraine. The ratings of the largest companies and richest persons and their formation that I analyse in this Chapter and in Chapter 5 confirm the above. Economic and political power usurpation by the ruling bloc dominated by the Donets'k forces is characterised by continuous attacks on human rights and freedoms, freedom of expression and assembly (Transparency International 2012) and carving of legislation to serve the interests of the oligarchic capital as I showed in this Chapter and will show in Chapter 5. On the level of class fraction rivalry, a gradual takeover of competing political and economic forces has been occurring by political prosecution of opposition leaders (Tymoshenko and Lutsenko – to name a few), administrative pressure (Tyhypko), and murder. Simultaneously, occasional class fraction compromises have crystallised as is testified by the growing leverage of PrivatGroup of Kolomoyskyy and Boholyubov, Interpipe of Pinchuk, and Group DF of Firtash. The authoritarian tendencies of Yanukovych's administration and the Cabinet are based on the principles of cronyism (*FAZ* 27 Aug 2012), state asset embezzlement, and coercion of counter movements. Such foundations of power of the ruling Donets'k bloc facilitate both the strengthening of the counter-movements and the increasing pressure from the West and Russia alike. The above is evidenced by the growing support for the right wing parties in Ukraine, the stalemate in the EU Association Agreement negotiations and the threats of sanctions from the US and EU, and the Customs Union membership ultimatums respectively. Such state of affairs leaves the country's future and the future of the current ruling bloc largely uncertain apart from one crucial aspect. Regardless of whether the current ruling bloc remains in

power, or the counter/opposition movements take over, the course on neoliberal transnationalisation of the state will most likely remain intact. In the next Chapter I will support my argument about the viability of the neoliberal transnationalisation by scrutinising the role and agency of the foreign capitalist class in Ukraine vis-a-vis policy-making and in the interaction with the domestic capitalist and managerial classes alike.

Chapter 5

The role and locus of transnational(-*ising)* capital in Ukraine's post-1991 politico-economic transformation

Introduction

In this Chapter I will examine the role of the EU and US lobby and interest groups in institutionalisation of neoliberal marketisation in the post 1991 Ukraine's. Thus I will investigate both direct and indirect avenues of co-optation of the Ukraine's ruling, capitalist, and managerial classes into neoliberal subjectivity and their integration into the structures of transnational(-ising) capital. I will show that the coordinated efforts of the IFIs, the global policy platforms (the WEF, the Trilateral Commission, the ICC, the Bilderberg Group, and the WBCSD), and the network of regional and local lobby and interest groups facilitated transnationalisation of the Ukraine's state. However, the nature of that integration was and still is uneven. That is so, I argue in this thesis, due to the ruling and capitalist (foreign and domestic) class fraction rivalry in the process of capital accumulation in Ukraine.

The global hegemony of capital must involve dominance in the economic, political, and social structures simultaneously (Cox and Sinclair 1996, p. 37). Thus, it cannot be limited to mere market penetration by transnational corporations. Neither can transnationalisation of the state be reduced to perfunctory state membership in international organisations which are the platforms of co-optation and the effective *trasformismo* of ruling, capitalist, and managerial classes into neoliberal subjectivity. The given state's legislation must be altered in accordance with the requirements set by the above organisations – the WTO, the IMF, the OECD, etc., – and law enforcement must be guaranteed to provide smooth business operation and investment protection. In other words, the state is to function and transform in accordance with the concept of control as it is envisaged by the transnational(-ising) capital. For that to be possible *trasformismo* of the ruling, capitalist, and managerial classes must occur that will in turn eventually lead to a passive revolution in the rest of the society. The latter must occur through generation of consent to the hegemonic rule under the concepts of control of the transnational(-ising) capitalist class (Carroll 2010; Gramsci 1971; Overbeek and van der Pijl 1993, and Overbeek 1993; van der Pijl 1998; Poulantzas 1973). As Carroll

correctly argues, '*the articulation of capitalist interest requires sites beyond the boardrooms* [or] places where business leaders can come together to discuss issues of shared concern, to find common ground and to devise strategies for action' (2010, p. 37). Thus co-optation and the subsequent *trasformismo* occur through *socialisation* – adoption of certain codes of conduct, behaviour, dress, etc. - on state, corporate, and interpersonal levels. In that light, my analysis of lobby and interest groups provides an insight into the day-to-day functioning of the transnational(-ising) capitalist class in Ukraine and the mechanisms of neoliberal co-optation of the Ukrainian ruling, capitalist, and managerial classes into the hegemonic concept of control i.e transnational(-ising) neoliberalism. My research shows that there are four US and EU lobby and interest groups in Ukraine: (1) the US-Ukraine Business Council (USUBC), (2) the American Chamber of Commerce (ACC), (3) the Centre for US-Ukraine Relations (CUSUR), and (4) the European Business Association (EBA). In this Chapter I will analyse functioning of the four groups while placing them within the global hierarchically structured network of policy platforms and interest groups of transnational(-ising) capitalist class. The analysis of the EU and US lobby and interest groups in Ukraine will be performed in a few steps. First, the stages of Ukraine's market penetration by foreign capital will be presented in a chronological order. Second, I will present a study of organisation, structure, and functioning of the lobby and interest groups. I will show their locus within the global network of policy platforms by identifying interlocking company membership between the global policy groups, the EU lobby groups, and the EU and US lobby and interest groups in Ukraine. I will then highlight the engagement of the four EU and US lobby and interest groups with the Ukraine's ruling, capitalist, and managerial class structures i.e. the government and businesses respectively. Third, by analysing the top 100 companies on the Ukraine's market by revenue I will show that despite the coordinated efforts of IFIs and the foreign business lobby and interest groups alike, the main beneficiaries of the transnationalisation of the Ukraine's state are the Ukrainian oligarchic FIGs. That was made possible, as I have shown in Chapter 3 and 4, by combining neoliberal transnationalisation with semi-licit mechanisms of accumulation. Thus, through neoliberal reforms prescribed by the IFIs and the EU, the Ukraine's state is being transnationalised in a very particular and uneven manner that until now has been primarily benefitting the cleptocratic ruling and capitalist bloc of the country.

Foreign business in Ukraine since its independence and the four stages of FDI inflow into Ukraine

The imperative role of foreign capital in the transformation of Ukraine's economy has been emphasised by proponents of the neoliberalisation since 1991 (see Chapter 1 for an overview). However, the presence of foreign capital in Ukraine was rather limited until the late 1990s at least (in the agrarian sector it is still very limited due to legal restrictions on appropriation and privatisation of land that will be addressed shortly). Presence of a comprehensive legal framework for investment as well as functioning law enforcement institutions are crucial for international expansion of TNCs. Therefore, it is not surprising that TNCs' entry of the Ukraine's market and FDI inflow dynamic in general occurred in accordance with the timeframe and nature of the legislation on FDI adopted by the Ukrainian Parliament. In that respect Pekhnyk explains that foreign investment in Ukrainian economy has occurred in four main stages (2007, pp. 42-4). The first lasted from the moment of Ukraine becoming independent and until the adoption of the Decree by Cabinet of Ministers of Ukraine "On the regime of foreign investment". It can be described, he rightly suggests, as a 'logic continuation of the "cooperatives boom" of the last years of Soviet perestroika' with legislation being still the same in many instances. However, he concludes, the above stage cannot be described as one of TNCs' expansion on Ukrainian market yet since most of involvement with foreign capital was based on personal or family links with investors.

The second stage, Pekhnyk continues, began with the adoption of the Cabinet of Ministers Decree 'On regime of foreign investment' on 23 May 1993 (N28, Article 302) and lasted until 1997 (Ibid., p. 43). During those years the flow of foreign capital into Ukrainian market dramatically increased; it was the time when most big foreign TNCs established their branches, franchises, and joint ventures in Ukraine (e.g. Coca-cola Amatil, Procter&Gamble, Philip Morris, R. J. Reynold's Tobacco, Sony, Philips, Bosch, Daewoo (Electronics), Samsung and LG). Despite the volume of investment being relatively insignificant (approximately $1.438bl by 1 January 1997) it was a crucial stage in the transnational(-ising) capital expansion into the Ukrainian market since it is then that most foreign companies set roots in Ukraine. Those years witnessed the largest inflow of investors for a number of reasons. First, the Cabinet of Ministers of Ukraine (CMU) provided state guarantee to foreign investors on investment return and

protection from changes to investment and taxation legislation for 10 years with the Law of Ukraine ‘On foreign investment’ from 13 March, 1992. Secondly, the Decree ‘On regime of foreign investment’ from 20 May, 1993 by CMU effectively relieved an array of largest TNCs from tax on profits for a period of 5 years from the moment of the qualifying investment submission. Thirdly, tax rates of money transfer to parent companies were no higher than 15% and according to European standards the maximum of the rates was to be lowered to 10% (pp. 43-4). In addition, lawlessness was omnipresent in Ukraine as I discussed in Chapters 3 and 4 and there was a general lack of state control over TNCs' activities even in the key areas. Thus, hardly anything prevented foreign companies from exploitation of the Ukrainian market that is evidenced by massive financial speculations characteristic of that period. It was estimated that $40-50bl was needed for normal functioning of the Ukrainian economy in 1996. Since the government did not have that money, they had to rely on the potential influx of foreign investment (and IMF loans). However, the demand was much higher than the supply. In the period from 1991 till 2001 the volume of FDI in Ukraine amounted some $3,9 billion that corresponded $79 per capita and is the second lowest after Belarus out of all post-Soviet countries (Lanovyk et al. 2006, p. 462).

The third stage of foreign investor activity began in 1996 when the Decree 'On regime of foreign investment' was abolished and many a privilege for TNCs were effectively lost (Pekhnyk 207, p. 44). The above resulted in a significant decline in foreign investment activity in Ukraine and lasted until 1999 (e.g. R.J. Reynold's Tobacco closed one of their plants and so did Coca-Cola Amatil – both in Lviv Oblast). However, the government of Ukraine did not demonstrate consistency in its decision-making as to benefits abolition. Soon after the Decree was annulled considerable privileges were granted to Nestle (that became the main shareholder of JSC Svitoch) and Daewoo Motor (that under the pretext of development of Ukrainian automotive industry achieved a near-monopoly on Ukrainian market on the top of considerable tax benefits; Ibid.).

The fourth stage partially overlaps with the previous three chronologically. It started with the adoption of the law ‘On the changes to the Law of Ukraine “On the Budget of Ukraine for year 2005”’in March 2005. The latter annulled the Law of Ukraine ‘On general positions of establishment and functioning of Special (free) Economic Zones’ (SEZs) from 13 October, 1992 and an array of other laws and by-laws

which theretofore regulated establishment and functioning of 12 SEZs and 72 PDA (Priority Development Areas). The economic freedoms granted to business in those areas however were of rather selective nature as I have shown in Chapter 3. FDI as well as corporate cooperation and market penetration of Ukraine however was not limited to SEZs and PDAs. The transnational(-sing) capitalist class through global platforms of co-optation mentioned earlier in this Chapter actively engage in both lobbying their interests on state, corporate and personal level and supporting projects that institutionalise transnationalisation of the state. I will now show how the global hegemony of the discipline of neoliberal capitalism is maintained through synchronising its concepts of control with the members of a global hierarchically structured network of institution, lobbies, and interests groups.

Global and regional policy platforms: co-optation of Ukraine's ruling, capitalist, and managerial classes

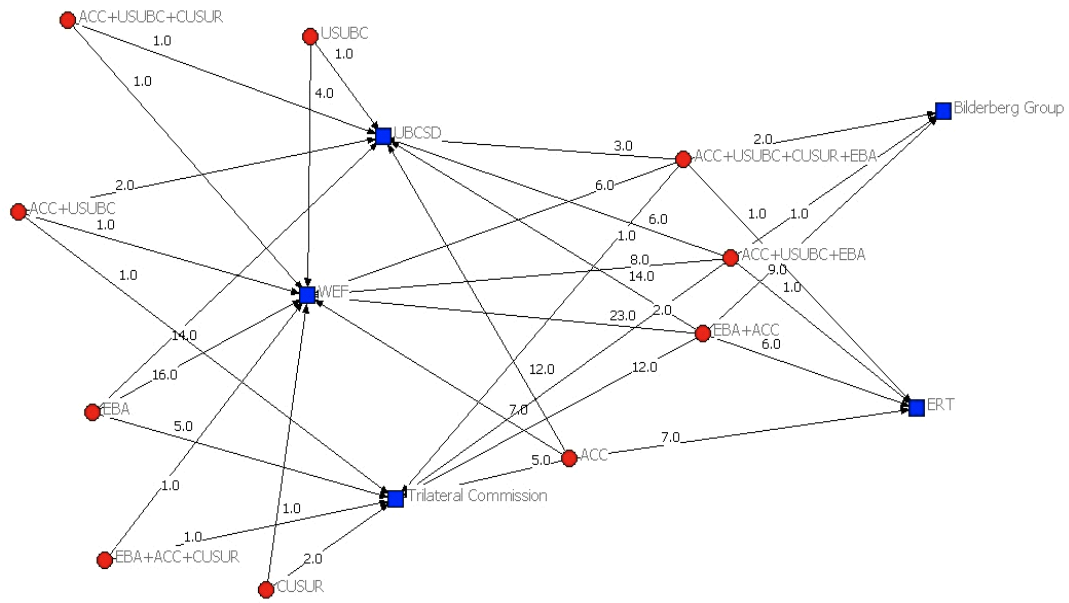
Policy and lobby groups as organisations can be divided into two major groups – those with individual (e.g. the European Roundtable of Industrialists, the Trilateral Commission, the Bilderberg Group) and company membership (e.g. the UNICE/BusinessEurope, the European Business Association, the Centre for US-Ukraine Relations, the American Chamber of Commerce, the US-Ukraine Business Centre). That is not to say that there is no individual interpersonal interaction within lobbies with company membership structure. On the contrary, individual representatives of companies and whole industries actively engage in both official meetings and forums, and social events organised by the groups with company membership type. It does mean, however, that within those groups there are different levels of interaction. So, the groups and forums with individual membership (e.g. the World Economic Forum) present much deeper integrated platforms for direct negotiating of interests and for rapid exchange of information and strategic plans of the transnational(-ising) capitalist class and its fractions. Groups with corporate membership service as platforms of co-optation and on the managerial level, implementing and socialising the concepts of control into business strategies. All those groups, local and global, are platforms where the *'comprehensive concepts of control* [as] expressions of bourgeois hegemony reflecting a historically specific hierarchy of classes and class fractions' are generated (Overbeek and van der Pijl 1993, p. 3). Both individual and company membership

groups regularly interact nationally and internationally with political and legal authorities and are often even established by the latter as it is the case with the EBA and the European Commission. Business interests are being discussed and further lobbied within and through a complicated but very efficient network of groups and associations of entrepreneurs with similar interests. Lobbying tactics include promoting/stopping from implementation of certain laws and regulations that could affect specific economic activities. A crucial feature of such networks is engagement with politicians, corporations, and businesspeople in the target countries (i.e. co-optation) through accepting them as members or honourary visitors/speakers at meetings as I will show shortly.

The most extensive empirical study of policy groups, corporate interlocks and interlocking directorates to date is William Carroll's *The making of a transnational capitalist class: corporate power in the twenty-first century* (2010). In his book Carroll analyses the five global policy groups – the World Economic Forum (WEF), the International Chamber of Commerce (ICC), the Bilderberg Group, the Trilateral Commission, and the World Business Council for Sustainable Development (WBCSD) – and shows their organisation internationally via both personal and company-member linkages (Carroll 2010, pp. 38-56). There is a striking dominance of the North Atlantic corporate members in the five groups' leadership and the peripheral and semi-peripheral regions see more company-level and less direct personal level representation of TCC in their interest groups on regular basis (Ibid., p. 36-56). The five groups are at the top of the global hierarchically structured network of lobby and interest groups that function to institutionalise the concepts of control of the transnational(-ising) fraction of the global capitalist class. For example, the ICC has daughter organisations worldwide, the American Chamber of Commerce with its own global network (as will be shown later in this Chapter) is the most developed branch of the ICC. In Ukraine, there are four such lobby and interest groups – the American Chamber of Commerce (ACC), the US-Ukraine Business Council (USUBC), the Centre for Ukraine-US relations (CUSUR), and the European Business Association (EBA). The three US groups essentially represent the same corporate interests however were established and promoted by different social forces-for-themselves as will be shown shortly. In Figure 5.1 below I present a visualisation of the interlocking company membership of the 5 global policy

platforms and the 4 interest groups in Ukraine. Numbers indicate the number of interlocking member-companies in organisations.

Figure 5.1. Interlocking company membership in the global policy groups and the foreign business lobby and interest groups' in Ukraine.

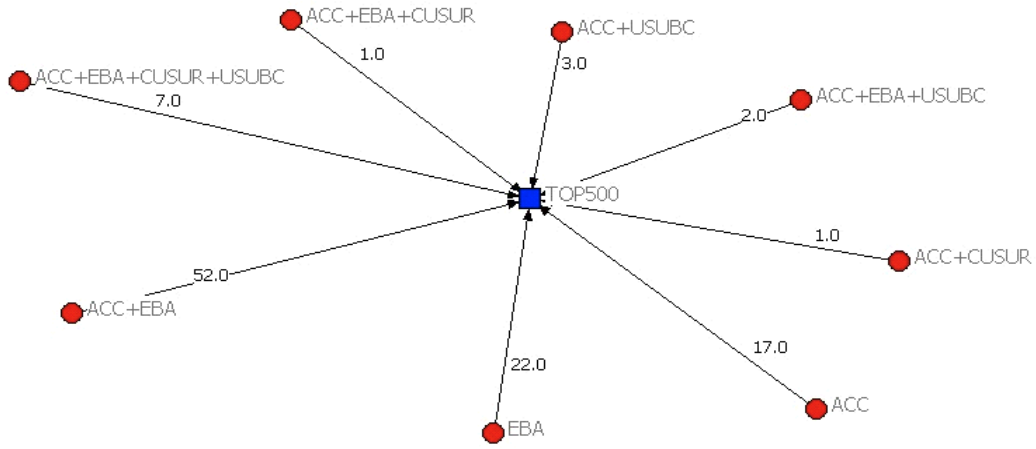


Source: Compiled by the author on the basis of data available at the websites of the organisations involved. For the full list of companies, groups and interlocks see Appendix 4.
Key: squares indicate global policy groups; dots indicate lobby and interest groups in Ukraine; numbers show the numbers of company interlocks between the respective groups.

As one can see from the Figure 5.1 above (for the full list of companies and indication of their membership in individual organisations see Appendix 4), there are strong interlocks on company-level interlocks between the five global policy platforms and the four interest and lobby groups for the US and the EU business in Ukraine. Also, the data shows that there are multiple interlocks between the US and the EU companies in their respective interest groups in Ukraine that confirms cooperation in lobbying efforts of the US and EU i.e. the transnational(-ising) capital. It must be however noted that full company membership and thus the decision-making power in the three US groups and the EU group is reserved only for the companies of the US and EU origin respectively while all other companies are associate members. The latter signifies the ongoing capitalist class fractional rivalry i.e. the state of capitalist competition while the former i.e. interlocking membership is evidences the need for cooperation i.e. class fractional compromise. The above interlocks are part of the global hierarchy of neoliberal market ideological co-optation platforms mentioned above.

Attempts of foreign businesses to penetrate the Ukrainian market, therefore, were not sporadic. On the contrary, business, and industrial associations – transnational, EU and US - have worked closely with executive and legislative authorities both at home and in Ukraine to protect their investment interests at least since 1992. As it was discussed in Chapter 2 and mentioned above, the transnational(-ising) capital permeates policy-making worldwide through both companies and hierarchically organised structure of policy and lobby groups where the agency of that capital is institutionalised on multiple levels, directly and indirectly. The transnational(-ising) capital is predominantly North-Atlantic (Carroll 2010, p. 50) with a noticeable shift towards Germany that has been occurring since 2000 (Holman, Raviv, and van der Pijl 2010) and, as my own research shows, is visible at company level in the lobby and interest groups in Ukraine (among other, no doubt). My analysis of the top 500 TNCs on both company (all 500) and directorates (top 100) level shows that there are no interlocking directorates among the top 100 TNCs and the Ukrainian corporate 'leaders' however, there was a strong presence of company-level interlocks between the foreign policy groups in Ukraine and the top 500 TNCs. In Figure 5.2 below I present a visualisation of those findings.

Figure 5.2. Top 500 (FT, 2010) corporations in the policy groups in Ukraine (the latter dataset was last updated by the author in December 2010.



Source: Compiled by the author; Source: *FT* Top 500 TNCs and policy group websites.
Key: red dots signify lobbies in Ukraine; numbers show the number of interlocking company members.

As is shown in Figure 5.2 above, there is a significant presence of the top 500 TNCs of the world in the foreign interest and lobby groups in Ukraine. All in all, 105 of

the top 500 TNCs were represented in the foreign interest and lobby groups in 2010. Also, a noticeably larger number of companies have interlocking membership with top 500, the ACC, and the EBA – the trend is not surprising considering differences in nature and goals of the four foreign interest and lobby groups that I will discuss shortly. Unmistakable is the fact that one fifth of the world's largest TNCs are both present on the Ukraine's market and have their interest promoted and lobbied for through organisations that have been founded for that particular reason. Also, the presence of companies from some EU member states is more pronounced than the other that can be seen both in the number of represented companies and in the FDI flow to Ukraine from the respective countries. The latter is documented in the Tables 5.1 and 5.2 below.

