Big Business and Foreign Policy: the Case of Oligarchs in Ukraine

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1. Introduction and theory

1.1 Introduction

Ukraine, on the border between the European Union (EU) and the Russian Federation, is in the process of definitively positioning itself in the international arena, balancing between these two powers. In the past two decades, the pendulum has swung repeatedly from a pro-European outlook towards Russia and back, illustrating how the country is caught between these two powers and is still in the process of finding the right balance. Ukraine was incorporated in the European Union Eastern Partnership program in 2009 and has recently concluded an Association Agreement (AA) including a Deep and Comprehensive Trade Area (DCFTA) with the EU. At the same time, it is dealing with significant domestic and international challenges: The country is involved in a territorial conflict in Crimea and its eastern regions and its Soviet legacy still plays a role in its current political constellation. Corruption remains widespread and the role of business in politics is unmistakable.

Business in Ukraine is represented in particular by a group of tycoons that control a significant part of the Ukrainian economy, the so-called oligarchs. Apart from dominating certain sectors of the economy, they own some of the main media and are able to influence the political agenda as well. In this context, scholars have described Ukraine's political system as a *neopatrimonial democracy* - a system where alongside the formal political institutions, a system of informal networks and dealings exists, connected to elite rent seeking. What this means for the question of how to move on with Ukraine and how to deal with its peculiar political system is in turn what policymakers and leaders are now occupied with and what they are trying to comprehend when dealing with Ukraine in the international arena.

1.2 Research question

This research project will focus on the role of oligarchs in shaping policy and, more specifically, on foreign policy. It will attempt to find out if oligarchs influence Ukraine's course at the international level; do they play a role at all and if so, is this a consequence of the nature of Ukraine's political system? The concrete question that will be answered is 'To what extent has the position of oligarchs in Ukraine's political system helped shape Ukrainian foreign policy at key moments in 2010 - 2014?' and for this purpose I will focus on the AA/DCFTA negotiations between Ukraine and the European Union and the conflict in Crimea and Eastern Ukraine in 2014. By answering this question, a contribution will be made to the knowledge of how Ukraine functions politically and what role oligarchs play at the political level. This could in turn foster relevant knowledge for policy practitioners dealing with Ukraine at the domestic or international level. At the same time, it will make a contribution to the scholarly literature on the topic of the relation between business elites and foreign policy.

1.3 Research design

This project follows a case-study between-case design. The country of Ukraine functions as the case and within this case, two foreign policy events will be analysed. These events are the the AA/DCFTA negotiations with the European Union that was eventually signed on June 27, 2014 and the conflict in Eastern Ukraine and in Crimea starting in early 2014. By comparing these two events relating to this one country, it increases validity and means that the results could be extended more reliably to other similar cases in order to say something about the relation between business elites and foreign policy there as well.

To give a faithful overview of how events developed and what role oligarchs played in them, I use a qualitative methodology using mixed sources. This approach allows one to integrate different methods and sources, drawing on the strengths of each. In terms of sources, I rely on a broad set of different ones from journalistic articles to elite interviews. The goal is to explore as many perspectives as possible as to avoid selection bias. The sources include quality newspapers in English and Russian language and policy reports from NGOs and experts on the subject. Additionally, in cases where oligarchs have clear policy preferences they have spoken out in public - enabling me to ascertain their interests and preferences on the basis of these statements. Subsequently, in order to verify if this position they took in public corresponds with their actions, more detailed analyses will be made of the behaviour of several key oligarchs. Third, as Ukraine has become a key area of interest for scholars and policy practitioners over the last few years, there is abundant secondary literature available on the subject. Finally, I have conducted elite interviews with actors who are knowledgeable about Ukrainian politics for the purpose of triangulation and verifying whether what I have found from other sources appears legitimate. These respondents have been selected through a process of snowball sampling, using my personal contacts to establish initial contact and then following up on these contacts. From the five interviews I have conducted, one has taken place face-to-face, one via an online video conference and three have sent me written responses to my questions. The interviews had a semi-structured character, with a number of questions and themes prepared in advance. Still, the questions were open ended and gave the respondents the opportunity to expand on certain topics if they desired to. Additionally there was room to deviate from the original questions if the situation called for it. By combining the different kinds of data listed above, I strive to provide a truthful representation of the process of foreign policy formulation in Ukraine.