Table 5.1. Major investment share into the economy of Ukraine by country 1997-2002

Country	Date					
	1997	1998	1999	2000	2001	2002
USA	26,5	24,8	21,0	19,4	16,5	16,6
Netherlands	14,9	12,9	10,7	11,0	9,3	8,4
Germany	12,8	11,3	10,2	7,2	6,2	5,7
Russia	10,5	9,1	8,7	9,6	7,4	6,7
UK	10,4	10,2	8,2	9,1	8,1	9,5
South Korea	-	9,1	6,1	5,2	4,4	3,9
Cyprus	8,7	7,3	7,0	11,4	9,7	10,8
Lichtenstein	8,6	4,2	-	-	1,9	1,7
Switzerland	-	4,4	4,7	5,2	4,2	4,4
Virgin Islands	-	-	5,2	5,4	5,0	5,6
Austria	-	-	-	-	-	3,3
Poland	-	-	-	-	-	-
Hungary	-	-	-	-	-	-
Total share of offshore FDI	0,17	0,16	0,17	0,22	0,21	0,23

Source: Ukrstat (2010)

'The need of a constantly expanding market for its products chases the bourgeoisie all over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere' (Marx 1964). So, the transnational(-ising) capitalist seeks expansion first by advocating institutionalisation of neoliberal market economy as a form of social reproduction and then by entering and taking over those market economies. It does so as I already mentioned before through the IFIs and the global hierarchically structured network of interest and lobby groups. In the EU, the two major policy groups of the EU business in Brussels are the European Roundtable of

Industrialists and the Union of Industrial and Employers' Confederations of Europe (UNICE; since 2007 – BusinessEurope). Market expansion ambitions are manifest in the vigorous support of the two for ‘expeditious integration of the newly market-

Table 5.2. Major investment share into the economy of Ukraine by country 2003-2007

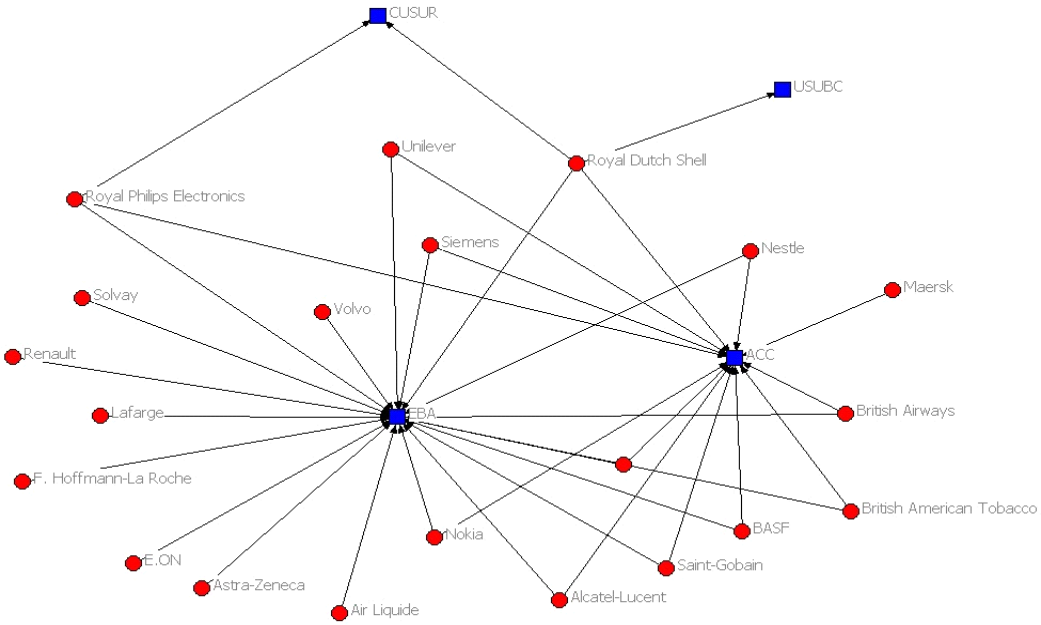
Country	Date						
	2003	2004	2005	01.10.05	2006	01.07.06	01.01.07
USA	16,3	16,1	13,8	12,8	8,4	7,2	6,7
Netherlands	7,2	7,0	6,8	6,2	4,4	6,4	7,0
Germany	5,8	6,6	7,5	6,6	33,6	29,9	26,5
Russia	5,9	5,7	5,5	5,8	4,9	4,9	4,6
UK	9,8	10,3	11,3	11,0	7,1	7,8	7,4
South Korea	-	-	2,1	1,8	-	-	-
Cyprus	12,3	11,7	13,2	15,3	9,5	11,1	14,2
Lichtenstein	-	-	-	-	-		
Switzerland	-	-	4,9	4,5	2,7	2,4	2,4
Virgin Islands	6,3	5,7	6,5	7,4	4,2	4,2	3,8
Austria	3,9	3,8	4,2	3,7	8,7	8,2	7,6
Poland	-	-	2,3	2,3	1,4	-	-
Hungary	-	-	2,1	2,0	-	-	-
Total share of offshore FDI*	18,6	17,4	24,6	27,2	16,4	17,7	20,4

Source: Ukrstat (2010; *the index is incomplete since it excludes some of the countries taken into account in previous years)

oriented economies’ to the east of the EU border into organisation’s structure i.e. the EU enlargement (Balanya et al. 2003, pp. 28-9; 65). Indeed, the emergence of a huge market of approximately 150 million consumers and a vast supply of high-skilled and low-wage labourers were a great opportunity for the big EU business. So, in a personal interview with CEO experts former Secretary General of ERT Keith Richardson described it as if they ‘have discovered a new South-East Asia on [EU] doorstep’ (p. 29). Apart from ERT’s deep involvement with EU bodies in Brussels, especially the Commission on the issue of the Eastern Neighbourhood integration, most of the 49

members' companies are simultaneously members of the foreign interest and lobby groups representing their interests locally in Ukraine. In Figure 5.3 I present the visualisation of my analysis of the ERT company members' involvement in the EU and US interest groups in Ukraine.

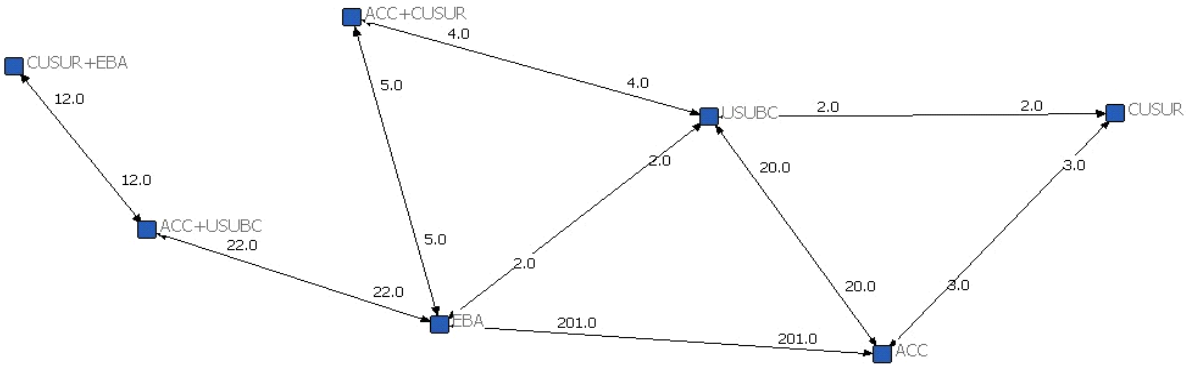
Figure 5.3. ERT members' companies representation in the EU and US lobby groups in Ukraine.



Source: compiled by the author based on the data available at the groups' websites; last update January 2011
Key: blue squares signify the lobby and interest groups; red dots signify companies with identifies names; lines show interlocking membership of companies in lobby and interest groups.

Many companies are simultaneously members of two or more lobby and interest groups. Initially established to represent the US and EU business in Ukraine, the lobbies eventually began to welcome Ukrainian companies as members, although not on the full basis. In Figure 5.4 below I show my analysis of connections between the groups on the basis of interlocking company membership. Numbers indicate the number of interlocking companies.

Figure 5.4. Company membership interlocks among 4 foreign policy groups in Ukraine.



Source: Compiled by the author on basis of data available at the lobbies' websites; last update: December 2011; for the full list of names of companies and lobby membership see Appendix 4.
Key: blue squares indicate lobby and interest groups; lines indicate interlocks between the groups; numbers along the lines indicate the number of companies with interlocking membership.

As it is shown in Figure 5.4 above, there are strong interlocks among all four groups with a clear dominance of interlocking company membership between the ACC and the EBA with 228 (201 EBA/ACC + 22 ACC/EBA/USUBC + 5 ACC/EBA/CUSUR) interlocking members. The ACC is also a group that has most interlocks with the EBA of the three US groups. So, the EBA has 17 interlocks with the CUSUR (5 EBA/CUSUR + 12 EBA/CUSUR/ACC/USUBC) and 14 with USUBC (2 EBA/USUBC + 12 EBA/CUSUR/ACC/USUBC). The three US groups are closely interlocked. So, the ACC and the CUSUR had 12 interlocks (3 ACC/CUSUR + 4 ACC/CUSUR/USUBC + 5 ACC/CUSUR/EBA), the ACC and the USUBC 58 interlocks (20 ACC/USUBC + 4 ACC/USUBC/CUSUR + 12 ACC/USUBC/CUSUR/EBA + 22 ACC/USUBC/EBA), and the ACC and the EBA – 201. The above can be explained by similarities and differences in the goals, organisation, and of the groups. At the same time, the number of interlocking members between the groups is limited by the number of members in those groups. So, the EBA had 852 members in 2010, the ACC had 560, the USUBC had 203, and the CUSUR 182. The USUBC and the CUSUR had a significantly lower number of members than the EBA and the ACC. Thus, even though the interlocks between the EBA and the ACC are more numerous, their interlocks with the CUSUR and the USUBC are some 3 times more significant. I will now discuss structure , functioning, and lobbying techniques of the four groups before assessing the share of foreign capital amongst the top 100 companies on Ukraine's market. My research showed that the EBA is not merely the

most numerous of the lobby and interest groups but is also the most successful in terms of its lobbying attempts. Therefore, I will discuss its work in most detail.

The European Business Association (EBA)

The EBA was founded in 1999 as a forum for 'discussion and resolution of problems facing the private sector in Ukraine' (EBA About 2010). The initiative was launched by business people who 'saw advantages and benefits in the European business community acting together was supported by the European Commission' (Ibid.). The EBA operates as an independent body that brings together 852 EU, Ukrainian and other international companies (as of 28 September 2011), is responsible to its members and has representing the interests of European and domestic investors in Ukraine as its core mission. The vision of the Association is defined as 'to enable and drive full establishment of the European business practices and values in Ukraine' (EBA General, 2010). The EBA is a non-profit association of legal entities and its 'mission' is threefold: (1) '[Promotion of] ethical and lawful business practices and standards in Ukraine', (2) '[Facilitation of] communication between the business and political communities', and (3) '[Representation of the EBA] members' interests in political circles to improve the business environment using the EBA's expertise' (EBA General 2010). All members are to adhere to the Code of Conduct and thus must:

1. 'Promote fair and transparent competition
2. Respect intellectual and other property rights
3. Promote and respect non-corruption practices
4. Encourage compliance with prevailing law at all times
5. Respect employees' rights, including health and safety, equal opportunities at work, and training
6. Seek to develop constructive relations with local and national government bodies to achieve a just and productive business climate
7. Respect local communities, and recognize the importance of environmental protection
8. Promote the application of these principles by those with whom [the EBA - and its members] do business' (EBA Mission and Vision 2010).

The Association offers a wide scope of services to its members in five main areas which are: (1) 'collective advocacy of members' interests', (2) voicing the interests of business in the EU policy-making process, (3) provision of 'regular information support', (4) maintaining networking opportunities and organising social events for the members, and (5) a range of other services e.g. a discount system for members on other member company services, etc. (EBA Our Services 2010). De jure

the EBA is a body that represent interests of both EU and domestic investors, however, *only EU companies* qualify for full membership and it is only full members that partake in decision-making of the lobby. Such procedure effectively funnels EU member companies' and their CEOs' outlook into the functioning of the EBA. Thus the latter goals, objectives, and strategies are molded in accordance with the hegemonic concept of control. The associate member companies' COEs, managers, and employees - the managerial class of Ukraine - are co-opted into those concepts of control via multiple forums, meetings, and programmes that result into emulation of corporate and individual professional behaviour i.e. *trasformismo* as I will show next.

The EBA holds annual General Membership Meetings that serve as a watershed in the organisation's activities. During the Annual Meetings the President and the Executive Director update the members on the activities of the organisation in a given year and also brief them on the plans for the year to come. Governmental speakers are also invited to address the EBA members so as to provide them with 'first-hand information on prospects of Ukraine's investment climate development and discuss the most pending obstacles to investment in Ukraine' (EBA AGM 2009). For example, in 2008 such honorary speakers were the Head of the Delegation of the European Commission to Ukraine HE Jose Manuel Pinto Teixeira, the Vice-Prime-Minister of Ukraine on the EU Integration Mr. Hryhoriy Nemyrya (Ibid.). Aside the Annual Meeting, General Membership Meetings are conducted as necessary over the course of a year and serve as the main interaction platform for members' communication with both European and Ukrainian authorities (usually form the Cabinet of Ministers or deputies of the Verkhovna Rada of Ukraine). During such meetings close dialogue is maintained with European authorities as for EU-Ukraine relationship, investment climate prospects, Ukraine's rapprochement with the EU evolution, etc.

The EBA activities are monitored by 29 members of Executive Staff who consist of the Lobbying department (the most numerous one – 10 staff), Membership/events department, PR and Communication department, Administrative Support Department, and Regional Development department and are managed by the Executive Director (EBA Staff 2010). The Executive Staff are supervised by the 16 Board Members who run the EBA, with the President at the top of the pyramid. The Board meets every month 'to approve acceptance of new EBA members and decide on other issues related to the EBA activity' (Ibid.). It is a body of members elected every

year for a two-year period at an Annual General Meeting. Every full member can nominate one candidate to the Elections and there cannot be 'more than three Board members from one industry and more than three representatives of one nationality' (Ibid.). Elections to the Board as well as to the position of the President of the EBA are held in compliance with the Charter of the European Business Association and in accordance with the Internal Rules and Procedures of the Association (EBA Board 2010). Since it is *only full members* who can nominate candidates, participate in elections and therefore be directly involved in the decision-making process of the EBA, strategic orientation of the organisation effectively is pro-EU business and their interests. All the work of the organisation outside General Annual Meeting is conducted by the (1) Regional Branches, (2) Committees, and (3) Working Groups. There are regional branches of the EBA in Donetsk, Dnipropetrovs'k, Kharkiv, Odesa, Zhytomyr, and Lviv. Unsurprisingly, the branches are located in the same oblasts that attract the highest flow of FDI in Ukraine as shown in Appendices 5 and 6 and that, until 2005, enjoyed tax breaks or lower taxes (SEZs and PDAs) and where most FIGs of Ukraine are concentrated. It is thus no coincidence that the interests of both foreign capital, presented through the EBA and its member companies, and most domestic associate member companies – FIGs and otherwise - showed interest in deeper cooperation via the EBA platform in those particular locales. In addition, in October 2010 the EBA have opened a branch in Brussels defining its goals as 'to further promote the Association's mission of enabling the full establishment of the European business practices and values in Ukraine' (EBA Brussels 2010).

Networking is particularly inportant in the EBA and for that purpose there are a few programmes run by and for the Association. One of the above it the 'EBA members' products and services' project which covers 14 various sectors, from Administration and Business Support to Transport and Tourism. Effectively and inevitably, a process of harmonisation of interests and strategies of the full members translates onto Associate members though the former's leading role in the organisation i.e. EU-nisation of conduct occurs. The EBA and its Associate membership scheme is a platform of re-molding of Ukrainian businesses in compliance with the EU standards – the latter ranges from the software used in companies' offices to bringing companies' statutes in accordance with the EU legal standards to EuroDrinks parties introduced 'as a means of developing the idea of "Club spirit" and allowing businessmen working in

Ukraine to gather regularly to socialise and exchange information and experience' (parties are held as a custom on the last Tuesday of each month either at Kyiv restaurants or various European Embassies; EBA Eurodrinks 2011). There are many minor socialising events that the EBA holds for its members including film screenings in their own theatre at the Kyiv office as well as a few education programmes, such as English language courses for the member companies employees and the EBA school project which provides various courses in Smooth business communication, etc.

The EBA work complements the functioning of their mother organisation, the Delegation of the European Commission in Ukraine, in their cooperation with the Presidential Administration, the Cabinet of Ministers, and the Parliament of Ukraine on behalf of the EU business. Also because of the latter the EBA works in cooperation with the Trade and Economic departments of the European Union Embassies in Kyiv. One of the cooperation and negotiation platforms between the EBA members and Ukrainian authorities is EuroDebates project which is aimed at 'strengthening constructive dialogue of the business community with representatives of legislative and executive authorities' (EBA Eurodebates 2011). Debates are normally scheduled as the need arises and involve representatives of the companies interested and a representative(s) of a respective ministry or administration of Ukraine. For example, on the 28 August, 2009 EuroDebates were held on the matter of pros and cons of the Amended Customs Legislation. The issues discussed involved (1) the need of customs clearance simplification, (2) the influence of the amended customs legislation on the investment climate, and (3) possible changes the amended customs legislation would bring to the fiscal functions of Customs. The meeting was attended by some 50 members of the EBA and approximately 25 media representatives. The debate per se was held among 11 representatives of the Customs Service and the Ministry of Finance, representatives of diplomatic corps and experts in the International Customs Law on the authorities side and two business representatives on the EBA side - John Farfield (Head of European Association of Express Transporters) and Robert Peacock (Technical Consultant of International Criminal Investigative Assistance Programme; Ibid.). Alongside the Committees, there are three Working Groups hosted by the EBA – (1) the Euro-2012 Task Force, (2) the FTA Task Force, and (3) the Ad-hoc Anti-Crisis group which deal with preparation to Euro-2012 Football championship, promotion of the Free Trade Area with the EU, and the issues related to the current global economic crisis and its

impact on Ukraine respectively. Two of the six regional branches – Kharkiv and Lviv – host two additional regional Working Groups each, on Production Management, and on Export and Import.

There are 6 major tools that the EBA and its members use for lobbying. The first is the Investor's Council under the Cabinet of Ministers of Ukraine established in January 2007. The EBA was invited to become a participant of the Council. The Ukrainian capital in the latter is represented by a co-Chair who was elected in March 2008, - then of Swedbank Ukraine - Serhiy Tyhypko of the Donets'k capitalist and ruling bloc (see Chapter 3 and 4). The Investor's Council consists of 13 Working Groups: agricultural development; banking and finance; justice; corporate governance; fuel and energy; infrastructure; intellectual property rights; informational technologies; health care; land and real estate; tax and customs policy; technical regulation; macroeconomic development (EBA Investors Council 2008).

The second is the Working Group on Justice is a body under the auspices of the Ministry of Justice and is co-chaired by the EBA; so is 'the Working Group on Tax and Customs Policy under the Ministry of Finance [co-chaired by EBA – author] on behalf of the investors' community' (Ibid.). The second is the Foreign Investment Advisory Council of Ukraine (FIAC) that is chaired by the President of Ukraine and is directly monitored by him/her. The EBA and some individual member companies were invited to join the FIAC in 2005. The opportunity was celebrated by the former since it is considered to be 'a highly efficient vehicle to contribute to elaboration and implementation of the state policy related to foreign investment into the national economy of Ukraine [and] acceleration of Ukraine's integration into global economic processes' (EBA FIAC 2010). Further, in Autumn 2005, a number of the Working Groups within the FIAC were formed to target specific issue areas of the economy, namely: 'market reform; fiscal and tax policy; banking and non-banking financial institutions and capital market; comprehensive development of economy; information technologies; agriculture and food industry; image policy of Ukraine' (EBA Working Groups 2010). Jointly with the Minister of Economy of Ukraine, Microsoft Ukraine and Western NIS Enterprise Fund (both companies being the EBA members), the EBA has also been invited to co-chair the FIAC Market Reform Working Group. Within the latter separate sub-groups were formed 'to deal with issues related to property, land use, elimination of administrative barriers, legal issues, special investment promotion

regimes' (Ibid.). The EBA is also actively involved in the functioning of FIAC Complex Economy Development Working Group.

The lobbying tool number three is a set of the Governmental Committees (GCs) established by the Cabinet of Ministers of Ukraine on 18 July 2007 by Resolution 950 (Cabinet of Ministers 18 July 2007) to enforce the delivery of its authorities. The Committees' aims are defined as follows: to '[ensure] efficient realization of Cabinet of Ministers authorities, [coordinate] of executive bodies' actions, preliminary consideration (examination) of draft legal acts, conceptions, strategies, major directions of state policy realization, [and} other documents submitted for consideration of the Cabinet of Minister' (Ibid.). Currently there are four working GCs: (1) the Governmental Committee on the Issues of Economic Policy chaired by the First Vice-Prime Minister; (2) the Governmental Committee on the Issues of Legal Policy, Defense and Enforcement Activity chaired by the First Vice-Prime Minister; (2) the Governmental Committee on the Issues of Humanitarian and Social Policy chaired by the Vice-Prime Minister; and (4) the Governmental Committee on the European Integration and International Collaboration chaired by the Vice-Prime Minister (Ibid.).

The lobbying tool number four is a set of the Public Councils that are established within the Ministries and State Committees and serve as platforms for involvement and dialogue with the above for both business communities and wider public. The EBA has been enhancing its cooperation with the Public Councils since 2005 through partaking in the Council meetings and otherwise (EBA Public Council 2011). The EBA holds an important place in the functioning of the Councils. So, it was invited to perform the role of the Deputy Head of the Public Collegium of the State Customs Service of Ukraine, it chairs the Sectoral Council on Budget that is part of the Public Collegium of the Ministry of Finance of Ukraine, and last but not least, it is 'a member of permanent commission on Consideration of Taxation Bills within the Public Collegium of the State Tax Administration of Ukraine' (Ibid.).

The fifth tool is a set of the Working Groups in other than Ministerial Working Groups. So, to mention a few, the EBA have actively promoted interests of its members in a Joint Working Group within the State Tax Administration (STA), the National Bank (NBU), the State Treasury, and the Ministry of Finance of Ukraine on the issues of Value Added Tax legislation alterations; took part in a Working Group on Investment Promotion and Protection of the Ukraine–EU Subcommittee # 1 on

Trade and Investment under the Ministry of Economy of Ukraine; actively participated in the Expert Group under the National Bank of Ukraine On Development of Regulations On Export and Import of Capital, was part of the Steering Committee of the TACIS Bistro Project/2004/084-670 Combating Counterfeits Plant Protection Project, and many more (EBA Services 2009).

And lastly, the EBA is a member of the Board at the Ukrainian Union of Small, Medium, and Privatised Enterprises and also the Supervisory Board of the Ukrainian Centre for Investment Promotion (UCFIP). The latter was founded by the Government of Ukraine in August 2005 'to promote foreign direct investment in Ukraine through providing a range of services to existing and potential foreign investors' (EBA Lobbying 2010). They identify investment opportunities; offer information on site locations, vendors, service providers, local and regional resources; access to databases on investment proposals etc.' (Ibid.). The UCFIP is registered as 'an autonomous non-profit agency under the Ministry of Economy governed by a director and an external steering committee consisting of public and private sector representatives' (Ibid.).

Indirect channels of interests' communication and general lobbying strategies of the EBA (i.e. networking, socialising and communication at multiple EBA events and beyond the latter) aside, *all* individual member companies can request lobbying on their behalf. They can fill forms online where they can state a problem they are having with certain legislation that restricts or otherwise hinders their business activities, list a Law or Legal Act that regulates a certain activity and also list other EBA-member companies affected by all the above. Companies are also given an opportunity to mention a specific authority they consider needed to be contacted (e.g. the President, the Cabinet of Ministers, etc.), address a competent EBA Committee or a Working Group that deals with a given class of issues as well as one of the regional branches of the EBA and suggest a preferred lobbying tool if they will to do so (EBA Lobbying Club Form 2010). The Association via its Committees and Lobbying Tools in turn guarantees its full support and assistance in removal or lessening of the above-mentioned "hindrances". During the period between 19 January 2006 and 13 April 2011, there have been 34 cases of successful lobbying by the EBA and progress on further 15 cases has been achieved (EBA Lobbying Successes 2011). My research shows that all the above have occurred between 12 June 2009 and 13 April 2011 (Ibid.) i.e. began during

the second premiership of Tymoshenko under Yushchenko's presidency. Interestingly enough since 2009 the number of lobbying successes has been growing and between April 2011 and March 2013 there has been 37 more such cases. All of the mentioned lobbying attempts were aimed at reduction of state control over economic activity and marketisation alike. The cases included simplification of import and export procedures (relaxed registration, simplified customs clearance, etc.), harmonisation of regulations with those of the EU in IT and electronics sector, revoking of medication advertising ban, creation of the State Land Cadastre in preparation for land privatisation, simplification of market entry for pharmaceutical and insurance companies from the EU, and more (Ibid.). Prior to mid-2009, the Association's engagement with Ukrainian government was more indirect although rather active. The EBA representatives were invited to partake in conferences, presentations, and roundtables concerning both progress and future strategies of different sectors of economy. It was only in 2009, however, that the recommendations of the lobby were *directly* transformed into legislation that involves harmonisation of legislation with that of the EU in all the areas of the EBA Committees' work (EBA Structure 2011). Moreover, as my research shows, since 2009 until present there have been an acceleration in cooperation between the EBA and Ukraine's legislators as the growing number of lobbying successes show. However, those successes have been confined to the sectors of economy where import/export links already exist and need to be re-regulated and thus transnationalised i.e. insurance services, consumer goods and electronics specifically, pharmaceuticals, etc. In the energy and heavy industrial sectors, however, both protectionism and preferential treatment of oligarchic FIGs as I will show later in this Chapter are still present.

The US policy lobby and interest groups in Ukraine

The US capital in Ukraine is represented by three lobby and interest groups – the American Chamber of Commerce (ACC, branch of the international ACC that in its turn is part of the International Chamber of Commerce discussed above), the US-Ukraine Business Council (USUBC), and the Centre for US-Ukraine Relations (CUSUR). Although they all are present interests of the US capital in Ukraine and are involved in lobbying business interests, and both corporate and individual co-optation, they were initiated by three different sets of forces. The ACC entry of the Ukrainian

market was an extension of the global network of the Chamber's branches. The USUBC is a joint initiative of the US government and capital, and the CUSUR was an initiative of the Ukrainian Americans diaspora - associations such as the Ukrainian Congress Committee of America and their US Congress policy group, the Ukrainian Congressional Caucus. The three saw both a dramatic increase in both the Ukrainian member companies membership since 1999 (especially 2004) and acceleration of cooperation with the President and the government since 2005 when Yushchenko, the pro-US president whose wife is from the US Ukrainian diaspora, and Tymoshenko assumed office in the two institutions respectively. I will now discuss the above three lobby and interest groups in detail.

The American Chamber of Commerce (ACC/AmCham)

The American Chamber of Commerce is an influential corporate lobbying agent in both the EU and Ukraine with its International Division comprised of 112 Chambers in over 100 countries (ACC Abroad 2011). The organisation has been 'fighting for your business' since 1912 and is currently the largest non-profit organisation in the world with '3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations' (ACC History 2011). In the USA, the Chamber is also deeply involved in shaping the legal sphere via two bodies: the Institute for Legal Reform and the National Chamber Litigations Centre (the latter is an in-house law firm; ACC Legal Reform 2011). Activities of the above organisations are not limited to collaboration with businesses in the USA and target countries and lobbying their interests both locally and internationally. The AmCham is a very active organization in terms of strategies of co-optation into neoliberal marketisation aimed at ruling, capitalist, and managerial classes alike. So, during 2010 alone it 'hosted more than 2,500 programs, meetings, seminars, and forums with various participants, including members of the Obama administration, members of Congress, and dozens of international leaders' (ACC History 2011). The Chamber also works with a 'growing network of grassroots business activists where it makes a tremendous impact educating voters, turning out the business vote, and advancing legislation on Capitol Hill' (Ibid.). Numerous social events are held for and by the members of the Chamber annually that are aimed at improving networking among its members by bringing businesses together and spreading the common system of ideals and values (ACC Events 2011).

Moreover, the Centre for International Private Enterprise (CIPE) that functions under the auspices of the Chamber essentially serves as a bridge agency between the US Congress and Ukraine's authorities by proxy of the ACC. The Centre is run by the Chamber but is in fact one of the four programs of the National Endowment for Democracy (NED) that is funded by the US Congress. NED in its turn is an institution 'dedicated to the growth and strengthening of democratic institutions around the world' i.e. it is dedicated to institutionalisation of the Washington Consensus around the world (NED About 2011). Since its foundation in 1983 the CIPE has been in close collaboration with ‘business leaders, policy-makers, and journalists [they were building] the civic institutions vital to a democratic society’ (CIPE Background 2011) through a variety of programs that include ‘anti-corruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal sector and property rights, and women and youth’ (Ibid.).

In the early 1970s the EU Committee of the American Chamber of Commerce was established in the EU capital. In their extensive study of lobby groups in Brussels, the Corporate European Observatory think tank referred to AmCham’s presence as being initially ‘somewhat sleepy’ (Balanya 2003, p.45). However, less than a decade after being established, the organisation underwent a major revival and became ‘one of the first industry lobby groups to systematically monitor and influence European Commission policy making’ (Ibid.). The migration of the AmCham to Western Europe, its initial ‘sleepiness’ and subsequent revival can be explained once located within a wider context of global political economy. The dissolution of the Bretton Woods' financial architecture, industrial revival of both Japan and Western Europe, oil crises of the 1970s – all contributed to the need for the US business to seek direct representation via business platforms around the world. Emergence of a vast market to the east of the EU border attracted the interest of the ACC too. However, unlike the ERT and UNICE which worked their way into the Eastern and Central European markets by both lobbying the European Commission and working locally in the new market-orientated economies and despite being a part of the International Chamber of Commerce, the ACC chose to represent the US capital worldwide directly. Although, they sustain close cooperation with their EU counterparts as will be shown shortly.

The Chamber began its operation in Ukraine in 1992 and is structurally a part of the Europe & Eurasia section of the International Division of the American mother

organisation (ACC Europe&Asia 2011). The decision to establish a branch of the US Chamber of Commerce in Ukraine was made at the meeting called by then the Ambassador of the USA to Ukraine Roman Popadyuk (ACC History 2011). The latter himself has Ukrainian roots and can be referred to as one of the so-called 'Galician cousins' (Pond 2002, p. 146) who helped set up the first Joint Stock companies in Ukraine the late 1980s-early 1990s (see Pekhnyk 27, pp. 42-44 and Chapter 3 for details). The initial goal of the ACC in Ukraine was defined as 'to gather the international business community and provide them with a networking and informational platform' (ACC History 2011) however the range of goals and programs of the organization has vastly grown since then.

The first Executive director and the first President of the Chamber became Mr. Ihor Figlus and Mr. Bohdan Kupych respectively (Ibid.). Both Figlus and Kupych are like Popadyuk of Ukrainian descent and before 1992 have already made successful careers in the corporate world of the USA as a financial analyst and an ITS General manager respectively (Figlus 2012; Kupych 2012). By 1998, when Jorge Zukoski took over from Popadyuk, the ACC-UA had some 150 member-companies with chiefly American capital (ACC History 2011). In the aftermath of the Rouble crisis of 1998, a decision was taken to allow non-American companies become members of the ACC-UA. Such change to the Chamber's membership criteria was an ambitious attempt to turn the latter into 'an umbrella organization representing the interests of the international business community operating in Ukraine while at the same time helping to establish a culture of western style lobbying' (Ibid). The Chamber is a self-proclaimed 'apolitical organization [that] does not endorse or align with any single political party or personality but instead strives to work across party lines for the benefit of the internationally oriented business community and ultimately the Ukrainian economy' (Ibid.). One particular feature of the ACC-UA as a lobby group is that it does not limit its activity to advocating its members' interests to the government of Ukraine but 'also to all other governments, which are economic partners of Ukraine, on matters of trade, commerce, and economic reform' (Ibid.). In the latter instance, the international connections and representations of the Chamber in over 50 countries around the globe make lobbying for members extremely effective.

The ACC-UA is 'an active and engaged Member' of a number of committees in the Ukraine's government dedicated to investment and investors. Those are: the

Investors Council under the Prime Minister of Ukraine (along with the EBA), the Foreign Investment Advisory Council under the President of Ukraine, and the Working Groups under the auspices of both organizations (Ibid.). It also serves as 'a proactive Member' of a number of the Public Councils, the Expert Groups within the Ukrainian Ministries, the State Committees and Committees of the Ukrainian Parliament (Ibid.). The Chamber keeps close ties both with the US government and its representatives in Ukraine and with the EU authorities in Brussels and their Mission in Kyiv. In June of 2008, for example, they have proudly supported and hosted the first visit to the independent Ukraine of the US Secretary of Commerce Carlos Guttierez. The latter met with both the Board of Directors and the Membership of the ACC-UA and have addressed the above 'highlighting the commitment of Washington D.C. to the business community operating in Ukraine' (Ibid) i.e. a commitment to co-optation of the Ukraine's ruling, capitalist, and managerial classes into the Washington Consensus. The Chamber coordinates strategies with their sister organization in Brussels as well as with the 'relevant departments and individuals within the European Commission working to positively influence EU policy that impacts Ukraine' (Ibid.).

The goal of the Chamber as a voice of its members is in channelling neoliberal marketisation and transnationalisation into Ukraine. Namely the ACC aims 'to operate and conduct business in accordance with the law of the land and to accept certain guiding principles based on U.S. and Western business practices as a preferred code of conduct' (ACC Code of Conduct 2011). The code consists of the following guidelines:

1. 'Members will make every effort to comply with the laws of Ukraine to which they are subject.
2. 'Members will avoid knowingly assisting any third party in violating any law of Ukraine.
3. 'Members will not knowingly pay or receive bribes or participate in any other unethical, fraudulent, or corrupt practice.
4. 'Members will endeavour to honour all business obligations and commitments that they undertake with professionalism and integrity.
5. 'Members will keep business records in a manner that properly reflects the true nature of their business transactions and activities.
6. 'Members will ensure that their management and supervisors are familiar with applicable labour laws and corporate policies and will take responsibility for preventing and detecting violations in the course of their business operations.
7. '[All member companies and their affiliates are encouraged] to adhere to the provisions of the Foreign Corrupt Practices Act of the United States' (Ibid.).

Strict compliance with the law and the codes of conduct is certainly to be advocated however it is the law and the codes that institutionalise transnationalisation of Ukraine's state and economy.

The mission of the organization is manifold and includes bringing together the 'leading organisations of Ukraine', provision of an 'effective platform for networking, information sharing and achieving common goals', advocacy and support for 'a business environment governed by the fair and transparent application of the rule of law to enable private enterprises to flourish', and facilitation of 'access to information, resources, contacts and business support services to facilitate new investment' (ACC Mission and Vision 2011). The ACC-UA also seeks to establish itself as the 'leading voice of the internationally oriented business community in Ukraine', an interlocutor of the latter to the authorities of Ukraine and an irreplaceable partner to that community (Ibid.). For that purpose the ACC established a number of Committees and Working Groups. The former include the Agricultural, the Banking and Finance, the Customs, the Food and Beverage, the Fuel and Energy, the Healthcare, the Human Resources, the ICT, and the Tax Committees. As for the Working Groups, by 2011 7 were established and functioned as a taskforce for the ACC-UA. They are: Business Management and Education Training (BMET), Certification and Standards, Genetically Modified Organisms (GMOs; active since December 2009), Illegal Corporate Raiding (mid 2006), Joint Stock Companies (1 February 2007), Seeds (early 2008), and Waste Package Management (late 2006; ACC Working Groups 2011). In addition to the above, in 2011 the ACC-UA run and promoted 4 Projects that were: (1) the Chamber Educational Project; (2) Euro-2012; Coalition for Innovation, Employment and Development (CIED), and the Coalition against Counterfeiting and Piracy (CACP). Both the Working Groups, the Projects, and the Committees functions and goals are continuously updated to correspond the changing interest of its members as well as the changing economic and political dynamics in Ukraine and globally as can is evidenced by the EURO-2012, Corporate Raiding, and Counterfeiting issues among other.

The US-Ukraine Business Council (USUBC)

The USUBC is an initiative supported by both the US government and business and by 2012 had 203 member companies from the US, the EU, and Ukraine. It is 'a [501(c)6] private, non-profit trade association representing the interests of US businesses active in Ukraine' (USUBC 2011). The Council is based in Washington, DC,

and focuses on promotion of ‘US and Ukrainian commercial ties through regular interactions with US and Ukrainian business and government leaders, and through the analysis and advocacy of key policy issues impacting US businesses and the future of US-Ukrainian relations’ (Ibid.). Established in October 1995, ‘to advance U.S. companies' trade and investment interests in Ukraine's significant emerging market, advocate for measures to improve conditions for bilateral trade and investment, and generally promote strong, friendly bilateral ties’ (USUBC 2011), it has unmistakably done so ever since. In order to implement their mission, the Council aims to

‘(1) Assure that the U.S. business viewpoint is known and given highest consideration in the formulation of U.S. Government policies towards Ukraine;

(2) Assure that the U.S. business perspective, including the U.S. business community's desire to contribute constructively to Ukraine's vigorous market development, is understood within the Ukrainian public and private sectors;

(3) Make U.S. business views known to the Government and private sector of Ukraine with respect to policies and legal, regulatory and other matters which bear significantly upon the willingness or ability of U.S. companies to trade with or invest in Ukraine.

(4) Facilitate direct contacts between its members and senior Ukrainian Government and business leaders which foster the elimination of impediments to trade or investment or which otherwise can materially assist the realization of investment or trade opportunities (USUBC Mission 2011).

The legal status of the USUBC as an organisation allows a lot of flexibility in sourcing finances as well as in political and economic activities thus making a body of low social accountability and state control. It is legally defined as an ‘association[s] of persons having a common business interest, whose purpose is to promote the common business interest and not to engage in a regular business of a kind ordinarily carried on for profit. Its activities are directed to the improvement of business conditions of one or more lines of business rather than the performance of particular services for individual persons’ (Reily, Hull and Allen 2003, p.3). Qualifying association’s members must share a common “business interest” where “business” is used in a broad sense of the word and includes ‘everything about which a person can be employed.’ (Ibid., p. 8). Associations can be funded by essentially anyone without restrictions since they ‘may receive a substantial portion or even the primary part of its income from non-member sources’ (Ibid., p. 14). However, ‘membership support, both in the form of dues and involvement in the organization's activities, must be at a meaningful level’ (Ibid.). They must work aiming at improvement of business climate for one or more ‘lines of business’ by which ‘a trade or occupation, entry into which is not restricted by a patent,

trademark, or other means that allow private parties to restrict the right to engage in the business' is meant (Ibid., p. 23). They may engage in 'an unlimited amount of lobbying, provided that the lobbying is related to the organization's [tax] exempt purpose' (Reiley and Allen 2003, p. 2). The USUBC 'may generally make expenditures for political campaign activities if such activities (and other activities not furthering its exempt purposes) do not constitute the organization's primary activity' (Ibid., p. 3).

According to the Bylaws of the Council, its Members 'shall comprise United States Companies, associations and other entities which endorse and support the mission of the Corporation which, broadly stated, is the promotion of strong United States investment and trade ties with Ukraine' (USUBC Bylaws Article II, Section 2.01). Members are divided into three classes: (1) Regular, (2) Associate, and (3) Honorary (Ibid., Article II, section 2.02). Also, qualifying associations 'may engage in political campaigns on behalf of or in opposition to candidates for public office provided that such intervention does not constitute the organization's primary activity' (USUBC By-Laws 2011). All Regular Members are represented on the Board of Directors – the highest policy-making body in the Council; the Board meets on annual basis at minimum (USUBC Mission 2011). On all other instances the elected Executive Committee is responsible for the running of the Council where the CEO of the Council is the President who works jointly with the Secretary/Treasurer (Ibid.).

The primary agenda of the USUBC includes eleven general 'key issues'. The main key issues identified are: Aerospace and Defence Industry, Agriculture/Agribusiness, Airline Safety, Customs, Economic Data and Analysis, Energy, Intellectual Property Right (IPR), the USA Presidential Administration, the IMF, the Pipeline Policy in Eurasia, and General Key Issues (USUBC Key Issues 2011). The Council hosts and otherwise organises frequent events with agendas ranging from doing business in Ukraine and overcoming legal obstacles to investment to book launches for Ukrainian authors and exhibitions for Ukrainian artists both in Ukraine and the USA (USUBC Upcoming Programs/Meetings 2011). In addition to the standing key issues and activities the USUBC organise ad hoc events to address political and economic issues as they emerge. So, in 2009 a conference to address the impact of the global financial crisis was organised n Kyiv under the title 'The First Annual International Forum on the Economic Development of Ukraine: The Impact of the Global Liquidity Crisis and the Road to Economic Recovery' (USUBC Economic

Development Forum Ukraine 2011). The forum was held on 15 October 2009 in Washington, DC and included the ex-ambassador of the USA to Ukraine William B. Taylor, Jr. (Vice President, Peace and Stability Operations, U.S. States Institute of Peace (USIP), US Support to Global Economic Recovery and to Ukraine), Bohdan Danylyshyn (Minister of Economy of Ukraine), Hryhoriy Nemyria (Vice Prime Minister of Ukraine), delegates from the Heritage Foundation, SigmaBlayzer, and many more (USUBC Economic Development Forum 2009). The event was planned as an annual occurrence however has not taken place since October 2009 (Ibid.).

In addition to various forums and conferences, the Council regularly publishes a newsletter called the Action Ukraine Report that between 2003 (launch year) and 2010 has released over 950 issues. The report sums up the Council's aim as: 'Working to Secure & Enhance Ukraine's Independent, Strong, Democratic, and Prosperous Future', and the newsletter itself is 'a Free, Private, Not-For-Profit, Independent, Public Service Newsletter' where 'Articles are Distributed For Information, Research, Education, Academic, Discussion and Personal Purposes Only' (USUBC Action Report Ukraine 2011).

The Centre for US-Ukraine Relations (CUSUR)

The Centre of US-Ukraine Relations was founded in 2005 however its formation was an ad hoc necessity that arose as a result of some six years of intensive cooperation between political bodies and social organisations of the countries. The history of the CUSUR commenced in December 1999 with a clear statement issued by the Presidential Administration and the Verkhovna Rada when both 'took clear steps to indicate a serious interest in pursuing a course of "eventual integration into the structures of the Euro-Atlantic world"' (CUSUR History 2011). The latter was reciprocated by the Secretary of State at a time, Madeline Albright in her speech given at Johns Hopkins University in January 2000 where she referred to Ukraine as 'one of the four key countries with whom the US had to deepen bilateral economic and security relations' (Ibid.). The bilateral intention was confirmed in on 14 April 2000 during official visit of Albright to Kyiv (Ibid.). In a US-Ukraine Foreign Ministers Press Availability, Albright and Borys Tarasyuk (Minister for Foreign Affairs of Ukraine at a time) claimed that 'the United States will help Ukraine's reformers in every way' acknowledging the forthcoming difficulties of reform implementation and that 'the strategic partnership between Ukraine and the U.S. is confirmed' respectively (Ibid.).

Tarasyuk also added that mutual understanding was achieved in all of the issues on the agenda of the series of meetings held that day with Albright, namely: ‘the issue of cooperation in the United Nations Security Council, the issue of the Chernobyl nuclear power plant, OSCE, the World Trade Organization, Ukraine's cooperation with the European Union, reform of the energy sector, and, in this context, the Ukrainian route for Caspian oil’ (Ibid.). The above have signified a new page in US-Ukraine relationship which was and still is marked by intensification of dialogue on various levels, increased volume of official and unofficial visits of politicians, organisaiton of for a, roundtables, exchange programmes for professionals, students of various age, etc. The most prominent of the numbered were the visits and announcement of support for bilateral initiatives by US Presidents. First Bill Clinton in a public address during his half-day visit to Kyiv on 5 June 2000 (the first time US president visited Ukraine since its independence) supported Ukraine’s western aspirations and pledged USA support in the course of reform (Ibid.). And then George W. Bush during his inaugural visit to Europe has seconded his predecessor in the joint statement with Kwasniewski saying that both ‘Poland and the United States [reaffirmed] their support for future Ukrainian integration into Western institutions as a solid base for Ukrainian sovereignty, independence, free market economy and civil society’ (Ibid.). Although it must be noted that the US-Ukraine relations have suffered since Yanukovych became president as I mentioned earlier and will again address later in this Chapter.

The rapprochement described above was met with enthusiasm by the Ukrainian American community represented in the USA i.e. the 'Galician cousins' by numerous social and political organisations with the Ukrainian Congress Committee of America (UCCA) being the oldest, the most influential and overarching. The community’s associations coalesced in April 2000 and have agreed 'to stage a conference that would bring together prominent representatives from academia and the governments of Ukraine and the United States to assess Ukraine's prospects for fuller ties to the Euro-Atlantic world in general and stronger bilateral relations with the US in particular’ (Ibid.). It was also decided to attract four sources of support and promotion to assist the project materialization (Ibid.). Firstly, the Ukrainian Congressional Caucus was called to generate political backing in the USA (Ibid.). Secondly, the Embassy of Ukraine to the USA was asked to ‘garner political support in Ukraine’ (Ibid.). Thirdly, ‘major American universities, think tanks, and NGOs were invited to serve as sponsors—to

lend their good names and supply important contacts' (Ibid.). And last but not least, some of largest 'commercial institutions were invited to serve as patrons—to provide the necessary financial wherewithal' (Ibid.). The first success of the joint effort of the several from the above was the 'Ukraine's Quest for Mature Nation Statehood: A Roundtable' in Washington, DC. The attendees and sponsors list was impressive: Paul Wolfowitz, Borys Tarasyuk, Andres Aslund, Zbigniew Brzezinski, to mention a few (CUSUR Roundtable Series 2011).

Following the success of the Roundtable, the round two was held in November 2000 where it was decided to meet annually. The RTs '[have] now reassembled ten times, to convene Roundtable II [Taking Measure of a US-Ukraine Strategic Partnership] in October 2001, Roundtable III [Ukraine and the Euro-Atlantic Community] in Oct. 2002, Roundtable IV [Ukraine's Transition to a Developed Market Economy] in Oct. 2003, Roundtable V [Ukraine's Transition to a Stable Democratic Polity] in September 2004, Roundtable VI [Ukraine's Transition to an Established National Identity] in Sept. 2005, Roundtable VII [Ukraine and NATO Membership] in Oct. 2006, Roundtable VIII [Ukraine-EU Relations] in Oct. 2007, Roundtable IX [Ukraine's Regional Commitments] in Oct. 2008, Roundtable X [Ukraine's Bilateral Relations/US-Ukraine & Canada-Ukraine] in Oct. 2009 and Roundtable XI [Ukraine's Bilateral Relations/Germany-Ukraine & Russia-Ukraine] in Oct. 2010' (USUBC Roundtable Series 2011). After the RT4, business-to-business networking conventions were included into the proceedings of the usual RTs. Later they were formalized into the US-UA Business Network Forum and extended initiatives to establish 'the US-UA Security Dialogue Series, US-UA Energy Dialogue Series and the highly regarded UA Historical Encounters Series' (Ibid.).