One has to recognise, however, that the nature of the topic has made access to primary data on oligarchs a challenge, as dealings involving them are often back-door and consciously hidden from the public eye. Even though at some points oligarchs have spoken out, the general trend is that they remain in the background and prefer to avoid publicity where possible. At the same time the topic is politically sensitive, meaning that it is likely that some insiders are not willing to share everything they know. For this reason, the exact degree to which oligarchs have impacted policy making is in some cases not definitively verifiable and will require additional,

more comprehensive research. Hence, this project should be considered an exploratory study, investigating an avenue of research that would benefit from supplementary work.

1.4 Analytical framework: International Relations and Foreign Policy Analysis

In order to examine the role of oligarchs in influencing foreign policy, it is necessary to establish a theoretical framework on how foreign policy is shaped and what that means for International Relations (IR). For this purpose, in this section I will establish my own theoretical position within the framework of IR theory and Foreign Policy Analysis. In terms of *foreign* policy, throughout this piece this will also be used to refer to the war in Eastern Ukraine. Even though this is essentially an intra-state conflict, I believe the involvement of Russia and the international dimensions of the conflict in the context of international attempts at regulation do help it qualify as foreign policy.

Analysis of the role of oligarchs or business elites in shaping foreign policy requires a specific approach to International Relations. Immediately, it becomes obvious that a neorealist perspective lacks in explanatory power if one suspects that oligarchs can have a decisive impact on determining foreign policy. Indeed, a neorealist would argue that the domestic political landscape is of marginal influence; state policy is simply shaped by the international environment it is located in. According to Kenneth Waltz, one of its main proponents, 'it is the structure of the system that determines the way states interact' (Waltz, 1979: 117). Similarly, John Mearsheimer's now classic argument says that the anarchic nature of the international system forces states to keep wanting to increase their security at the expense of others (Mearsheimer, 2001: xiii). Again, the dominance of structural factors shaping the outcome of international relations is apparent.

This was the dominating realist view in the late 20th century anyway. Eventually, a number of scholars started arguing that a theory solely focusing on the system a state is located in does not suffice and some attention to the way a state's preferences are formed is required. Since then, a number of realists have started to concede that there might be more to the development of state policy (primarily in the realm of security, being realists) than just structural factors. Recently, the school of neoclassical realism has been developing to account for the impact of domestic political considerations and to introduce the problem of state autonomy to security studies (Ripsman, 2012: 170). As Rose writes, who coined the term neoclassical realism, 'it explicitly incorporates both external and internal variables, updating and systematising certain insights drawn from classical realist thought' (Rose, 1998: 146). This perspective then, in contrast to neorealism, does leave room for domestic factors in determining state behaviour, including domestic elites. The problem remains, however, that the general notions of realism are still central: It maintains an exclusive focus on conflict and security and it sees these domestic factors exclusively as intervening variables, that still play only a secondary role in foreign policy. Another critique of the neoclassical realist argument asks how this theory can still be considered realist, when it in fact incorporates factors commonly associated with liberalism.

The argument made by renowned liberal Andrew Moravcsik follows the same line. Dealing with the question of the assumptions that neoclassical realism is based on, he writes: 'the

incorporation of variation in underlying domestic preferences, we argue, undermines (if not eliminates) the theoretical distinctiveness of NCR as a form of realism by rendering it indistinguishable from nonrealist theories about domestic institutions, ideas, and interests' (Legro and Moravcsik, 1999: 28). Indeed, Moravcsik himself has developed a liberal theory that deals with these factors. According to him, liberal theory sees the state as embedded in domestic and transnational society and sees its preferences as shaped by them (Moravcsik, 1997: 516). It is a bottom-up approach of politics, where policy results from societal preferences rather than be a consequence of inter-state strife. It doubts the realist assertion that states are unitary actors and in a normative sense, it is more optimistic about the possibilities for cooperation between states. Furthermore, it recognises the role of sub-state actors, transnational organisations, institutions and business for example (see Keohane & Nye, 2011: 20).