By 2005 collaboration forums and projects became abundant however uncoordinated. In order to address the latter issue the organisers agreed to form an 'entity capable of systematizing and, when deemed appropriate, expanding the Roundtable format' i.e. the Centre for US-Ukraine Relations (Ibid.). The Centre became an organisation that deals with a variety of issues through both occasional meetings and forums and special working groups and committees that function on permanent basis and serve as linking mediums and preparatory platforms for RTs.

According to the CUSUR website the main objective of the Centre is 'to provide a set of "informational platforms" or venues for senior-level representatives of the

political, economic, security and diplomatic establishments of the United States and Ukraine to exchange views on a wide range of issues of mutual interest and to showcase what has been referred to as a "burgeoning relationship of notable geopolitical import" between the two nations' (CUSUR Mission 2011, p. 2). By 2011 there were five of the abovementioned platforms that convene on annual basis on issues that include: the UA Quest Roundtable Series, the UA Historical Encounters Series, the US-UA Security Dialogue Series, the UA-US Business Networking Forum Series and the US-UA Energy Dialogue Series (CUSUR 2011). The RTs are planned to address the highest number of areas and problems in both actual and potential collaboration processes. One more series of conferences is planned to be held in multiple EU and Ukraine locations in a series on Ukraine's Euro-Atlantic Future (CUSUR Mission 2011, p. 1) that aims to guarantee the US security interests protection in the EU-Russia buffer zone. It aims to supervise the wider EU and NATO accession ambitions of Ukraine or 'monitor the pace of Ukraine's NATO and EU accession process, though obviously in the context of the stated US-Ukrainian partnership' (Ibid.). The CUSUR also plan to publish the proceedings of the forums as well as establish the 'Journal of Ukrainian Affairs' that would bi-annually bring together analyses about Ukraine (Ibid.). The final ambition of the Centre is to found a US-UA Working Group that would include 20 government and non-government experts from both the US and Ukraine.

A separate mention must be made about the Ukrainian Central Information Service (UCIS). The Service functioned as an 'administrative midwife' in the formation of the CUSUR as well as the numerous meetings and RTs (CUSUR Mission 2011, p. 2). The UCIS was founded by the Ukrainian American Freedom Foundation (one of the initiators of creation of the CUSUR) over 20 years ago and has since served as an active architect of various US-Ukraine programs that further deepen processes of neoliberal co-optation by extending education in the 'western/democratic' values and vision beyond corporate activities and codes of behaviour. Some of the most successful of the latter include: (1) The Ukrainian Helsinki Group Informational Newsletter Project (1987-1989) that ensures promotion of the 'normalised' vision on human rights in Ukraine's, (2) The Living History of Ukraine Project (1988-1992) that reflects the vision of Ukrainian American diaspora and their experiences both in Ukraine and their current domicile, the USA; (3) the NGOs of Ukraine Visitors' Program (1993-1996) that involve education of the NGO employees in Ukraine in the workings of the NGOs in

the USA, and (4) The National Democratic Rada Deputies Visitors' Program (1994-2001) that deals with education of the people's deputies of Ukraine in performing parliamentary functions; and The Ukrainian Leadership Program Initiative (2001-2004; Ibid.).

In the light of the multiple coordinated efforts of the EU and the US capital in Ukraine it can be expected that the share of their companies on the Ukrainian market shall be substantial in term of both volume of capital investment, and revenue. However, as I will show next, the analysis of the top 100 companies on the Ukrainian market shows that the largest companies by volume of revenue, assets, returns on sales, and the number of employees are in fact Ukrainian.

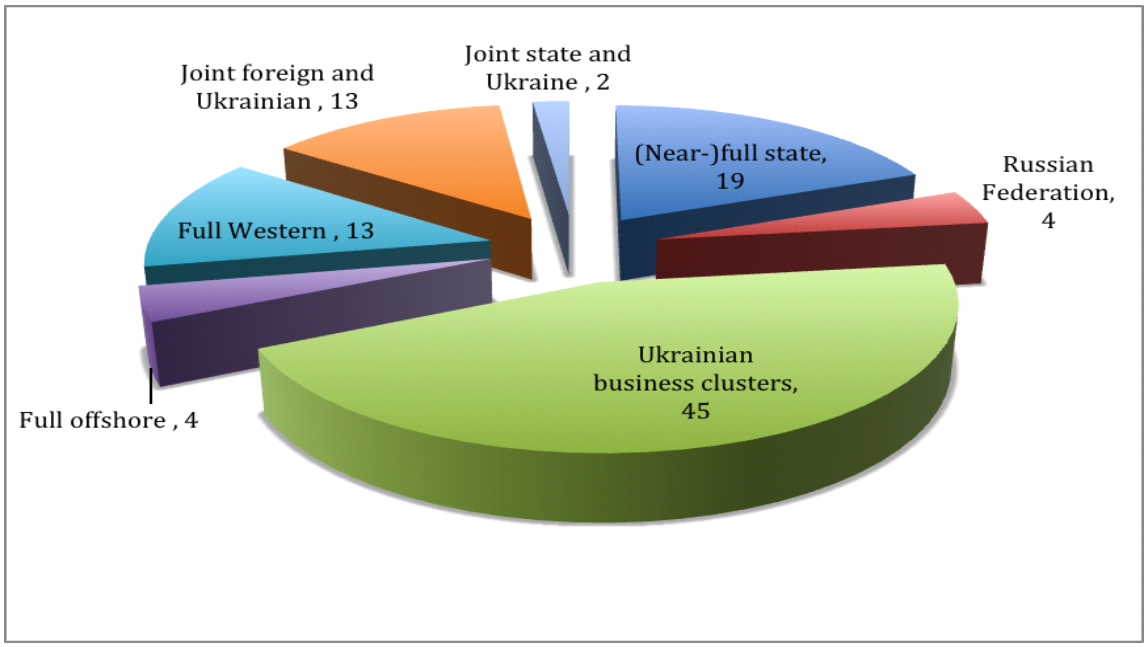
The top 100 most profitable companies on Ukraine's market: concentration of capital in oligarchic FIGs

In this section I present my analysis of the largest companies on the Ukraine's market in 2010 based on top 100 enterprises rating according to the *InvestGazeta* business and investment magazine (see Appendix 9 for the rating list) and information available at the individual companies' websites. The *InvestGazeta* rating includes companies with annual revenue of UAH 10 million and over (level of indebtedness taken into account) in visible assets only. Additional criteria taken into account are as follows: pricing of company shares owned by persons, real estate, and income (outflow) of capital from sale (purchase) of assets at the time of evaluation. In cases where property was (co)owned by family members, cumulative assets estimate was calculated. In cases where two or more persons belonged to the same business group with a complex system of property distribution, the estimate is calculated on the basis of direct participation in the main company/companies of the group in question. Open JS companies had their assets estimated on the basis of capitalization level as of 15 March, 2010. Closed JS companies had their estimate measured by a method of comparison with similar companies that have their shares on stock exchanges of the CIS and Central and Eastern Europe. Foreign assets of the companies were included only in the cases where information was publicly accessible and reliable. Estimates of construction companies were based on the value of finished construction objects in their ownership. Companies on a verge of bankruptcy were not considered. Personal wealth and savings

as well as companies and property ownership of which was being disputed during the rating compilation were not taken into account either.

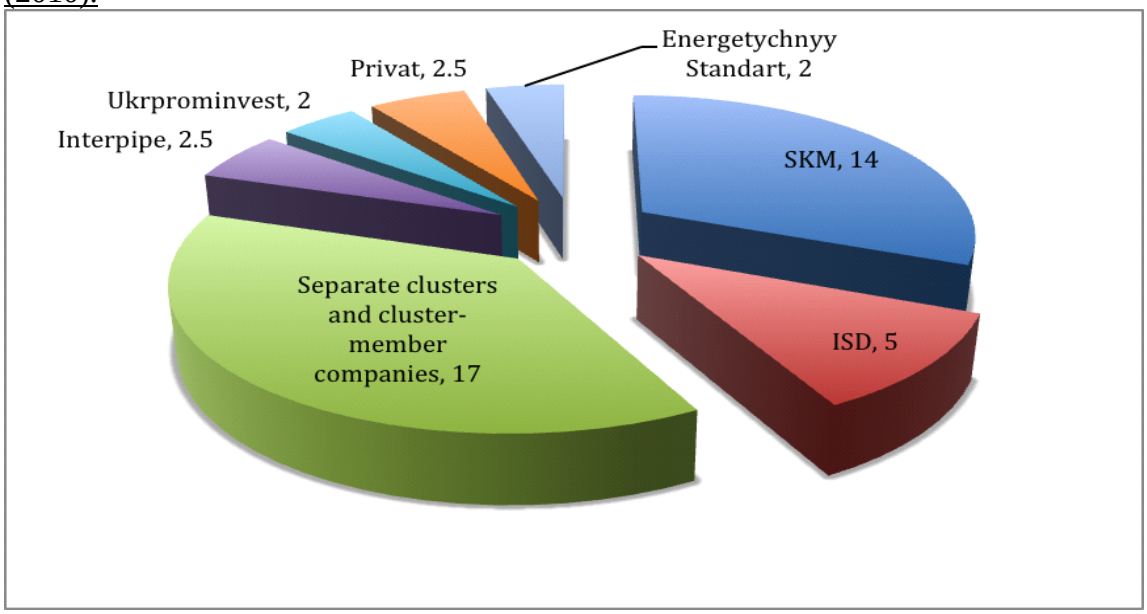
In Figures 5.5 and 5.6 I present visualisation of my analysis of the rating data, which I grouped according to the type of ownership and the countries of companies' origin. In Figure 5.6 I visualised the rating data by principle of individual companies' belonging to corporate clusters. As it can be seen in Figure 5.5, only 17 companies are of western or Russian - 13 and 4 respectively – origin. The western companies are from India (1), Germany (2), USA (4), Japan (1), Netherlands (1), Switzerland (2), UK (1), and France (1). The Indian Arcelor Mittal is included in the 'western' category for two reasons. First, Arcelor Mittal is subject to the same rules and procedures in Ukraine as all foreign TNCs are unless otherwise specified in the sale contract. Second, I decided to divide the foreign companies on the Ukrainian market into 'western' and 'Russian' due to Ukraine being a zone of conflicting interests of the US, the EU, and the transnational(-ising) capitalist class) and Russia's state-run oligarchy (Balmaceda 2000; 2008). The rest are Ukrainian with 45 companies belonging to Ukrainian business clusters, 13 companies being of joint foreign and Ukrainian ownership, 2 of joint Ukrainian state and private ownership, and 19 of (near) full Ukrainian state ownership. High profitability of the state and joint state-privately owned companies makes them highly attractive in the process of accumulation by concentration, as I will show shortly. Analysis of the companies registered in offshore i.e. Cyprus, offers even more peculiar results. The four companies registered in Cyprus are: SCM, Privat Group, Interpipe, and ISD i.e. the largest corporate clusters in Ukraine as I show in Figure 5.6.

Figure 5.5. Top 100 companies in Ukraine's market (2010) as per type and country of ownership.



Source: Compiled by the author on the basis of the top-100 largest companies in Ukrainian market rating (version of *InvestGazeta*, 30 Nov 2009) and the information available at the individual enterprises' websites. For the full rating of companies.

Figure 5.6. Ukrainian business groups' corporate clusters share in top100 by numbers (2010).



Source: Compiled by the author on the basis of the top-100 largest companies in Ukraine market rating (version of *InvestGazeta*, 3 Nov 2009) and the information available at the individual enterprises' websites.

As I show in Figure 5.6, in 2010 out of 45 companies in the top 100 rating, 14 were owned the SCM of Akhmetov, 5 by ISD of Taruta and Mkrtchan, 2 by Interpipe of Pinchuk, 2 by Privat group of Kolomoys'kyy and Boholyubov, and 1 co-owned by Interpipe and Privat. Therefore 24 companies – nearly a quarter of the 100 largest companies – are owned by 4 (!) FIGs all of which are registered in offshore. That is to say that the largest FIGs on Ukraine's market are owned by Ukrainians while are registered in offshore. Such corporate organisation guarantees their access to transnational(-ing) mechanisms of capital accumulation and reduced state capital controls. Moreover, by 2010 the last obstacles to concentration of power and capital in the hands of the Donets'k capitalist class were removed. With Yanukovych elected president and legislative and executive branches of power in control, the "black holes" in Ukraine's economy used for oligarchic enrichment could be further expanded (Yurchenko 2013). Since the parliamentary election of 2007, the Party of Regions is one of the most numerous political parties of Ukraine and has representative branches in all 17 administrative regions of the country with some 11600 regional organisations. At present, the Party of Regions is the most numerous faction in the Verkhovna Rada which until October 2012 held 42% of the parliamentary seats as discussed in Chapter 4. That secured productive lobbying and adoption of legislation that favoured the Party and its sponsors. In addition, in their annual analysis of the most influential people in the country in 2011, *Focus* magazine have documented an unprecedented number (67 out of 200) of the same political party affiliates – the Party of Regions. By August 2012, according to the annual rating of *Korrespondent* magazine 9 out of 10 most influential people in the country were members of the Party of Regions, 37 out of 100 most influential people are also on in the top 100 richest oligarchs that includes the son of president Yanukovych, Oleksandr, began to appear in the rating soon after his father assumed office (*Korrespondent* 31 August 2012). Rinat Akhmetov's documented revenue, for example, in 2011 alone – a year of economic crisis in the country – increased from $17,8 billion to $25,6 billion most of which still remains untaxed (*Korrespondent* 9 June 2011).

At the moment Ukraine's economy is witnessing both political and economic inward orientated movement. In the first instance, political opposition leaders prosecution most prominently manifest in imprisonment of Tymoshenko and Lutsenko and the continuously deteriorating stalemate in negotiations with the EU, IMF, and

USA resulted in an undeclared diplomatic isolation of the ruling forces of Ukraine i.e. the Party of Regions, Yanukovych, and his administration. The second manifests itself in the mass privatisation and restructuring of the energy sector. Privatisation auctions remain a burning issue due to the lack of transparency, underpricing, and preferential treatment for Donets'k fraction of oligarchic capital. The most demonstrative example of the above is the recent privatisation of gas distribution SOEs where Gaztek and Finleks Ukraina associated with Firtash purchased 14 of 18 auctioned companies and that I discussed in Chapter 4.

The wave of tax reforms, increasing neoliberalisation of economy including talks of new SEZs creation (*ePravda* 4 Sept 2012), a wave of the currently ongoing privatisation of energy generation and supply sector, as well as the restructuring of the latter so as to create market for oligarchic FIGs e.g. switchover of Thermal Power Stations to domestically produced coal from imported gas as fuel, all signal about the increasing inward reorientation of economy as well as indicate a promise of a further aggravation of the socio-economic disparities. Political prosecution of the opposition leaders – Tymoshenko and Lutsenko - or counter-forces to the dominant Donets'k capital for itself, leave little room for political regime change. However, at the same time and due to their essential authoritarianism, usurpatory policies of Yanukovych and the Party of Regions already generate socio-political dissatisfaction in the country and condemnation from abroad that in the light of the Parliamentary election of October 2012 can generate dramatic shifts in the balance of power in Ukraine and potentially roll back the destructive effects of the "black holes" in the economy. However, whether they will be eliminated or replaced or complemented by new ones remains to be seen.

Conclusion

In this Chapter I analysed the platforms of hegemonic co-optation All the four groups work in different ways and by various media discussed however they share one common feature – they all are platforms of co-optation into the hegemonic discipline of transnational(-ising) capital with the neoliberal marketisation and consumerism as their ideological foundation. Starting with the American Chamber of Commerce in 1992 and ending with the EBA in 1999, they entered the Ukrainian market with common goals of neoliberalising Ukraine's economy and effectively transnationalising the Ukraine's state. Through advocating neoliberal market ideology, co-optation of the local capitalist

and ruling class and class fractions the process of *trasformismo* is initiated. Then, the co-opted classes, fractions and agents channel neoliberal market ideology on behalf of the transnational capitalist class in their home countries through political discourse, adoption of internationally accepted – and generated by the transnational capitalist bloc, or the agents of the neoliberal market ideology and culture-ideology of consumerism - codes of conduct (and dress) in their corporations and governmental institutions, codes of behaviours, and even standards of leisure time and media content. And, more importantly, through facilitation of the transnationalisation of the state – directly, in the case with the ruling fractions (e.g. law and decision-making), and indirectly (e.g. lobbying), in the case of the capitalist class fractions. So in Ukraine through active participation of both ruling and capitalist class and bloc members in the policy groups and international institutions their co-optation and trasformismo occurs and they, in their turn, channel the latter into the Ukrainian society thus generating consent to the discipline of capital fundamental for its global hegemony reproduction and in such manner leading the capitalist passive revolution in Ukraine.

Conclusion

In this thesis I utilised the transnational historical materialist theory and methodology to explicate the transformation of Ukraine's economy after the demise of the USSR, examining specifically the period from 1991 to the present. Thus, I explored the ways in which the formation of the capitalist historic bloc, the ascent and agency of the Ukraine's capitalist and ruling class(es), and the agency of transnational capital are the driving forces behind that transformation and its socially destabilising nature. I have shown that social agency is one critical issue in this argument; in that it is the main reason behind the inability to stabilise the social order in Ukraine is the ongoing rivalry in the process of ruling and capitalist class formation.

According to the Deutsche Bank report (1990), Ukraine had the best potential for economic, political, and social growth out of all of the post-Soviet states. 20 years on, however, the reality of Ukraine’s situation is far from those predictions. On a socio-economic level, whilst a quarter of Ukraine’s population lives in poverty, the number of millionaires and billionaires is rapidly increasing with several Ukrainians appearing in the Forbes '500 Richest of the World' list (2010). Simultaneously, Ukraine closely cooperates with international institutions – such as WTO, WB, IMF, and EU - both on state and corporate levels, as well as continuously making attempts at integration with both EU/Western and post-Soviet/Russian geopolitical spaces. The parallel ascent to power of the Donets'k capitalist class fraction-for-itself with their Party of Regions winning a parliamentary majority in the 2007 election and Viktor Yanukovych’s presidency in 2010 has both economically and politically. From the perspective of the transition literature – both the economistic transitology of the 1990s and its more recent critics - Ukraine’s failure to construct a functioning market economy is the fault of broken economic ties with former Soviet republics, corruption, and over-bureaucratisation. However, as I have shown in Chapter 1 of this thesis, transition literature is steeped in the teleology of 'transition to something' that automatically negates potentialities embedded in the (pre)existing structures. It insufficiently, if at all, accounts for social agency – domestic and otherwise - in the process of Ukraine’s politico-economic transformation. In this way transition scholarship fetishises structural manifestations of social agency, which, even when addressed, are treated with a sense of ontological cohesion (i.e. 'clans' and 'elites').

In 2004 when Ukraine's real GDP reached its peak of 12.1% annual growth, a fundamental shift in the balance of ruling forces until then formed primarily of Kuchma's cronies from Dnipropetrovs'k occurred with him leaving office he held for 10 years. By that time, the oligarchic capital mostly from the industry and resource rich regions of Dnipropetrovs'k and Donets'k that formed in the process of privatisation has emerged as a class for itself and actively sought gaining and/or maintaining control over the state both by proxy of political parties, and through direct participation in the political process (Varfolomeev 1998). Effectively they sought continuous preferential access to State-Owned Enterprises (SOEs) privatisation and to embezzlement of the state assets and revenue through creation of virtual spaces of accumulation, or "black holes" (Yurchenko 2013) in the country's economy. The end of Kuchma's regime of nomenklatura cleptocracy opened the door not only to a possibility of political change but also to the intensification of the ongoing capitalist class fraction rivalry on the levels of national economy and the state. The most pronounced and hostile competition occurred between the most influential fractions of Donets'k and Dnipropetrovs'k capital and their Financial Industrial Groups (FIGs) associated with Rinat Akhmetov (System Capital Management) and Taruta and Mkrtchan (Industrial Soyuz Donbas), and Pinchuk (Interpipe Group) and Kolomoyskyy and Boholyubov (Privat Group) respectively. That rivalry, I argue, became the main cause of the protracted post-Orange Revolution political crisis that, among other developments, effectively led to the Party of Regions victory of the Parliamentary election in 2007.

The latter has marked the beginning of the concentration of power and economic leverage in the country by a fraction of the new capitalist class from Donets'k oblast' that was only reinforced when Viktor Yanukovych was elected president in 2010. Now, after 1.5 years of Yanukovych and almost 5 years of the Party of Regions rule the socio-economic situation in the country is getting worse by the day with estimated real GDP annual growth for 2012 set at 3% that is insufficient to compensate for the nominal external debt reduction from 88.2% of GDP in 2009 to 69.8% projected by IMF for 2012 (IMF 6 July 2012). At the same time, Ukraine's relations with foreign partners on both state and business levels are progressively deteriorating also after over a decade of significant progress in cooperation and went from Ukraine's becoming a member the WTO in 2008 to the anti-climax of the pending approval of the Association Agreement

with the EU since 2009-10 until present and even political sanctions threats from the USA (*RT* 23 Sept 2012).

Scholarly analyses of the above vary no less than their subject matter. Many blame the evolutionary unevenness of Ukraine on 'state capture' by firms (Hellman 1889; 2001), by oligarchs (Aslund 2005), and/or by elites/clans (Kovaleva 2007; Kowall und Zimmer 2002; Kuzio 2012) who used personal connections and corruption to achieve economic goals i.e. tax evasion and preferential treatment in privatisation auctions (Kusznir and Pleines, 2006). Some argued that clans and elites went further and facilitated construction of a regime of 'competitive authoritarianism' where political and administrative prosecution were used to eliminate both political and economic competition (Levitsky and Way, 1998; 2001). The latter, others argue, was reversed after the Orange Revolution (Kuzio, 2005; Aslund, 2005, 2006) although is now returning in full sway with authoritarian power usurpation by Yanukovych and his cronies (Motyl, 2011; Kuzio, 2012; Freedom House, 2011; 2012 - to mention a few). While the above approaches document behaviour of certain social forces they often refer to as clans or elites, they fail to explain the reasons of the socio-political change in the country; partly due to the implied assumption of homogeneity of interests within those forces, partly due insufficient attention to the complexity of the state-capital dialectic in independent Ukraine.

In this thesis I have attempted to address the shortcomings of the existing explanations of the Ukraine's transformation by employing the scientific method of transnational historical materialism (Cox, 1987; Gramsci, 1971; and Overbeek, 2002) with incorporation of Poulantzas' theorisation of the state (1971, 1973, and 1978), fractional analysis of the capitalist class (1971), and peculiarities of capital accumulation. In order to understand the nature of Ukraine's post-1991 politico-economic transformation, I argued, the complex interaction between the ruling and emergent capitalist forces in Ukraine and the structures of transnational capital is crucial to analyse. It is so because policy choices that guide Ukraine's economy and state transformation are not accidental. The neoliberal economic models are part of the project of global restructuring as envisioned by the transnational capitalist class (Carroll, 2009 and 2010; Overbeek, 1993; Radice, 1995; van der Pijl, 2012 (1982); 1998) and crystallised in the *comprehensive concepts of control* (Bode 1979). The latter are ideological foundations that underpin the preferred dominant mode of accumulation

in global economy as a temporary compromise between class fractions linked to different circuit of capital – commodity, productive, and money (Marx 1992, pp. 109-199). They are further crystallised in economic models and channeled via international institutions (IMF, EBRD, WTO, the EU/EC and alike) and reform recommendations and requests into ‘transition economies’, among other. Then, domestic rival agents and groups of capitalist and ruling forces, or class fractions, adopt and appropriate the mechanisms of capital accumulation institutionalised via the process of transnationalisation of the state embedded in the above neoliberal reforms. The outcomes the dialectic of the structures of the transnational capital produces can be detrimental for the target economies as is the case with Ukraine.

This thesis contributes to the discourse on Ukraine's post-1991 politico-economic transformation in two ways: by challenging the teleology of that discourse and by positioning social agency at the core of its analysis. Firstly, it historicises the formation of capitalist class fraction in independent Ukraine within the contexts of the USSR's demise and the ongoing neoliberal transformation in the global economy. Secondly, it demythologises the intra-homogeneity of Ukraine's ruling and capitalist forces in the post-Soviet scholarly theorisations about 'clans' and 'elites' by emphasizing their fractioned nature. This was achieved by utilising the scientific method of transnational historical materialism (Overbeek, 2002) to explicate the nuances of both inter- and intra-ruling and -capitalist fractional rivalry. Empirically this was achieved by mapping interlocking networks of individual membership in those fractions and their institutional manifestations - i.e. Financial Industrial Groups, political parties, gangs, and the state administration apparatus. Theoretically I incorporated Poulantzas’ theorisation of the state (1973) in the light of the transnational state debate (Robinson et al. in *Theory and Society* 2001 and *Science and Society* 2002), the fractional analysis of the capitalist class (Poulantzas, 1975), and the peculiarities of capital accumulation and Ukraine's economic integration into the structures of transnational capital. In this thesis I have shown that the haphazard nature of economic transformation fuelled by the market-oriented neoliberal reform was primarily due to the exacerbation of pre-existing and continuous systemic problems within the country’s state-society complex where a shadow economy rooted in the so-called Criminal Political Nexus (Shelley, 2003) became an integral component.

The most pronounced and hostile competition in the process of capital accumulation occurred between the Donets'k and Dnipropetrovs'k blocs of forces whole interests revolved around enterprises linked in three main commodity chains:

1. Coking coal – coke – sheet metal/pipes;
2. Thermal coal – power –metal;
3. And gas –metal – gas pipes.

By utilising the multiplicity of already available and constantly expanding mechanisms of accumulation, legal and extra-legal, fractions of the emergent capitalist class of Ukraine strive to ensure continuous furthering of their economic agency in the midst of permanent intra- and inter-fractional rivalry that undermines stabilisation of a new social order. Moreover, by concentration of capital in FIGs that engage in surplus creation through commodity, productive, and money circuits simultaneously combined with direct involvement in law and policy making, oligarchic capital of Ukraine strives to overcome the limits of the possible embedded in each of the circuits separately. It is achieved through domestic and foreign economic policies that involve selective liberalisation and protectionism that favours oligarchic capital and through creation of virtual spaces of accumulation for offshoring the revenue, or "black holes" in the economy. The latter is done mainly through four forms of state asset embezzlement: (1) privatisation - from primitive accumulation to concentration and centralisation of State Owned Enterprises in the hands of Financial Industrial Groups and essentially oligarchs, (2) FDI regulations, chronology of their reform, and their uneven implications for accumulation by both domestic and foreign capital, (3) creation and functioning of Special Economic Zones and capital operation in those zones, and (4) tender and state purchasing legislation reform and procedure abuse. All four, we argue, are neoliberal mechanisms of accumulation that under the façade of free market democracy reform were utilised by oligarchic capital to create "black holes" in Ukraine's economy and both entrench embezzlement in the fabric of law, and manipulate law for the sake of embezzlement.

In his talk with the US Ambassador Taylor in 2007, Firtash correctly pointed out is that the complexity of the so-called transition of the 1990s have not been yet fully understood. In the conditions of lawlessness and lack of comprehensive legislation or law protection people are left with little choice and the usual rules are hard to apply when judging economic crimes and corruption. Poroshenko too admitted as many others

that he gave bribes (having grows up in a family of an engineer-turn-entrepreneur in the sphere of communications construction I have been exposed to all the above on daily basis. From bribes that one must give to state and security service officials and gangsters one must pay, to threats to life of one's family members and truly primitive accumulation of the state property – the history of class formation in Ukraine has been the history of 46 million Ukrainians left to their own devices by the ruling bloc of cleptocratic cronies.

Neoliberal marketisation reforms (actively supported by IMF, WB, and EBRD) allowed the Ukraine's ruling and emerging capitalist class and their fractions (with either interlocking or aggressively positioned memberships, as well as roots in the criminal-political nexus) to pursue their personal economic interests and by that to undermine possibilities for socio-economic stabilisation. Thus Ukraine's economy has been and still is shaped through processes of primitive accumulation by dispossession (Harvey, 2003), or privatisation, and the capitalist class formation and rivalry. In the latter process a capitalist class-for-itself has emerged through organising its fractions around existing or newly created political parties, through actively engaging with foreign business associations and, later, through global policy platforms of the transnational capitalist class. Through these practices, a process of *trasformismo* (Gramsci, 1971) and effectively passive revolution is occurring, first on an ideological level and then on the level of policy-making and corporate behaviour. Ideologically semi-denationalised ruling (Sassen 2007) and Ukraine's capitalist forces that emerge through the *trasformismo* dialectic by transnationalising Ukraine's state for their own economic gain essentially institutionalise the discipline of capital and facilitate a passive revolution towards consent to the hegemony of neoliberal market ideology and the culture-ideology of consumerism. This 'passive revolution' further incapacitates possibilities for the emergence of ideological and thus political counter-movements and alternative institutional forms. In such conditions the current choice the Ukrainian state has is between the cleptocratic ruling bloc led by Yanukovych and the pro-westernisation/EU-isation opposition forces led by Tymoshenko. Both of those choices, however, involve further transnationalisation of the state and the effective deterioration of socio-economic conditions.

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Appendices

Appendix 1. *Major investment share into the economy of Ukraine by country/year, %*

Country	Years					
	1997	**1998**	**1999**	**2000**	**2001**	**2002**
USA	26,5	24,8	21,0	19,4	16,5	16,6
Netherlands	14,9	12,9	10,7	11,0	9,3	8,4
Germany	12,8	11,3	10,2	7,2	6,2	5,7
Russia	10,5	9,1	8,7	9,6	7,4	6,7
UK	10,4	10,2	8,2	9,1	8,1	9,5
South Korea	-	9,1	6,1	5,2	4,4	3,9
Cyprus	8,7	7,3	7,0	11,4	9,7	10,8
Lichtenstein	8,6	4,2	-	-	1,9	1,7
Switzerland	-	4,4	4,7	5,2	4,2	4,4
Virgin Islands	-	-	5,2	5,4	5,0	5,6
Austria	-	-	-	-	-	3,3
Poland	-	-	-	-	-	-
Hungary	-	-	-	-	-	-
Total share of offshore FDI	0,17	0,16	0,17	0,22	0,21	0,23

Source: Ukrstat (2007)

	Years						
Country	**2003**	**2004**	**2005**	**01.10.05**	**2006**	**01.07.06**	**01.01.07**
USA	16,3	16,1	13,8	12,8	8,4	7,2	6,7
Netherlands	7,2	7,0	6,8	6,2	4,4	6,4	7,0

Germany	5,8	6,6	7,5	6,6	33,6	29,9	26,5
Russia	5,9	5,7	5,5	5,8	4,9	4,9	4,6
UK	9,8	10,3	11,3	11,0	7,1	7,8	7,4
South Korea	-	-	2,1	1,8	-	-	-
Cyprus	12,3	11,7	13,2	15,3	9,5	11,1	14,2
Lichtenstein	-	-	-	-	-		
Switzerland	-	-	4,9	4,5	2,7	2,4	2,4
Virgin Islands	6,3	5,7	6,5	7,4	4,2	4,2	3,8
Austria	3,9	3,8	4,2	3,7	8,7	8,2	7,6
Poland	-	-	2,3	2,3	1,4	-	-
Hungary	-	-	2,1	2,0	-	-	-
Total share of offshore FDI*	**18,6**	**17,4**	**24,6**	**27,2**	**16,4**	**17,7**	**20,4**

*index is incomplete since it does not include all of the countries taken into account in previous years

Source: Ukrstat (2007)

Appendix 2. *Offshore FDI inflows and outflows, Ukraine. 2006.*

Country	**FDI amount into Ukraine, $ thousands**	**Share in total count, %**	**FDI amount out of Ukraine, $ thousands**	**Share in total count, %**	**Net FDI inflow. $ thousands**	**FDI outflow as share of inflow, %**
Andorra	1449,72	0,03	-	-	1449,72	-
Antigua and Barbuda	9373,57	0,21	-	-	9373,57	-
Bahamas	20 845,83	0,47	-	-	20 845,83	-
Belize	8701,98	0,197	-	-	8701,98	-
Bermuda	18 619,77	0,42	-	-	18 619,77	-
Virgin Islands (UK)	248 217,97	5,63	-	-	248217,97	-
Gibraltar	4403,67	0,099	-	-	4403,67	-
Hong Kong	1929,67	0,04	5400,00	3,43	3470,33	279,84
Dominica	4185,57	0,09	-	-	4185,57	-
Cayman	4052,00	0,09	-	-	4052,00	-

Islands						
Cyprus	47 046,00	10,85	2358,75	1,5	475 687,25	0,49
Liberia	1931,95	0,04	47,79	0,03	1884,16	2,47
Mauritius	189,90	0,004	-	-	189,90	-
Malta	488,80 1	0,01	11,38	0,007	477,42	2,33
Monaco	6257,40	0,14	-	-	6257,40	-
Dutch Antilles	1590,13	0,036	-	-	1590,13	-
Niue	1980,4	0,045	-	-	1980,40	-
Panama	15 043,89	0,34	18 949,00	12,03	3905,11	125,96
Seychelles	1350,29	0,03	-	-	1350,29	-
Saint-Kitts and Nevis	10 348,91	0,23	-	-	10348,91	-
Singapore	4002,00	0,09	-	-	4002,00	-
Total on offshore zones	828 58,51	18,8	26766,92	16,99	801891,59	3,23
Total	4 406 173, 27	100	157 528,82	100	4248644,45	3,57

Source: FDI in 2001. 2001. *Ukrainian Investment Magazine Welcome.* Vol.12.

Appendix 3. *FDI from the EU countries into Ukraine, 2006 and 2006.*

Country	**FDI volume**	
	As of 01.01.05	**As of 01.01.06**
Austria	361,1	1423,6
Belgium	42,6	45,0
Greece	16,4	19,4
Denmark	106,0	130
Estonia	26,2	28,4
Ireland	46,2	46,1
Spain	40,1	43,0
Italy	103,1	117,6
Cyprus	1101,4	1562
Latvia	36,9	37,5
Lithuania	28,4	39,7

Luxembourg	58,1	72,4
Malta	8,6	8,8
Netherlands	637,2	721,8
Germany	653,7	5505,5
Poland	194,7	224,0
Portugal	2,3	5,0
Slovakia	93,3	94,2
Slovenia	3,4	3,6
UK	955,4	1155,3
Hungary	177,3	191,1
Finland	7,7	9,2
France	79	82,4
Czech republic	46,9	46,8
Sweden	120,3	133,9
Total out of EU	4946,3	11746,3
Total into Ukraine	9047,0	16375,2

Source: Ukrstat (2007).

Appendix 4. *FDI export from Ukraine as share in import of FDI into Ukraine, %*

Country	**FDI volume**	
	As of 01.01.05	**As of 01.01.06**
Austria	0,8	0,3
Belgium	-	-
Greece	9,8	8,2
Russia	-	-
Estonia	4,2	3,9
Ireland	-	-
Spain	34,4	32,1
Italy	0,4	0,3
Cyprus	0,2	0,1
Latvia	-	-
Lithuania	1,4	1,0
Luxemburg	-	-
Malta	-	-
Netherlands	-	-
Germany	0,1	-
Poland	10,8	9,1
Portugal	-	-
Slovenia	-	-
Slovakia	-	-
UK	-	1,2
Hungary	0,1	0,1
Finland	-	-
France	-	-
Czech Republic	-	-
Sweden	-	-
Total from EU	0,9	0,5
Total into Ukraine	2,2	-

Source: Ukrstat (2007).

Appendix 5. *FDI into Ukraine structure as per oblast, $ thousands*

Oblast	Year					
	2002	**2003**	**2004**	**2008**	**01.07.08**	**2007**
Vinnitsa	27 337,86	38 368,79	-	77 751,71	82 087,47	92 906,18
Volynska	48 889,63	53 554,77	-	111 769,76	131 217,3	275 095,17
Dnipropetrovska	294 611,37	359 426,18	598 420,61	1 740 843,7	1858107,25	2331896,07
Dontetsk	334 688,01	389 417,77	434 184,98	585 419,24	780 496,35	837 133,63
Zhytomyr	38 111,39	58 169,66	-	90030,7	100 170,66	123 725,76
Zekarpatska	107 992,73	127 688,52	-	261 287,28	279 446,68	298 211,70
Zaporizhzhya	306 991,17	362 044,92	441 987,58	558 659,46	562 375,10	609 858,16
Ivano-Frankivska	46 278,62	69 890,88	-	136 907,66	159 764,14	183 335,43
Kyivska	413 591,63	419 489,34	473 714,29	630 582,21	736 272,38	878 955,65
Kirovohradska	36 000,78	38 030,00	-	50 650,08	45 748,51	52 131,06
Crimea	162 897,4	194 796,20	248009,69	460 367,04	486 372,01	577 389,77
Luhanska	39 284,15	51 617,68	-	268 737,42	279 078,64	284 178,60
Lvivska	159 721,55	220 269,31	304 887,63	381 144,07	431 646,63	509 055,54
Kyiv (city)	1 541 720,2	1848888,60	2 123417, 90	3860693,33	4441810,04	5538190,63
Mykolayivska	60 369,42	65 381,16	-	83451,74	83 623,49	99 838,39
Odes'ka	235 709,37	289 323,86	361 746,55	596 926,63	646 347,84	703 840,16
Poltavska	149 621,07	155 876,61	-	279 049,09	298 427,31	310216,99
Rivnenska	47	921,59	51	050,25	-	76
Sumska	126	793,29	127	617,18	-	165

Ternopilska	22	939,44	26	906,16	-	39
Kharkivska	150	195,65	164	145,79	267 907,62	482 094,7
Khersonska	45	049,94	55	779,73	-	89
Khmel'nytska	21	453,19	28	533,32	-	77
Cherkas'ka	54	719,31	51	560,61	-	99
Chernivetska	12	912,75	15	038,93	-	28
Chernihivska	53	936,69	61288,73	-	94	298,44
Average:	130	042,90	151364,80	-	428	341,40

Source: Ukrstat (2007).

Appendix 6. *FDI into Ukraine structure as per oblast, %*

Oblast	**Year**					
	2002	**2003**	**2004**	**2006**	**01.07.06**	**2007**
Vinnyts'ka	0,6	0,7	-	0,5	0,5	0,4
Volyn'ska	1,1	1,0	-	0,7	0,7	1,3
Dnipropetrovs'ka	6,5	6,7	9,0	10,4	10,1	11,0
Donets'ka	7,3	7,3	6,5	3,5	4,2	4,0
Zhytomyrs'ka	0,8	1,1	-	0,5	0,5	0,6
Zakarpats'ka	2,4	2,4	-	1,6	1,5	1,4
Zaporizhs'ka	6,7	6,8	6,6	3,3	3,1	2,9
Ivano-Frankivs'ka	1,0	1,3	-	0,8	0,9	0,9
Kyivs'ka	9,1	7,9	7,1	3,8	4,0	4,1
Kirovohrads'ka	0,8	0,7	-	0,3	0,3	0,2
Crimea	3,6	3,7	3,7	2,8	2,7	2,7
Luhans'ka	0,9	1,0	-	1,6	1,5	1,3
Lvivs'ka	3,5	4,1	4,6	2,3	2,3	2,4
Kyiv (city)	33,8	34,6	31,9	23,1	24,2	26,1
Mykolayivs'ka	1,3	1,2	-	0,5	0,5	0,5
Odes'ka	5,2	5,4	5,4	3,6	3,5	3,3
Poltavs'ka	3,3	2,9	-	1,7	1,6	1,5
Rivnens'ka	1,0	1,0	-	0,4	0,5	0,5
Sums'ka	2,8	2,4	-	1,0	0,8	0,7
Ternopil'ska	0,5	0,5	-	0,2	0,2	0,2
Kharkivs'ka	3,3	3,1	4,0	2,9	4,7	4,8
Khersons'ka	1,0	1,0	-	0,5	0,5	0,5
Khmel'nyska	0,5	0,5	-	0,4	0,5	0,5
Cherkas'ka	1,2	1,0	-	0,6	0,6	0,6
Chernivets'ka	0,3	0,3	-	0,2	0,2	0,2
Chernihivs'ka	1,2	1,1	-	0,6	0,5	0,4

Source: Ukrstat (2007).

Appendix 7. *FDI into Ukraine as per sector, %*

Total volume of FDI at the end of year as per sector	Year								
	1997	**1998**	**1999**	**2000**	**2002**	**2003**	**2004**	**2005**	**2006**
Food industry	20,6	-	20,4	20,1	16,0	14,8	13,5	7,1	6,0
Interior trade	16,4	15,8	17,2	18,8	16,0	15,0	16,6	10,	11,0
Finance, credit, insurance, and pensions	8,5	7,1	6,1	6,4	8,1	7,4	8,2	6,4	11,0
Metal-fabricating industries	8,2	-	10,9	9,0	14,0	14,0	13,2	11, 8	11,0
Chemical industry	-		-	-	4,0	4,8	5,6	3,	3,0
Construction	-	4,1	-	-	2,9	3,0	-	-	4,0
Transport and communications	-	5,3	-	-	7,1	7,9	7,5	8, 9	4,0
Healthcare, physical education, and social protection	-	4,0	-	-	2,2	2,0	-	-	-
Agriculture	-	2,1	-	-	2,0	2,7	-	-	2,0
Fuel industry	-	-	5,8	5,9	3,6	2,8	-		

Appendix 8. *Company membership in foreign business lobby and interest groups in Ukraine (EBA – European Business Association, USUBC – US-Ukraine Business Council, CUSUR – Centre for Ukraine-US Relations, and AmCham – American Chamber of Commerce in Ukraine)*

Company Organisation	**EBA**	**USUBC**	**CUSUR**	**AmCham**	**Total**
A-Group BTL Agency	-	-	-	X	1
Abbott Laboratories S.A., Representative Office	X	-	-	-	1
A.B.C. Center	X	-	-	-	1
AB BUSINESS COMPANY BV	X	-	-	-	1
ABEA Ltd	-	-	-	-	1
ACA Bureau	-	-	-	-	1

Accace	X	-	-	-	1
Accountancy Tuition Centre, Ukraine	X	-	-	-	1
Actavis	X	-	-	-	1
Action Data Group	-	-	-	X	1
Action Data Group	-	-	-	X	1
Acumen Outsourcing	X	-	-	-	1
adidas-Ukraine, SC	X	-	-	-	1
ADV	-	-	-	X	1
Advanced Hockey Training	-	-	-	X	1
Advent International Ukraine LLC	X	-	-	X	2
AES Ukraine	X	X	-	X	3
Aerosvit – Ukrainian Airlines	X	X	X	-	3
AGCO Corporation	-	X	-	X	2
Agro-Tur	-	-	X	-	1
Agrocenter EuroChem-Ukraine, SC (former Mosaic-Ukraine)	-	-	-	X	1
AICE Ukraine JSC	X	-	-	X	2
AICE FINANS, JSC	X	-	-	X	2
AIG Ukraine	-	-	-	X	1
AIR FRANCE-KLM Group in Ukraine	-	-	-	X	1
Air Liguide Engineering and Services Ukraine	X	-	-	-	1
Air Tractor, Inc.	-	X	-	-	1
Aitken Berlin LLP/HSIA	-	X	-	-	1
AKMA, Production and Commercial Firm	-	-	--	X	1

AKV Garant, Insurance Company, Cjsc	X	-	-	-	1
Alcatel-Lucent Ukraine	X	-	-	X	2
Alchevsk Iron and Steel Works	X	-	-	-	1
Alcon Pharmaceuticals LTD, Representative office	X	-	-	-	1
ALD Automotive Ukraine (First Lease Ltd)	X	-	-	-	1
Alex-Audit, Ltd	X	-	-	-	1
Alfa Insurance IC, CJSC	X	-	-	X	2
Alfa Laval Ukraine	X	-	-	-	
Alfa-Bank (Ukraine), CJSC	X	-	-	X	2
Alfred C. Toepfer International (Ukraine) Ltd.	-	-	-	X	1
ALICO AIG Life, American Life Insurance Company Aig Life	X	-	-	-	1
ALITALIA – Linee Aeree Italiane	X	-	-	-	1
ALL+TOGETHER	-	-	-	X	1
All-Ukrainian Pension Funds' Administrator The, Limited	X	-	-	X	2
Allianz Ukraine	X	-	-	X	2
Allied Carbon LLP	-	-	-	X	1
Allseeds Group	-	-	-	X	1
Altera Finance	X	-	-	-	1
Alltech Ukraine	-	-	-	X	1
Alpinainvestbud	-	-	X	-	1
Altcom	-	-	X	-	1

Alvis Realty Europe LLC	-	-	-	X	1
ALVONA LTD	-	-	-	X	1
Ambiente Furniture Ukraine	X	-	-	-	1
Amcor Rentsch Ukraine	X	-	-	-	1
American Continental Group	-	X	-	-	1
American Councils for International Education: ACTR/ACCELS	-	X	-	X	2
American Foreign Policy Council	-	-	X	-	1
American Jewish Joint Distribution Committee Inc., Kiev Office	-	-	-	X	1
American Life Insurance Company AIG Life, CJSC	-	X	-	X	2
American Machinery Company	-	-	-	X	1
American Medical Centers	X	-	-	X	2
American-Ukrainian Travel Business Center	-	-	-	X	1
Amstar Europe	X	-	-	X	2
Amway Ukraine Ltd.	X	-	-	X	2
AnaCom, Inc.	-	X	-	-	1
ANCOR	X	-	-	-	1
Andriy Kravets & Partners	X	-	-	-	1
The Anemone Group	-	X	-	-	1
Anglo-Ukr-Energy	-	-	-	X	1
Aon Limited Representative Office	-	-	-	X	1
APCO Worldwide	X	-	-	X	2
Aquaservice, Ltd	X	-	-	-	1

Arber	-	-	X	-	1
ArcelorMittal Kriviy Rih, OJSC	X	-	-	X	2
Archer Daniels Midland Company (ADM)	-	X	-	-	1
Arcom	X	-	-	-	1
ARD TELECOM LLC	-	-	-	X	1
ARGO Personalentwicklung GmbH	X	-	-	-	1
Argus Group	X	-	-	-	1
Arktur Incoming Tour Operator, Dmc Member Of Asla International Travel Group	X	-	-	-	1
ART&JOURNEY travel company, DMC	X	-	-	X	2
ART-CAPITAL Investment Financial Company	X	-	-	-	
ARTA Investments	X	-	-	X	2
Arterium Corporation	X	-	-	-	1
Arysta Lifescience	X	-	-	-	1
Arzinger	X	-	-	X	2
AS Consulting, Law Firm	X	-	-	-	1
ASKA, UJSIC	X	-	-	-	1
Aspect Energy	-	-	X	-	1
Association of Chartered Certified Accountants (ACCA)	X	-	-	-	1
AsstrA-Ukraine, Ooo	X	-	-	-	1
ASTAPOV LAWYERS International Law Group	-	-	-	X	1
Astelit LLC	X	-	-	X	2

Astellas Pharma Europe Bv	X	-	-	-	1
Asters (formerly Shevchenko Didkovskiy & Partners)	X	X	-	X	3
AstraZeneca	X	-	-	-	1
Astron Ukrayina	-	-	X	-	1
Atlantic Council	-	-	X	-	1
Atlantic Group	X	X	-	X	3
Atlas Copco Ukraine, Llc	X	-	-	-	1
Atlas Hotel	X	-	-	-	1
ATOS	X	-	-	-	1
AUCHAN Ukraine	X	-	-	-	1
Audit firm "RSM APiK"	-	-	-	X	1
AUDIT COMPANY INTERNATIONAL STANDARDS, LLC	X	-	-	-	1
Audit firm "TMP-Ukraine"	X	-	-	-	1
Austrian Airlines	X	-	-	X	2
Avantazh, Development and Investment Holding Company	X	-	-	-	1
Avesta-Ukraine	-	-	-	X	1
Avis Ukraine (CFI VIP-Rent)	X	-	-	X	2
AVON COSMETICS UKRAINE	-	-	--	X	1
AXA Insurance	X	-	-	-	1
AXESS CJSC	X	-	-	-	1
Axioma	X	-	-	-	1
B.C. Toms & Co.	-	-	-	X	1

Bain & Company Ukraine	X	-	-	X	2
Baker & McKenzie - CIS, Limited	X	X	-	X	3
Baker Tilly Ukraine (an Independent Member of Baker Tilly International)	X	X	-	X	3
Baltic International Bank JSC	X	-	-	X	2
Bank Familny	X	-	-	-	1
Bank Lviv	X	-	-	-	1
BASF T.O.V.	X	-	-	X	2
Bayer LTD	X	-	-	X	2
BayView Innovations	-	-	-	X	1
bcc (BRAND CONSULTING COMMUNICATION)	X	-	-	-	1
BCD Travel Ukraine - Telehaus Kiev International tourism	X	-	-	-	1
Bechtel Corporation	-	-	X	-	1
Beiersdorf Ukraine LLC	X	-	-	X	2
BEITEN BURKHARDT	X	-	-	X	2
Bel Ukraine/OJSC Shostka Milk Factory	X	-	-	-	1
BENE Kiev Llc	X	-	-	-	1
Berlin-Chemie, Ag Representative Office	X	-	-	-	1
Billa Ukraine	-	-	-	X	1
BIONORICA	X	-	-	-	1
Black Sea Investment Group	-	-	-	X	1
Blitz-Inform JSC	-	-	-	X	1
BLStream Ukraine	X	-	-	-	1

Blue Chip	-	-	-	X	1
Blufer & Associates, Washington, D.C.	-	X	-	-	1
BMS Consulting Ltd	-	-	-	X	1
BMS Soft Ltd	-	-	-	X	1
Boehringer Ingelheim Pharma Gmbh Representative Office In Ukraine	X	-	-	-	1
The Boeing Company	-	X	-	-	1
Bongrain Sa (Zvenygorodka Cheese Processing Plant Branch Of Bongrain S.A)	X	-	-	-	1
Book Club “Family Leisure Club”	X	-	-	-	1
Borshchahivskiy Chemical Pharmaceutical Plant, Sic Cjsc	X	-	-	-	1
BOSSdev Ukraine	-	-	-	X	1
Bracewell & Giuliani LLP	-	X	-	-	1
Brainpower Ukraine	X	-	-	-	1
Brain Source International	-	-	-	X	1
Brdr. Christensens Haner, Llc	X	-	-	-	1
BRIDGES (former USAID – Farmer-to-Farmer Project)	-	-	-	X	1
Britannia Group Consulting	-	-	-	X	1
BritMark	X	-	-	-	1
British Airways	X	-	-	-	1
British American Tobacco Ukraine / B.A.T. - Prylucky Tobacco Company	X	-	-	X	2
British Council Ukraine	X	-	-	X	2
Broad Street Capital Group	-	X	-	-	1

Brupharmexport, Representative Office	X	-	-	-	1
Brygassar Ltd.		-	-	X	1
BSCG, LLC	X	-	-	-	1
Bud-Imperial	X	-	-	-	1
Building Ukrainian Alliance	X	-	-	-	1
Bunge, Suntrade Subsidiary Enterprise	X	X	-	-	2
Burc Ukraine	X	-	--	-	1
BUSIN Insurance. Co.	-	-	-	X	1
Business Insurance Center, Insurance company	X	-	-	-	1
BUSINESS LINK	X	-	-	X	2
Business Travel Leisure	X	-	-	-	1
Business-Award Foundation	X	-	-	-	1
Business-Credit LC	X	-	-	-	1
Business-Expert, Consulting Company	X	-	-	-	1
Bytsko Travel Company	-	-	-	X	1
Calyon Bank Ukraine	X	-	-	X	2
Campa, Tennis Club	-	-	-	X	1
Campio Group	X	-	-	-	1
Canon North-East Oy	X	-	-	-	1
Can-Pack (Ukraine)	-	-	-	X	1
Capital System Management	-	-	X	-	1
CARDIF	X	-	-	-	1
Cardinal Resources	-	-	X	-	1

CardPay Systems Ltd.	-	-		X	1
Cargill AT, CJSC	X	X	-	X	3
CARPATAIR	X	-	-	X	2
Carpatsky Petroleum Corporation	-	-	-	X	1
Case New Holland	-	X	-	-	1
CB Richard Ellis LLC	-	-	-	X	1
CEC Government Relations	-	X	-	-	1
Celenia Software Ukraine	X	-	-	-	1
CELYN WORLD RESORTS SPA & GOLF	X	-	-	-	1
CEMENT LLC	X	-	-	-	1
Centre, Advertising Agency	X	-	-	-	1
Center for Business Skills Development (CBSD)/Thunderbird Russia	-	-	-	X	1
CFC Consulting	X	-	X	X	3
Chadbourne & Parke LLP	X	X	X	X	4
Chemtura Netherlands B.V.	X	-	-	-	1
CHANEL, LLC	X	-	-	-	1
Charles H. Camp, Attorney Law Offices of Charles H. Camp, Washington, D.C.	-	X	-	-	1
Chevron Europe, Eurasia, and Middle East Exploration and Production Limited	-	X	X	X	3
Children of Chornobyl Relief and Development Fund	-	-	-	X	1
Chumak	X	-	-	X	2
Cisco Systems Management B.V. in Ukraine	-	X	--	X	2

Citadel Inn, Hotel&Resort	X	-	-	-	1
Citibank (Ukraine)	X	-	-	X	2
City Class UA	X	-	-	-	1
ClearWater Ukraine	-	-	-	X	1
Clifford Chance LLC	X	-	-	X	2
ClinStar Ukraine LLC	X	-	-	-	1
CMS Cameron McKenna LLC		-	-	X	1
CMS Reich-Rohrwig Hainz	X	-	-	-	1
Club Split-Lviv	X	-	-	-	1
Coca-Cola Beverages Ukraine Limited	X	X	X	X	4
Coca-Cola Ukraine Limited	-	X	X	X	3
Cogniance, Inc.	-	-		X	1
Irka & Adam Cohen	-	-	X	-	1
Colgate-Palmolive Ukraine	X	-	-	X	2
Commercial Law Center, Charitable Organization	-	-	-	X	1
Commonwealth Energy Partners LLC	-	X	-	-	1
Concern Nadra	X	-	-	-	1
Concorde Capital	-	-	X	-	1
Conference House	-	-	-	X	1
CONRIL	X	-	-	-	1
Construction Machinery	-	-	-	X	1
ContourGlobal Ukraine, Limited Liability Company	-	X	-	X	2
Corstjens Ukraine	X	-	-	X	2

Cossacks and Co. Attorneys at Law	X	-	-	-	1
Cowperwood, Consulting Group	X	-	-	-	1
CQGI Ukraine Ltd.	-	-	-	X	1
CREDIT COLLECTION GROUP	X	-	-	-	1
CREDIT EUROPE BANK CJSC	-	-	-	X	1
Credit-Rating LTD.	-	-	-	X	1
Credit Suisse, Representative Office in Ukraine	X	-	-	-	1
Credo-Classic Insurance company, CJSC, Member of UNIQA Group Austria	X	-	-	X	2
CRH-Podilsky Cement, JSC	-	-	-	X	1
Crumpton Group	-	X	-	-	1
Cushman & Wakefield	X	-	-	X	2
D&Y	X	-	-	-	1
Daetwyler Rubber Ukraine, Jsc	X	-	-	-	1
Dana Metal Ukraine, Ltd	X	-	-	-	1
Danfoss, Tov	X	-	-	-	1
Danico Ltd	X	-	-	-	1
Danish-Textiles, Sc	X	-	-	-	1
Danone	X	-	-	-	1
Danosha, Ltd	X	-	-	-	1
Deane Group (Ukraine)	-	-	-	X	1
DEC Group	X	-	-	-	1
Deere & Company	-	X	-	-	1
Defense Technology Inc. (DTI)	-	X	-	-	1

Delaware Consultoria Ukraine Ltd.	X	-	-	-	1
The Deloitte.	X	-	-	X	2
DEOL Partners	X	-	-	-	1
Delta Air Lines, Inc.	X	-	X	X	3
Delta Medical	X	-	-	X	2
Delta Projektconsult Ukraine	X	-	-	-	1
Delta Wilmar Cis Ltd	X	-	-	-	1
DenzaWorkspace	X	-	-	X	2
Deseret International Charities, Inc.	-	-	-	X	1
Design Time	-	-	-	X	1
Deutsche WSG Bau GmbH	X	-	-	-	1
DHL	X	X	-	X	3
DHL Logistics Ukraine	?	-	-	X	1
DIALLA Communications	-	-	-	X	1
Dialog-Kiev	X	-	-	-	1
DIALOG PRESS Ltd	-	-	-	X	1
Digital Alliance	-	-	X	-	1
Diplomatic Missions	-	-	-	X	1
Dipol Chemical International	-	X	-	X	2
Discovery Technology International, LLP	-	-	-	X	1
DK-Ukraine. Auditors and Consultants, Ltd	X	-	-	-	1
DKT Corp.	-	-	-	X	1
DLA Piper Ukraine LLC	X	X	-	X	3

Dnister Bank	X	-	-	-	1
Dogus	-	-	-	X	1
Domar Travel Education	X	-	-	X	2
DonStream	X	-	-	-	1
Donbass Fuel-Energy Company	-	-	X	-	1
Donbass Palace Hotel	X	-	-	X	2
Donetsk Electrometallurgical Plant, CJSC	X	-	-	X	2
Donpromservice, Ltd	X	-	-	-	1
DOOR Ukraine	X	-	-	X	2
Doubinsky & Osharova	X	-	-	X	2
Dow Agrosciences	X	-	-	-	1
Dow Europe GmbH Representative Office in Ukraine	X	-	-	X	2
DPD Ukraine	-	-	-	X	1
Dr. Falk Pharma, Gmbh	X	-	-	-	1
Dragon Capital	X	-	-	X	2
DRS Technologies, Inc.	-	X	-	-	1
DTZ	X	-	-	X	2
Dunwoodie Travel Bureau, Ltd.	-	X	-	-	1
DuPont Ukraine LLC	X	-	-	X	2
Dyckerhoff Ukraine LLC	X	-	-	X	2
Dymov and Partners	X	-	-	-	1
DynCorp	-	-	X	-	1
D’artur Transconsult, LLC	X	-	-	-	1

East Europe Foundation	X	-	-	-	1
E.I.Corporation	-	-	-	X	1
EBRD - European Bank for Reconstruction and Development	X	-	-	X	2
E.ON Ruhrgas AG	X	-	-	-	1
EBS	X	-	-	X	2
ECE Ukraine	X	-	-	X	2
ECOMM Co.	-	-	-	X	1
Edelman Europe	-	X	-	-	1
EDELWEISS Management Consulting GmbH	-	-	-	X	1
EDIPRESSE UKRAINE	X	-	-	X	2
Edvantis Software, Inc.	-	-	-	X	1
Egis Nyrt, Representative Office In Ukraine	X	-	-	-	1
Elanor Ukraine LLC	-	-	-	X	1
ELEKS Software	-	-	-	X	1
Electricite De France	X	-	-	-	1
Electrolux, Llc	X	-	-	-	1
Eleks Software, Ltd	X	-	-	-	1
Elektrokontakt Ukraine	X	-	-	-	1
Eli Lilly Vostok S.A.	X	-	-	X	2
ELO, Ltd	X	-	-	-	1
Elopak-Fastiv, Ojsc	X	-	-	-	1
EMI-UA	X	-	-	-	1

ENGARDE Attorneys at Law	-	-	-	X	1
Equipment Direct	-	-	-	X	1
EPAM Systems	-	X	-	-	1
Epoch Of International Education	X	-	-	-	1
Equant Telecom Ukraine, Llc (Orange Business Services)	X	-	-	-	1
Ericpol, Llc	X	-	-	-	1
Ericsson Ukraine	X	-	-	X	2
Ernst & Young LLC	X	X	X	X	4
Erste Bank, Jsc	X	-	-	-	1
Estee Lauder Ukraine LLC	X	-	-	-	1
Etalon, Npo	X	-	-	-	1
Eurasia Foundation	-	X	-	X	2
EURO-Appraisal, Ltd	X	-	-	-	1
EURODEAN, TM	X	-	-	-	1
Euro Leasing	-	-	-	X	1
EuroCape New Energy Ukraine	X	-	-	-	1
EuroCell	X	-	-	-	1
Euroglas Ukraine	X	-	-	X	2
Eurogold Industries, Ltd	X	-	-	-	1
EUROPEAN PROFILES S.A.	X	-	-	-	1
Euro-Ukraina Consulting	X	-	-	-	1
Evolution Media LLC	X	-	X	X	3
EVU Management, Limited	X	-	-	-	1

Expert Ukraine	-	-	X	-	1
ExxonMobil Petroleum & Chemical, Belgium Representative office	-	-	-	X	1
Farmak	-	-	X	-	1
Farmasoft	X	-	-	-	1
FC Ukraine - Corporate Training Company	X	-	-	-	1
Feniks-S	X	-	-	-	1
FEOD GROUP	X	-	-	-	1
Ferrero Ukraine, Llc	X	-	-	-	1
Ferring Pharmaceuticals S.A.	X	-	-	-	1
Ferrosan International A/S Representative Office In Ukraine	X		-	-	1
Festo Ukraine, Dp	X	-	-	-	1
Fic Medical	X	-	-	-	1
Financist	-	-	X	-	1
Finmarket, Ltd	X	-	-	-	1
First International Resources, LLC	-	X	-	-	1
First Realty Brokerage Ltd.	-	-	-	X	1
FIEGE Ukraine	X	-	-	-	1
Fleet Consulting Services, Llc	X	-	-	-	1
FM Logistic	-	-	-	X	1
Fortis Life Insurance Ukraine	X	-	--	-	1
Forum Business City	-	-	--	X	1
Forum JSCB	-	-	-	X	1

Foundation for International Arts and Education (FIAE)	-	X	-	-	1
Foxtrot. Technical equipment for a house, Trading network	X	-	-	-	1
Fozzy Group	X	-	-	-	1
Foyil Securities	-	-	-	X	1
Frayman Holdings Limited Freescale Semiconductor Ukraine LLC	-	-	-	X	1
Freedom House	-	-	X	-	1
French Dental Centre	X	-	-	-	1
Frishberg & Partners Law Firm	X	-	-	-	1
Fun Innovations	X	-	-	-	1
Futures Group International, LLC	X	-	-	-	1
Gala Media (Gala Radio, Gala TV, Gala Net)	X	-	-	X	2
Galileo Eastern Europe	-	-	-	X	1
Galnaftogaz Concern	X	-	-	X	2
Garantibank International N.V., Representative office	X	-	-	-	1
Garboozon.com	-	-	-	X	1
The Garrison Group	X	-	-	-	1
GE International, Inc.	-	-	-	X	1
Gefco Ukraine	X	-	-	-	1
General Dynamics	-	X	-	-	1
General Motors Ukraine	-	-	-	X	1
Gepard Sports Paintball Club	X	-	-	X	2

GFA Consulting Group	X	-	-	-	1
Ghelamco Ukraine LLC	X	-	-	X	2
Gide Loyrette Nouel	X	-	-	X	2
GlaxoSmithKline	X	-	-	X	2
GlaxoSmithKline Pharmaceuticals Ukraine	X	-	-	-	1
Glaxosmithkline Healthcare Ukraine O.O.O., Tzov	X	-	-	-	1
GLD Invest Ukraine, Llc	X	-	-	-	1
Gleeds Ukraine, LLC	X	-	-	-	1
Global Bilgi LLC	-	-	-	X	1
Globalink Logistics Group	-	-	-	X	1
Global USA	-	-	X	-	1
Gloria	X	-	-	-	1
GMF	-	-	-	X	1
Golden Gate Business	X	-	-	X	2
Golden Telecom	-	-	-	X	1
GOLF CENTER KIEV	X	-	-	-	1
Golovan and Partners Law Firm	X	-	-	-	1
Goodyear Dunlop Tires Polska Sp. z O.O.	-	-	-	X	1
Gram Equipment Ukraine, Ltd	X	-	-	-	1
Grant Thornton Ukraine	-	-	-	X	1
Grawe Ukraine, Jsc	X	-	-	-	1
Grindeks As, Representative Office In Ukraine Of Jsc „Grindeks”, Latvia	X	-	-	-	1

Grischenko & Partners Law and Patent Offices	X	-	-	X	2
Group 4 Securitas Ukrainian-Netherlands Joint Venture /Llc	X	-	-	-	1
Guardian, International Informational Company	X	-	-	-	1
Guldmann-Ukraine, Ltd	X	-	-	-	1
Gulfstream+, Llc	X	-	-	-	1
HAFELE UKRAINE GmbH	X	-	-	-	1
Halliburton	-	X	X	-	2
Halychyna Zahid, Llc	X	-	-	-	1
Hannes Snellman Ukraine	X	-	-	X	2
Hanza	-	-	X	-	1
Happy Vacations	-	-	-	X	1
Hay Group, Ltd	X	-	-	-	1
HCM Group	-	-	-	X	1
HeadHunter (hh.ua)	X	-	-	-	1
Heller & Rosenblatt	-	X	-	-	1
Henkel Bautechnik (Ukraine)	X	-	-	-	1
Herakles	X	-	-	-	1
Heritage Foundation at First Security Federal Savings Bank	-	--	X	-	1
Hewlett-Packard Trading SA Representative Office in Ukraine	X	-	-	X	1
HISPATOUR	X	-	-	-	1
HLB UKRAINE LLC	X	-	-	-	1

Hoffmann-La Roche Ltd.	X	-	-	-	1
Holger Christiansen Production Ukraine	X	-	-	-	1
Irena A Holiat	-	-	X	-	1
Holtec International - Ukraine	-	X	-	X	2
Honda Ukraine, Llc	X	-	-	-	1
Honeywell Ukraine, IP	-	-	-	X	1
Horizon Capital	X	X	X	X	4
HOSHVA PR Agency	-	-	-	X	1
HR CONSULTING	X	-	-	-	1
HRT Textile of the Company Helge Rasmussen Trikotagefabric A/S	X	-	-	-	1
Irka & Arthur Hryhorowych	-	-	X	-	1
HSBC Bank plc Representative Office in Ukraine	X	-	-	X	2
Hudson Global Resources	-	-	-	X	1
Hunt Oil	-	-	X	-	1
Hyatt Regency Kyiv	X	-	-	X	2
IBM Ukraine	-	X	-	X	2
IKEA Dnipro LLC	X	-	-	-	1
ILS Ukraine, Ltd.	-	-	-	X	1
ILTA	X	-	-	-	1
Ilyashev & Partners Law Firm	X	-	-	X	2
Image Osvita	X	-	-	-	1
Imperial Tailoring Company The	-	-	-	X	1
Imperial Tobacco Ukraine	X	-	-	X	2

IMTC-MEI	-	X	-	X	2
Independent Media Ukraine	X	-	-	-	1
Industrial and Distribution Systems	X	-	-	-	1
Infocom JV	-	-	-	X	1
ING Bank Ukraine	-	-	-	X	1
INGO Ukraine Joint-Stock Insurance Company	X	-	-	X	2
Initiative, SPE	X	-	-	-	1
Inkor	-	-	X	-	1
Inmind	X	-	-	-	1
Insurance Company "NOVA" OJSC	-	-	-	X	1
Intego, LLC	-	-	-	X	1
INTEGRITES International Law Firm	-	-	-	X	1
Intel Ukraine Microelectronics Ltd.	--	-	-	X	1
Intellect Technologies LLC, Ukrainian-Belgian Enterprise	X	-	-	-	1
Intellectual Communications	X	-	-	-	1
Inter-Telecom CJSC	-	-	-	X	1
Intercomp	-	-	-	X	1
Intercommerce–Multimodal, Ltd	X	-	-	-	1
InterContinental Kyiv	X	-	-	X	2
Interdean International Relocation Ukraine	X	-	-	-	1
Interfax-Ukraine news agency	X	-	-	X	2
InterGest Ukraine	X	-	-	X	2

Interiors International UK	X	-	-	X	2
International Christian University - Kyiv	-	-	-	X	1
International Commerce Bank	-	-	X	-	1
International Finance Corporation	X	-	-	X	2
International House	X	-	-	-	1
International Logistic Center	X	-	-	X	2
International Management Institute MIM-Kyiv	-	-	-	X	1
International Paper-Ukraine	-	-	-	X	1
International Personal Finance plc	-	-	-	X	1
International Renaissance Foundation	-	-	X	-	1
Internet Securities, Inc.	X	-	-	X	2
International Services Corporation (ISC)	-	X	-	-	1
IREX - International Research and Exchanges Board	X	-	-	X	2
International Tax and Investment Center (ITIC)	-	X	-	-	1
InvestInRivne Agency	X	-	-	-	1
Investment Fund for Central and Eastern Europe	X	-	-	-	1
ISA Prime Developments	-	-	-	X	1
ISS - Information Software Systems Ltd.	-	-	-	X	1
ITOCHU Corporation in Kiev, Representative Office	-	-	-	X	1
ITT Invest	-	-	-	X	1
Ivanofrankivskcement	-	-	X	-	1

Inyurpolis Law Firm	X	-	-	-	1
J&L Consulting, Ltd	X	-	-	-	1
J. P. Morgan	-	-	X	-	1
Jabil Circuit Ukraine Limited	X	-	-	X	2
JAF Ukraine LLC	X	-	-	-	1
Jahn & Jensen Group Ukraine	X	-	-	X	2
Jansen Capital Management	X	-	-	X	2
Joha Ukraine Ltd.	X	-	-	-	1
Johnson&Johnson	X	-	-	X	2
Johnson&Johnson Medical	X	-	-	X	2
Jones East 8	X	-	-	-	1
Jones Lang LaSalle	X	-	-	X	2
JT International Company Ukraine	X	-	-	X	2
Julius Koch Ua	X	-	-	-	1
Jupiter Life Insurance Company, Vienna Insurance Group	X	-	-	-	1
KD Life, CJSC	X	-	-	-	1
Kelly Services Ukraine	-	-	-	X	1
Kennan Institute, Woodrow Wilson International Center for Scholars	-	X	-	-	1
Keros-Kiev	-	-	-	X	1
Key Realty	X	-	-	X	2
Khmil Ukrainy	-	-	X	-	1
Kiev City Real Estate	-	-	-	X	1
Kiev Golf Club	X	-	-	X	2

Kievrianta Limited Liability Company	X	-	-	X	2
Kimberly Clark	-	-	-	X	1
Kingspan-Ukraine	X	-	-	-	1
Kinnarps Ukraine LLC	X	-	-	-	1
KINTO	X	-	-	-	1
Klimasan Ukraine	-	-	-	X	1
KLINGSPOR TOV	X	-	-	-	1
KLM Royal Dutch Airlines, Representative Office In Ukraine	X	-	-	-	1
KLS Ltd	-	-	-	X	1
KM Partners	X	-	-	X	2
KMK Business Training, Ltd	X	-	-	-	1
Knauf Insulation Ukraine	X	-	-	X	2
Knight Frank LLC	-	-	-	X	1
KODAK (EASTERN EUROPE) Ltd.	-	-	-	X	1
Konica Minolta Ukraine	X	-	-	-	1
Konnov & Sozanovsky	X	-	-	X	2
Konrad Adenauer Stiftung	-	-	X	-	1
Konsu Kyiv LLC	X	-	-	-	1
KOSMOS, Financial Group Ltd	X	-	--	-	1
KOSTAL Ukraine TOV	X	-	-	X	2
KPMG	X	X	-	X	3
Kraft Foods Ukraina	X	X	X	X	4
Kredobank, Jsc	X	-	-	-	1

Krona, Production And Legal Firm	X	-	-	-	1
Kronospan Ua, Llc	X	-	-	-	1
Kryvyi Rih Cement, OJSC	-	-	-	X	1
Kuehne + Nagel (subsidiary company)	X	-	-	X	2
KUB, Financial cmpany, LLC	X	-	-	-	1
KUB-GAS, Ltd.	X	-	-	-	1
Kulczyk Holding S.A	X	-	-	-	1
Kushnir, Yakymyak & Partners Law Firm, LLC	X	-	-	-	1
Kvadro	X	-	-	-	1
Kyany	X	-	-	X	2
Kyiv Audit Group, Llc	X	-	-	-	1
Kyiv Economics Institute, Ipo	X	-	-	-	1
Kyiv Global LLC	-	-	-	X	1
Kyiv International School	-	-	-	X	1
Kyiv Investment Group	X	-	-	-	1
Kyiv Mohyla Business School	--	-	-	X	1
Kyiv Mohyla Foundation of America (KMF)	-	X	-	-	1
Kyiv School of Economics/Economics Education and Research Consortium, Inc (KSE/EERC)	-	-	-	X	1
Kyiv-Atlantic Group of Companies	-	X	-	-	
Kyiv-Atlantic Ukraine	-	-	X	X	2
Kyivstar GSM JSC	X	-	-	X	2
L'Oreal Ukraine	X	-	-	X	2

Laboratoire Innotech International Ukrainian Representative Office	X	-	-	-	1
Laboratory of Security Technologies JSC	-	-	-	X	1
Lactalis-Ukraine	X	-	-	-	1
Lafarge Gypsum, ZAT	X	-	-	-	1
Landkom International	X	-	-	-	1
Larive Ukraine	X	-	-	-	1
Lavrynovych and Partners	X	-	-	X	2
Law Firm "Vasko & Nazarchuk"	-	-	-	X	1
The Leading Hotels of the World	X	-	-	-	1
League of Ukrainian Canadians	-	-	X	-	1
Leater	-	-	-	X	1
Legal Alliance Company LTD	X	-	-	X	2
Legal supermarket™	X	-	-	-	1
LEGITIMUS LAW FIRM LLC	-	-	-	X	1
LEMBERG	X	-	-	-	1
Lemtrans, Ltd	X	-	-	-	1
Leo Burnett Ukraine	X	-	-	X	2
Leopolis Hotel, LLC HT Property West	X	-	-	-	1
Les Laboratoires Servier	X	-	-	-	1
LEXFOR Legal Services LLC	X	-	-	-	1
LIGA ZAKON, LLC	X	-	-	-	1
LKI, LLC	X	-	-	-	1
LMI Consulting Ltd. 097 7794142	X	-	-	-	1

Logo! Consult Pp	X	-	-	-	1
Logos Translation Agency	X	-	-	X	2
Logrus Ukraine	X	-	-	-	1
Lohika	-	-	-	X	1
LOT Polish Airlines	-	-	X	-	1
Louis Dreyfus Commodities Ukraine Ltd	-	-	-	X	1
LRP Ukraine	X	-	-	-	1
Lugera&Makler Ukraine	X	-	-	-	1
Luxoft	-	-	-	X	1
Lviv Consulting Group	X	-	-	-	1
Lviv Institute Of Management	X	-	-	-	1
Lvivtex	X	-	-	-	1
MacHOUSE	-	-	-	X	1
Maersk Ukraine Ltd.	-	-	-	X	1
Magisters	X	-	-	X	2
Magnate Design Centre, Private enterprise Mainstream Communication & Consulting	X	-	-	X	2
Malteurop Ukraine	X	-	-	X	2
Manuli Ukraine, Ltd	X	-	-	-	1
Marks&Spencer, Marka Ukraine, LLC	X	-	-	-	1
Marks, Sokolov & Burd	X	X	-	X	3
Mars Ukraine	-	X	-	X	2
Marvin	-			X	1
Mary Kay (Ukraine) Ltd., LLC	-		-	X	1

Maryland Department of Business & Economic Development, Division of International Investment & Trade, Baltimore, MD	-	X	-	-	1
Master Group Ltd	X	-	-	-	1
Mathai - Ukraina, Ltd	X	-	-	-	1
Max-Well SOCPC Ltd.	-	-	-	X	1
Mazars Ukraine	X	-	-	-	1
MBS (Mega Business Software)	-	-	-	X	1
McDonald`s Ukraine	X	-	-	X	2
McKinsey and Company	X	-	-	-	1
Media Expert	X	-	-	-	1
Media-Trade Ukraine LLC	-	-	-	X	1
Mega Technology Group (MEGATECH)	-	-	-	X	1
Melexis-Ukraine	X	-	-	-	1
Mepha AG in Ukraine, Representative Office	X	-	-	-	1
Merck Sharp & Dohme IDEA Inc.	-	-	-	X	1
METINVEST HOLDING LLC	-	-	-	X	1
METRO Cash & Carry Ukraine Ltd.	X	-	-	X	2
Michelin Russia Tyre Manufacturing Company, Representative Ofiice	X	-	-	-	1
Microsoft Ukraine, LLC	X	X	X	X	1
Mikhailov & Partners Ukraine Strategic Partner In Ukraine – Key Communications Agency	X	-	-	-	4
Millennium Capital (previously MFK)	-	-	X	X	2

Mirasoft Group	-	-	-	X	1
Miratech	X	-	-	X	2
m.i.p. Ukraine	X	-	-	-	1
MIROPLAST LLC.	-	-	--	X	1
Mitsubishi Corporation Kiev Office	-	-	-	X	1
MITSUI & CO., LTD.	-	-	-	X	1
MKM Telecom Ltd	X	-	-	-	1
Mmd Corporate, Public Affairs & Public Relations Consultants	X	-	-	-	1
Monsanto Ukraine, LTD	-	-	-	X	1
Monvair	X	-	-	-	1
Motorola http://www.chamber.ua/company_list/794/	-	-	X	X	2
MSBUD Ltd	-	-	-	X	1
MTI	X	-	-	X	2
MTIR ASSET MANAGEMENT	X	-	-	-	1
MTS (Ukrainian Mobile Communications CJSC)	X	-	-	X	2
MUGLA-ODESSA INTERTRADE LTD	-	-	-	X	1
Multi Development Ukraine LLC	X	-	-	-	1
Munk, Andersen & Feilberg	X	-	-	-	1
MURAVEJ, Trade Mark	-	-	-	X	1
Mykolayivcement	X	-	-	-	1
N-iX	X	-	-	-	1
Nadra Bank	X	-	-	-	1

NAI Pickard	X	-	-	-	1
National Endowment for Democracy	-	-	X	-	1
NATO Documentation Centre/Ukraine	-	-	X	-	1
NEST "The real estate of capital" JSC	X	-	-	X	2
Nestle Ukraine	X	-	-	X	2
Netto	X	-	-	-	1
New Concept, The Communication Group	X	-	-	-	1
NewBiznet, Business Support Center	X	-	-	-	1
New Spirit Capital	-	-	X	-	1
NEW WORLD GRAIN UKRAINE, LLC	X	-	-	-	1
NG Metal Ukraine	X	-	-	-	1
Niki, Private Company	X	-	-	-	1
NIKO Corporation	-	-	-	X	1
Noble Resources Ukraine	X	-	-	X	2
Noerr Stiefenhofer Lutz TOV	X	-	-	X	2
Nokia Siemens Networks Ukraine	-	-	-	X	1
Nokian Shina LLC	X	-	-	-	1
Nordic Environment Finance Corporation (NEFCO)	X	-	-	-	1
Northland Power Inc.	-	-	-	X	1
Northrop Grumman	-	X		-	1
Nova Energia	-	-	X	-	1
Novartis Consumer Health Services S.A.	X	-	-	-	1
Novartis Pharma Services Ag	X	-	-	-	1

Novo Nordisk A/S Representative Office In The Ukraine And Moldova	X	-	-	-	1
NRB - Development		-	-	X	1
Nycomed, Representative Office In Ukraine And Moldova	X	-	-	-	1
NYSE Euronext	-	-	X	-	1
OBI Ukraine Franchise Center Ukraine	X	-	-	X	2
Obolon	-	-	X	-	1
Obriy Inc, JSC / American Express Travel Service Network International Representative	-	-	-	X	1
Och-Ziff Capital Management Group	-	X	-	-	1
Office Planning	-	-	-	X	1
Office Solutions-	X	-	-	X	2
OMEX Corporation	-	-	X	-	1
One World (Silk Route Promos)	X	-	-	-	1
Open Ukraine Foundation	-	-	X	-	1
Open World Leadership Center, U.S. Library of Congress	-	X	-	-	1
Open World Program/Library of Congress	-	-	X	-	1
Opera Hotel	X	-	-	X	2
ORACLE	-	-	-	X	1
Orange Business Services	-	-	-	X	1
Oranta, NJSIC	X	-	-	X	2
Orion Catering	X	-	-	-	1
Orion-Ra Ltd	X	-	-	-	1

OSCHATZ KUETTNER, Representative offices in Ukraine	X	-	-	-	1
OSG Records Management	-	-	-	X	1
Osnova-Solsif JV	X	-	-	X	2
OSRAM Kiev	X	-	-	-	1
OTP Bank	X	-	-	X	2
OTP Capital	-	-	-	X	1
OTTEN CONSULTING LLC	X	-	-	-	1
Out There Media	-	-	-	X	1
Overlack Holding, Gmbh	X	-	-	-	1
Oxford Klass	-	-	-	X	1
Ozerny kray	X	-	-	-	1
P&S CAPITAL Ltd.	X	-	-	X	2
Pakharenko & Partners	X	-	-	X	2
Palmira-Palace	-	-	-	X	1
Panasonic CIS Oy	X	-	-	-	1
PAREXEL Ukraine, LLC	X	-	-	-	1
Paritet Law Firm	-	-	-	X	1
Parkridge Retail Ukraine	-	-	-	X	1
Partner BP	-	-	-	X	1
Partner Logistics Ukraine	-	-	-	X	1
PAUCI	-	-	X	-	1
Pavlenko & Poberezhnyuk, Law group	X	-	-	-	1
Payroll-Ukraine	X	-	-	-	1

PBN Company The	X	-	X	X	3
PCF "Integro" Ltd	-	-	-	X	1
Pechersk School International Kyiv	-	-	-	X	1
Pedersen & Partners	X	-	-	-	1
PeopleNet	-	-	-	X	1
PepsiCo Ukraine	-	-	-	X	1
Perekhid Outdoor	-	-	-	X	1
PerryUkraine Real Estate Investments	-	-	-	X	1
Personnel Intersearch Ukraine	X	-	-	-	1
PETERKA & PARTNERS	X	-	-	X	2
Pfizer H.C.P. Corporation	X	-	-	X	2
Pharmacevt Praktic, TOV	X	-	-	-	1
Pharmasco	X	-	-	-	1
Pharos Mobile LLC	-	-	-	X	1
Philip Morris Companies Inc.	-	-	X	-	1
Philip Morris Ukraine	X	-	X	X	3
Philips Ukraine LLC	X	-	X	X	3
Phoenix Contact, Tov	X	-	-	-	1
Areta Pidhorodecki	-	-	X	-	1
PIONEER HI-BRED UKRAINE	X	-	-	-	1
Platinum Bank OJSC	X	-	-	X	2
Plaske, Jsc	X	-	-	-	1
Pliva Croatia Ltd, Representative In Ukraine	X	-	-	-	1

PMI-consult	-	-	-	X	1
Poda Volyn	X	-	-	-	1
Podilsky Cement, Crh	X	-	-	-	1
Polish-Ukrainian Cooperation Foundation	-	-	X	-	1
Polit XXI Stolittya	-	-	X	-	1
Polpharma S.A., Zf	X	-	-	-	1
Polyprom	X	-	-	-	1
Porsche Leasing Ukraine LLC	X	-	-	-	1
Port Vera Development Inc.	-	-	X	X	2
Positive, Ltd, Law Company	X	-	-	-	1
PowerPact HR Consulting	-	-	-	X	1
Praktiker Ukraine, Llc	X	-	-	-	1
Pratt & Whitney - Paton	-	X	-	X	2
PRAVEX-BANK, JSCB	-	-	-	X	1
Premier Hotels	X	-	-	X	2
Premier Palace Hotel	X	-	-	X	2
President Hotel	X	-	-	X	2
PricewaterhouseCoopers	X	-	-	X	2
ProCredit Bank CJSC	X	-	-	X	2
Procter & Gamble Ukraine LLC	X	X	-	X	3
Proffit Group	-	-	X	-	1
Profi-Consulting AA	-	-	-	X	1
Program-Ace LLC	X	-	-	-	1
Project Harmony	-	-	-	X	1

PROVIDNA, CJSC IC	-	-	-	X	1
Property Invest, Daughter Enterprise	X	-	-	-	1
PRP Ukraine Ltd.	X	-	-	X	2
PRT Communication Group	X	-	-	-	1
Prudens, Consulting Group	X	-	-	-	1
PSB Films (Pack-Shot Boys Film)	-	-	-	X	1
PSI-Ukraine Co.Ltd	X	-	-	-	1
Pulse	X	-	-	X	2
Puma Ukraine	X	-	-	X	2
Punsh - Action Plus, Event Agency, Ltd	X	-	-	-	
PZU Ukraine Insurance Group	X	-	-	X	2
QBE Ukraine	X	-	-	X	2
QUIMEX, SUBSIDIARY COMPANY OF DANISH COMPANY JORCK&LARSEN A/S	X	-	-	-	1
R & J Trading International, Inc.	-	X	-	-	1
Raben Ukraine	X	-	-	-	1
Radioaktive Film	-	-	-	X	1
Radisson SAS (SASSK LLC)	X	-	-	X	2
Raiffeisen Bank Aval, Open Joint Stock Company	X	-	-	X	2
Raiffeisen Investment Ukraine	X	-	-	-	1
Rainford	-	-	X	-	1
RAND Corporation	-	-	X	-	1
ratiopharm Ukraine, LLC	X	-	-	-	1

Raytheon Technical Services Company, LLC	-	-	X	X	2
Re Project Development	X	-	-	-	1
real,- hypermarket Ukraine	X	-	-	-	1
REDI Capital	X	-	-	-	1
Redondo		-	-	X	1
REHAU	X	-	-	-	1
Raitex, Ltd	X	-	-	-	1
Rating-Audit	X	-	-	-	1
Reckitt Benckiser Household & Healthcare Ukraine	X	-	-	-	1
Red Bull Ukraine	X	-	-	-	1
Regal Petroleum Corporation Limited, Representative Office	X	-	-	-	1
Regus Business Centres Ukraine	X	-	-	-	1
Renaissance Capital	X	-	-	X	2
Renault Trucks Ukraine LLC	X	-	-	-	1
Renault Ukraine	X	-	-	-	1
Representative office of NCH Advisors Inc. in Ukraine,	-	-	-	X	1
Research-Communication Inc.	-	-	-	X	1
RG Data Inc. Ukraine	-	-	-	X	1
Richter Gedeon Nyrt	X	-	-	-	1
RIF-1, LLC	X	-	-	-	1
Rise, Jsc	X	-	-	-	1
Risk Advisory Group plc	-	-	-	X	1

The Riviera on Podol Boutique-hotel	X	-	-	X	2
ROBERT BOSCH LTD	X	-	-	-	1
RODOVID BANK	-	-	-	X	1
Roedl & Partner	X	-	-	-	1
Rompetrol Ukraine	X	-	-	-	1
Romyr & Associates Ukraine, Ltd (before - Romyr Consultants Corporation	X	-	X	-	2
Rosan Group	X	-	-	-	1
Michael Roscishewsky	-	-	X	-	1
ROSINKA	X	-	-	-	1
Royal Catering Services, RCS	-	-	-	X	1
RUDIS, Drilling Company, LTD	X	-	-	-	1
RULG - Ukrainian Legal Group, P.A.	X	X	-	X	3
Running Code	-	-	-	X	1
Rus Hotel	X	-	-	X	2
Rustler Property Services	X	-	-	-	1
Saad El Aguizy & Co. Representation Office	-	-	-	X	1
Saint-Gobain Group	X	-	-	X	2
SALANS	X	X	X	X	4
Salkom Law Firm	X	-	-	X	2
Samsung Electronics Co., Ltd.		-	-	X	1
Sandora, Llc	X	-	-	-	1
Sandoz d.d., Ukraine	X	-	-	-	1
Sandvik, Enterprise with 100% foreign	X	-	-	-	1

investment					
Sanofi–Aventis Group Representative Office In Ukraine	X	-	-	-	1
Santen Oy	X	-	-	-	1
Sarmat JSC	-	-	-	X	1
Savant Ukraine, Llc	X	-	-	-	1
Save Travel d/b/a KievApartment.com	-	-	-	X	1
Sayenko Kharenko	X	-	-	X	2
SC Johnson		-	-	X	1
Scania Ukraine LLC	X	-	-	-	1
Scanlak Ukraine	X	-	-	-	1
SBC Consulting	X	-	-	-	1
Schaefer Shop, Gmbh	X	-	-	-	1
Schenker DB	X	-	-	-	1
Schering-Plough Central East AG in Ukraine	X	-	-	X	2
Schneider Electric Ukraina	X	-	-	X	2
Schoenherr Ukraine LLC, Attorneys at Law	X	-	-	X	2
Science and Technology Center in Ukraine	X	-	-	X	2
Scientific Games Honsel Gmbh Representaion in Ukraine		-	-	X	1
SE Bordnetze-Ukraina, Tov	X	-	-	-	1
SE Raelin/Cajo, Inc.		X	-	-	1
Sealed Air (Ukraine) Limited		-	-	X	1
SEB Bank, Open Joint Stock Company	X	-	-	X	2

(SEB bank EBA)					
Segodnya Multimedia, JSC	X	-	-	X	2
Self Reliance [Baltimore] Federal Credit Union	-	-	X	-	1
Self Reliance [Chicago] Federal Credit Union	-	-	X	-	1
Self Reliance [Cleveland] Federal Credit Union	-	-	X	-	1
Self Reliance [NJ] Federal Credit Union	-	-	X	-	1
Self Reliance [NY] Federal Credit Union	-	-	X	-	1
Senator Apartments	X	-	-	-	1
Serviced Apartments 'Senator Apartments'	-	-	-	X	1
SES Sirius Ab Representative Office	X	-	-	-	1
Seven Hills	X	-	-	X	2
SG EQUIPMENT LEASING UKRAINA	X	-	-	-	1
Shell International Gas	-	-	X	-	1
Shell Ukraine Exploration and Production I LLC	X	X	-	X	3
Shevchenko Didkovsky & Partners	-	-	X	-	1
SHI Consulting	-	-	X	-	1
Shostka Milk Plant/ Fromagerie Bel, OJSC	-	-	-	X	1
SICH SECURITY SERVICES	-	-	-	X	1
Siemens Ukraine	X	-	-	X	2
SigmaBleyzer	X	X	X	X	4
Siguler Guff & Co, LLC	-	X	-	-	1
Sika Footwear A/C, Lviv Subsidiary	X	-	-	-	1

Company Of Danish Company					
Silver Centre	X	-	-	X	2
SimCorp Ukraine LLC	X	-	-	X	2
Sitronics IT (Kvazar-Micro)	-	-	-	X	1
Skat-Express, Ltd	X	-	-	-	1
Sky Travel HRG Ukraine	X	-	-	X	2
SkyNet Worldwide Express	X	-	-	X	2
Slav Invest group of companies	X	-	-	X	2
Slavutich, Carlsberg Group	X	-	-	X	2
SMART CONFERENCE, Ltd.	X	-	-	X	2
Societe Generale Representative Office in Kiev	-	-	-	X	1
Sofiya, Law Firm	X	-	-	-	1
Softline Company	-	X	-	-	1
SoftServe, Inc.	X	X	-	X	3
Solodko and Partners Lawyers Amalgamation	X	-	-	-	1
Solvay Pharmaceuticals GmbH, Representative Office In Ukraine	X	-	-	-	1
Sona-Pharm	X	-	-	-	1
Sony Overseas Sa	X	-	-	-	1
Sopharma PLC, Representative office in Ukraine	X	-	-	-	1
Sorensen & Haahr, Dc	X	-	-	-	1
SP ZHITOMIR POLYSACKS	X	-	-	-	1
Spenser & Kauffmann	X	-	-	X	2

Spich, Double Liability Insurance Company	X	-	-	-	1
Spicy Lime Group	-	-	-	X	1
Spiegelfeld Ukraine Ltd.	X	-	-	X	2
SPN Ogilvy	X	-	-	-	1
SPRI Clinical Trials	X	-	-	X	2
Squire, Sanders & Dempsey L.L.P.	X	X	-	X	3
Staff Management Ukraine	-	-	-	X	1
Staff Service Ukraine	-	-	-	X	1
Standard Ukraine LLC	X	-	-	-	1
Stirol	-	-	X	-	1
The State Export-Import Bank of Ukraine	-	X	-	-	1
SUMA Yonkers Federal Credit Union	-	-	X	-	1
Sumix Ukraine	-	-	-	X	1
Summit Agro Ukraine, Llc	X	-	-	-	1
SUN Event	X	-	-	-	1
SUN InBev Ukraine OJSC S.E. / Bunge Ukraine	X	-	X	X	3
Sun Microsystems	-	-	-	X	1
Sunbury Heights PM	X	-	-	-	1
Suntrade	-	-	-	X	1
Support to the Development of Business Capacity of Ukrainian SME -- International Dimension, EU Funded Project	X	-	-	-	1
Marko & Ulya Suprun	-	-	X	-	1

Svarog Asset Management (Energy Standard Group)	X	-	-	-	1
Swedbank JSC	X	-	-	X	2
Swedwood Ukraine, Llc	X	-	-	-	1
Sweet Analysis Services, Inc. (SASI)	-	X	-	-	1
Synevo Ukraine	X	-	-	-	1
Syngenta	X	-	-	X	2
System Capital Management	X	-	X	-	2
SystemGroup	X	-	-	-	1
T.M.M. LLC	-	-	-	X	1
TAS, Insurance Group	X	-	-	-	1
TASK LTD	X	-	-	X	2
Taylor Nelson Sofres Ukraine	X	-	-	-	1
TD International, LLC	-	X	X	-	2
TEAMLOG UKRAINE	X	-	-	-	1
Tebodin Ukraine CFI	X	-	-	X	2
TECHINVEST	-	-	-	X	1
TECOMA, (Technical Consulting and Management), LLC	X	-	-	-	1
Teka Ukraine, Llc	X	-	-	-	1
Telenor Ukraine	X	-	-	X	2
Teleperformance Ukraine	-	-	-	X	1
Telesens	X	-	-	-	1
Ternopilbud	-	-	X	-	1
Tetra Pak Ukraine, SE	X	-	-	X	2

TEVA Pharmaceuticals, Ltd					1
The Chamber		-	-	X	1
TKS-Management Ltd	X	-	-	-	1
TNK-BP Commerce LLC	X	X	-	X	3
TODC, LCC	-	-	-	X	1
Top-Line LLC	-	-	X	-	1
Toyota-Ukraine	-	-	-	X	1
TPM International, Inc.	-	-	-	X	1
Transgas Energy, LTD	X	-	-	-	1
TransNational Resource, LLC (DP UkrAgroSystems)	-	-	-	X	1
Tranzcapital	-	-	-	X	1
Travel Centre TRIME LLC	-	-	-	X	1
Triada	-	-	-	X	1
Trialia, Llc	X	-	-	-	1
TSS International LLC	X	-	-	-	1
TV Broadcasting Company "1+1"	X	-	-	X	2
TV-channel "Inter" - JSC "Ukrainian Independent TV Corporation"	-	-	-	X	1
Tyco Electronics Ukraine Limited	X	-	-	-	1
TZ Partners, Ltd.	-	-	-	X	1
U Security Service	-	-	-	X	1
U.S.-Ukraine Foundation	-	X	-	-	1
UBS AG, Representative Office	X	-	-	-	1
UCMS Group Ukraine	X	-	-	-	1

Ukr-Progresstech LLC	-	-	-	X	1
UkrAgroConsult	-	-	-	X	1
Ukrahroleasing	-	-	X	-	1
UKRAINE CONSULTING	X	-	-	X	2
Ukraine International Airlines (UIA)	X	X	X	X	4
Ukrainian Agrarian Investments LLC	X	-	-	X	2
Ukrainian American Bar Association (UABA)	-	X	-	-	1
Ukrainian American Coordinating Council (UACC), New York andColumbia, MD	-	X	-	-	1
Ukrainian-American Environmental Association (UAEA)	-	X	-	-	1
Ukrainian American Freedom Foundation	-	-	X	-	1
Ukrainian Business Consulting	X	-	-	-	1
Ukrainian Development Company (UDC)	-	X	-	-	1
Ukrainian Federation of America (UFA)	-	X	-	-	1
Ukrainian Fire Insurance Company	X	-	-	-	1
Ukrainian Future Credit Union	-	-	X	-	1
Ukrainian Insurance Company, Generali Garant Life insurance, JSC	X	-	-	-	1
Ukrainian Marketing Group® - Research International	-	-	-	X	1
Ukrainian National Federal Credit Union	-	-	X	-	1
Ukrainian Processing Center	-	-	-	X	1
Ukrainian Sugar Company LLC	-	-	-	X	1
Ukrainian-American Liberal Arts Institute "Wisconsin International University	-	-	-	X	1

(USA) Ukraine"					
Ukreurotour	-	-	-	X	1
Ukreximbank	-	-	X	-	1
Ukreximnefteproduct	-	-	X	-	1
Ukrhydroenergo	-	-	X	-	1
UKRINPRO, Closed joint stock company	X	-	-	-	1
Ukroboronservice	-	-	X	-	1
Ukrproduct Group	X	-	-	-	1
Ukrpromzovnishexpertyza, State enterprise	X	-	-	-	1
UkrSibbank, Joint-Stock Commercial Innovation Bank (JSCIB 'UkrSibbank')	X	-	-	X	2
UKRSOTSBANK, JSCB	X	-	-	X	2
Ukrtransnafta	-	-	X	-	1
Ulma Opalubka Ukraine, LLC	X	-	-	-	1
Ultratest Systems Ltd.	-	-	-	X	1
UMBRA, LLC	-	X	-	-	1
UniCredit Bank Ukraine (Ltd)	X	-	-	X	2
Unifer, Ltd	X	-	-	-	1
Unilever Ukraine LLC	X	-	-	X	2
United Textile Group Ukraine, Sc	X	-	-	-	1
Unitrade Group	-	X?	-	X	2
Universal Bank	-	-	-	X	1
Universalneftesbyt	X	-	-	-	1
Universalis	X	-	-	-	1

Univest Marketing	X	-	-	-	1
UPG Service-Management Ltd.	X	-	-	-	1
UPS	-	X	-	-	1
Uralians	X	-	-	-	1
URG Ltd	X	-	-	-	1
URO Lumber LLC	X	-	-	-	1
URSA, Enterprise with 100% foreign investment	X	-	-	-	1
US Embassy Mass Media Fund	-	-	X	-	1
US Mass Media Development Fund	-	-	X	-	1
USAID - Access To Credit Initiative - The Pragma Corporation	-	-	-	X	1
USAID - Agricultural Policy, Legal, and Regulatory Reform Project – AgPLR. Implementer – “Abt. Associates Inc.”, “The Agrarian Market Development Institute”.	X	-	-	X	2
USAID - Capital Markets Project - FMI	-	-	-	X	1
U.S. Civilian Research & Development Foundation	-	X	-	-	1
Uvecon Consulting Company LLC	-	-	-	X	1
USPOT Ltd	X	-	-	-	1
UVK	-	-	-	X	1
VAB Bank	-	-	-	X	1
Vanco Prykerchenska Ltd (Vanco Energy)	-	X	X	X	3
Vasil Kisil & Partners	X	X	-	X	3
Vasko & Nazarchuk	X	-	-	-	1

Venta, JSC	X	-	-	-	1
Verum Staticon LTD	X	-	-	-	1
Viasat Broadcasting UK Ltd.	X	-	-	-	1
ViDi Group	X	-	-	-	1
Viewdle Inc.	-	-	-	X	1
VINOLIOUB	X	-	-	-	1
Visa International	-	-	-	X	1
Visegrad Fund	-	-	X	-	1
VISION TV VR Business Brokers	-	X	-	X	2
Vitamed D.O.O	X	-	-	-	1
VolWest Group	X	-	-	-	1
Volksbank, OJSC	X	-	-	-	1
Volvo Ukraine, Llc	X	-	-	-	1
Vseswit ltd., Asset Management Company	X	-	-	X	2
W.E.T. Automotive Ukraine, Ltd	X	-	-	-	1
Wacker Chemie AG, Representative office	X	-	-	-	1
Warsaw Stock Exchange, Representative Office	X	-	-	-	1
WBB Eastern Europe Ltd.	X	-	-	-	1
Weidmann Electrical Technology AG	X	-	-	-	1
Weidmann Malyn Paper Mill, Jsc	X	-	-	-	1
Wellmind Invest GmbH	X	-	-	-	1
Western NIS Enterprise Fund	-	-	X	-	1
Western Union Financial Services GmbH	-	-	-	X	1

Westinghouse Electric (Asia) S.A.	-	X	-	X	2
Whirlpool Europe s.r.l.	-	-	-	X	1
Willard Group The	X	-	-	X	2
Willis Insurance Brokers Limited	X	-	-	X	2
Wimm-Bill-Dann Ukraine, OJSC	-	-	-	X	1
Winner Automotive, LLC	X	-	-	X	2
Winner Imports Ukraine	X	X	-	X	3
WJ Grain, Ltd. (WJ export-import agricultural group - USUBC)	-	X	-	X	2
Wolf Theiss, TOV	X	-	-	X	2
WorldAPP, Inc.	-	-	-	X	1
WORLD STAFF, Ltd	X	-	-	-	1
WRIGLEY Ukraine, LLC	X	-	-	X	2
WUMC (Western Ukrainian Management Consulting)	X	-	-	-	1
X-Trade Brokers	X	-	-	-	1
Xeratech Ukraine	X	-	-	-	1
Xerox Ukraine Ltd.	-	-	-	X	1
XXI Century Investments	X	-	-	X	2
Yaremchuk & Partners, Legal Consulting Group	X	-	-	-	1
York International, Firm with 100% foreign investments	-	-	-	X	1
Young & Rubicam	-	-	-	X	1
Yug Contract Co., Ltd.	X	-	-	X	2
Yuzmash	-	-	X	-	1

Zdorovja Ukrajiny, Publishing House	X	-	-	-	1
Zelmer Ukraine	-	-	-	X	1
Zeppelin Ukraine GmbH	-	-	-	X	1
Zest Outsourcing	-	-	-	X	1
Zinteco	-	-	-	X	1
ZTB Ukraina, LLC	X	-	-	-	1
Zurich Surety, Credit & Political Risk	-	X	-	-	1
1, Inc	X	-	-	-	1
1849 PLC	-	-	-	X	1
3M Ukraine	X	-	-	X	2
	EBA	USUBC	CUSUR	AmCham	Total

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***Appendix 9**. Top 100 companies on Ukraine's market in 2009 (as of 1 January 2010; InvestGazeta).*

No	Company	Gross revenue 2009, million UAH	Gross revenue 2008, million UAH	Net revenue 2009, million UAH	Net revenue 2008, million UAH	Assets, million UAH	Number of employees	Return on sales, %
1.	Naftogaz Ukrainy	75094.1	50522,8	2267,8	11651,7	109051,9	647	8,89
2.	Metinvest	46942.5	69632,5	2601,9	14771,8	625,1	39	-7,21
3.	Energorynok	41843.3	40527,2	113,4	183,4	19780,7	217	0,35
4.	Azovstal	15704.5	21235,3	-211,9	1959,1	-	-	-
5.	TNK-BP Commerce	15646.0	14816,9	177,4	-484,0	1024,0	483	1,25
6.	Arcelor Mittal Kryvyy Rih	14398.2	22102,9	-120,0	4676,5	14648,0	40049	0,40
7.	Lisichansk Oil Investments Company	13688.4	14485,7	208,1	-794,1	3635,1	3631	1,98
8.	Ilyich Steel	13347.8	21727,1	-255,9	1362,1	13071,8	49464	-1,91
9.	ISD	12908.7	12583,5	46,1	511,9	15184,5	503	0,23
10.	Kyivstar	11652.8	12799,3	3831,8	5559,2	11395,9	4838	44,13
11.	Ukrtatnafta	11442.6	11428,9	-1468,5	-934,1	8677,9	4440	-12,88
12.	Energoatom	10920.1	10451,3	974,3	128,9	47434,0	34864	10,17
13.	Alchevs Iron-and-Steel Works	10074.5	15322,1	-890,1	-350,4	11934,3	15469	-9,71
14.	Urnafta	9978.9	9400,5	378,8	1438,0	18883,0	29868	5,56

15.	Ukrainian Coal	9936.5	9846,1	5,0	233,4	1753,4	151	0,05
16.	Donets'kstal	9680.9	12911,5	-260,5	-360,1	9330,5	10675	-4,03
17.	METRO	9448.5	8749,6	-8,1	-447,0	4847,9	7448	0,36
18.	Dzerdzhinskiy Plant	9380.5	10215,4	-1064,1	91,6	6026,0	16481	-12,08
19.	Zaporizhstal	8963.1	12554,5	-290,5	47,7	9841,8	19420	-3,24
20.	NIBULON	8594.3	7363,1	125,5	37,4	4014,5	3263	3,50
21.	Dniproblenergo	8111.8	8023,3	62,1	83,7	2450,2	8378	1,43
22.	MTS	8095.9	8616,5	374,2	1514,1	12378,0	3278	5,56
23.	Continuum-Galychyna	7974.6	8507,6	32,7	96,9	3761,3	5760	0,46
24.	ATB-Market	7471.0	5053,3	17,7	-18,3	2157,0	15596	0,32
25.	Epitsentr K	7368.9	6225,2	279,6	78,7	4938,4	10342	5,20
26.	Pivdenno-Zakhidna Zaliznytsya	7065.3	6917,1	49,8	16,5	18743,0	65835	3,73
27.	Lukoil Odesa Oil Refinery	6888.6	7271,8	-588,3	-1342,3	3864,1	572	-8,06
28.	Укртелеком	6870.9	6646,3	-456,4	-1525,5	11749,0	85171	-6,83
29.	Donets'k Zaliznytsya	6731.8	6667,4	63,1	17,0	14692,1	65004	3,55
30.	Prydniprovs'ka Zaliznytsya	6639.3	6487,2	80,0	17,5	15051,6	62561	4,25
31.	Kyivenergo	6417.9	5949,5	-129,9	-433,3	5425,9	13516	0,09
32.	Ukrzaliznychpostach	6189.1	5761,4	0,5	0,4	1497,8	307	0,06
33.	Yenakiyevo Metalworks Plant	6127.2	8486,2	-857,1	407,6	6093,4	7050	-16,73
34.	Odeska Zaliznytsya	6118.9	5916,8	48,9	15,7	12308,3	52901	5,13

35.	Galnaftogaz	6075.2	5593,6	86,8	-371,7	5940,9	4875	2,00
36.	PGOK	5870.4	10419,5	1246,5	3504,4	18089,2	9120	30,86
37.	Pivdenenergo	5658.1	5682,6	881,8	656,3	5118,0	5436	21,30
38.	Lvivs'ka Zaliznytsya	5649.5	5624,7	47,5	15,2	10023,6	58535	6,78
39.	Myronivskyy Khliboprodukh	5552.2	4189,2	1245,1	27,1	10039,0	3114	0,06
40.	Pivdenna Zaliznytsya	5430.8	5265,3	74,0	23,0	12146,7	49974	4,93
41.	Nikopol Ferroalloy Plant	5224.8	7245,7	-1076,2	-1268,8	8942,1	6623	-22,96
42.	Ukrgazvydobuvannya	5220.8	5747,1	629,2	422,6	15422,9	21511	17,38
43.	ROSHEN	5200.6	3745,1	775,4	26,5	2987,4	238	20,15
44.	Phillip Morris Ukraine	5080.9	4268,5	812,3	879,1	2434,2	1355	21,40
45.	BOHDAN	5078.5	18706,6	-924,1	-1092,3	-	-	-
46.	Kernel-trade	5002.9	4313,8	20,2	-525,8	4814,5	397	-0,26
47.	J T International	4866.9	2910,5	-120,9	-21,4	836,4	662	-1,68
48.	Khartzyzsk Pipe plant	4832.2	3732,4	589,9	1265,7	5046,0	4119	17,22
49.	Cargill	4766.4	4226,0	568,3	548,4	2417,4	312	17,31
50.	Suntade	4721.3	4203,7	98,1	152,1	1962,4	415	4,39
51.	Procter&Gamble	4636.1	3455,9	484,1	-49,5	1366,2	189	12,35
52.	Service-Invest	4552.2	3606,6	35,8	46,1	798,9	675	1,04
53.	Pivnichenergo	4476.5	4848,3	-391,7	-89,8	2 998,5	9447	-9,23
54.	Tsentrenergo	4471.4	4672,6	-252,2	-197,8	4 381,5	8666	-5,46
55.	BADM	4425.6	2712,3	73,1	-198,7	983,8	1483	1,65
56.	InGOK	4384.2	6418,7	933,6	4722,9	10224,8	8615	34,30
57.	Gazprom Sbyt Ukraine	4328.4	3735,1	11,4	67,5	411,7	49	0,37

58.	Dniproenergo	4210.7	4676,3	-236,0	-16,2	3391,3	10054	-6,08
59.	Serna	4175.7	3933,8	132,9	46,3	2542,7	93	3,32
60.	Poltavskyy GOK	4007.3	4575,3	178,0	588,2	4980,1	8119	4,78
61.	Alchevs Iron-and-Steel Works	3953.6	4993,8	73,2	28,5	2794,0	3272	2,54
62.	DTEK	3883.2	5103,4	175,1	321,5	6723,8	285	6,80
63.	Fozzy-Food	3853.7	1904,3	1,9	1,5	2049,5	7467	0,16
64.	Zaporozhtransformator	3850.0	3323,5	983,2	527,8	4072,3	5127	33,02
65.	Galichina Naftopererobnyy Komplex	3766.2	1914,0	-75,5	15,5	5165,2	1438	-2,63
66.	Motor Sich	3740.4	2047,3	741,2	3,8	4210,7	21232	26,62
67.	Imperial Tobacco Ukraine	3718.0	1980,1	279,6	147,3	879,6	690	10,47
68.	Avdeevkyy Plant	3715.0	7732,0	-494,7	804,0	11946,0	5165	-16,23
69.	Optima-Pharm	3565.0	2529,5	78,9	-404,1	771,0	1298	2,57
70.	Zaporozhoblenergo	3454.0	3646,8	14,4	-22,9	1314,6	5645	0,61
71.	Ukrpochta	3404.1	2888,3	31,9	32,2	4482,7	108288	1,96
72.	Evrazresurs	3334.2	5088,6	-19,2	30,3	2096,2	51	-1,18
73.	Donets'k Industry Union	3316.5	5514,0	22,9	148,9	1506,5	58	0,96
74.	SUN InBev Ukraine	3299.8	2863,4	388,7	54,7	2512,2	2648	16,35
75.	KONTI	3294.9	2559,1	125,7	-191,3	-	8134	-
76.	Obolon	3166.1	3209,4	175,4	-451,6	2703,8	4085	6,19
77.	Donets'koblenergo	3143.6	3002,9	0,0	-4,0	3067,7	10129	1,51
78.	Naftokhimil Prykarpattya	3115.4	1382,9	5,4	-330,1	3910,8	1751	-0,45
79.	Sumy Frunze Science and	3095.0	2149,4	478,5	-148,7	3705,0	1440	19,04

	Production Association						9	
80.	Nestle Ukraine	3069.5	2667,0	-72,1	154,0	1318,7	700	-2,98
81.	Skif-Shipping	3014.7	1253,3	61,8	21,3	435,5	225	2,57
82.	Luhansk Energy	2993.4	2439,5	-79,1	139,6	1310,3	6862	-2,78
83.	Kviza-Treyd	2982.0	2890,5	34,8	-330,3	2105,1	3532	1,16
84.	Mykolayiv Plant	2967.0	2531,2	-227,1	276,4	3052,4	1483	-7,30
85.	Ukrnaftotorgservis	2966.4	5969,1	-134,3	-245,7	586,5	14	-4,52
86.	Azot Cherkassy	2960.5	3447,3	-213,2	694,4	3081,7	4403	-10,09
87.	Interpipe	2917.5	7936,3	-282,0	-524,2	2961,1	332	-11,24
88.	Interpipe Nyzhnedniprovs'k Pipe Plant	2885.7	5683,6	-357,0	-110,3	5433,0	6477	-13,50
89.	Kraft Foods Ukraine	2881.9	2274,2	222,5	161,4	1135,9	15,94	10,12
90.	Patrovskyy Metalworks Plant	2856.4	3828,0	-444,4	-381,3	4105,8	6167	-17,21
91.	Astelit	2822.2	2333,2	-708,6	-1796,1	6311,6	1332	-25,10
92.	Makeevs'kyy Metalworks Plant	2762.0	5617,1	-1589,5	-609,1	7721,6	31,23	-57,55
93.	Louis Dreyfus Commodities	2756.0	2287,1	54,3	78,0	737,1	356	2,82
94.	VVS	2694.2	2106,0	-62,9	-133,1	1355,6	18,15	-2,24
95.	Khimreaktyv	2640.4	8413,9	1,3	82,9	2309,8	-	0,05
96.	ZAZ	2609.1	12753,5	-158,8	-390,6	4720,6	8393	-5,59
97.	Alba Ukraine	2605.7	1980,4	3,1	-258,8	1004,7	1286	0,27
98.	Donbasenergo	2581.6	2206,9	-33,6	15,2	2824,9	6667	-1,34
99.	Novokramatorsk machinebuilding plant	2563.3	2728,8	584,7	773,4	4033,4	14045	27,99
100.	Amstor	2526.9	2771,9	-42,7	0,1	811,6	9995	-1,69

Source: Investgazeta