A complementary research agenda within the field of International Relations that deals specifically with this question of domestic drivers for policy formulation and is still more specific than Moravcsik's liberalism is Foreign Policy Analysis. FPA can be considered a subfield of International Relations, or something of an alternative agenda to the mainstream IR theories that developed in the 1950s. The core distinction was that where classic realism and liberalism treat the state as a 'black box', Foreign Policy Analysis focused on the processes shaping state behaviour at the domestic level (Kubalkova, 2015: 15). A useful dichotomy here is between 'international politics' that deals with relations *between* states and 'foreign policy' that describes foreign policy formulation *within* the state. As summarised by Juliet Kaarbo, FPA focuses on explaining governments' foreign policy decisions through specified factors at multiple levels of analysis (Kaarbo, 2015: 191). Special attention is paid here to the role on decision making of individuals and individuals acting in groups, something Valerie Hudson has called 'actor-specific theory' (Hudson, 2005: 2). So whereas theories of international politics are generally occupied with structural explanans for policy formulation, FPA concentrates especially on human agency.

Just like within theories of international politics, within FPA there exist different schools of thought. These schools in turn emphasise different actors or institutions, that they believe have a decisive impact on the realisation of foreign policy. Here one can for example think about trade unions, epistemic communities or representatives of business. Still, according to Chris Alden and Amnon Aran, these approaches all have in common that they accept that foreign policy is produced and legitimised by the state apparatus, within which different factions compete. The way it is thought how this competition plays out in turn differentiates the different approaches (Alden & Aran, 2012: 48). A Marxist approach for example would argue that foreign policy usually caters to the interests of the dominant social class, whereas a focus on individual leaders accords them a special and decisive role in the process of foreign policy formulation (see Alden & Aran, 2012: 50-57 & Breuning, 2007). In this research project, the role of business elites in the form of oligarchs is the central point of focus. For this reason, some attention will now be paid to the existing scholarship on the topic of business in the foreign policy making process.

1.5 Business elites and foreign policy making

In the field of FPA, substantial literature has emerged about the question which one of these groups it is that most effectively manages to influence foreign policy. In this regard, the study by Lawrence Jacobs and Benjamin Page (2005) has become a seminal piece. To try to answer 'who governs?' in the context of foreign policy, they examine the influence of organised interest groups (split up in groups associated with labor and those connected to business), epistemic communities and public opinion on the final product of foreign policy in the United States. On the basis of their quantitative research, they conclude that internationally oriented business leaders exercise strong and consistent influence on U.S. foreign policy (Jacobs & Page, 2005: 120). In other words, rather than public opinion or foreign policy experts, decision makers follow the preferences of business. This confirms what has been shown earlier in qualitative studies, as has been conducted by Gene Grossman and Elhanan Helpman (1994) for example: They argue that because of the financial support interest groups can offer politicians, these groups are favoured by these politicians in the policy making process (Grossman & Helpman, 1994: 834). This favoured position in this case translates into trade policies that are in line with this groups' interests. Logically, it follows that big business is the most likely to profit from this situation, as it generally has more financial means to dedicate to political contributions than do labor groups or epistemic communities.

Still, these studies both only focus on the United States. It is quite possible that in other contexts, the dynamics between business and politics and the associated consequences for foreign policy is different. This is what Peter Katzenstein argues when he compares the foreign economic policies in the United States and France. He begins by stating that the consistency and content of foreign economic policies result as much from the constraints of domestic structures as it does from international effects (Katzenstein, 1976: 2). In turn, he views the domestic differences between the United States and France as 'different balances of state and society' (Katzenstein, 1976: 15). Whereas in the latter, political power is concentrated strongly in the hands of the state, the other is based on a principle of social pluralism. Subsequently, this has consequences for the way private interests find their way into public policy: Katzenstein argues that in the United States, the engagement of business in policy making is encouraged, while France is led top-down and business has less influence (Katzenstein, 1976: 18). Following this reasoning, the degree of influence of business on foreign policy as suggested by Jacobs and Page and Grossman and Helpman might be different for each country.

Thomas Risse-Kappen makes a similar argument, focussing on the impact on foreign policy of public opinion rather than business. He writes that the policy impact of public opinion depends on the domestic structure and the coalition-building processes in a country (Risse-Kappen, 1991: 479). Among these domestic structures, he counts 'the basic features of society and the institutional and organisational arrangements linking state and society and channeling societal demands into the political system' (Risse-Kappen, 1991: 484). The coalition-building on the other hand refers to the way interests are represented at the political level, linking the society

to the political (Risse-Kappen, 1991: 485). All in all, these theories can be classified by what Alden and Aran call 'the domestic structures approach'. It contends that the most significant determinant of foreign policy is the structure of the state and the institutional mechanisms that translate societal demands into policy (Alden & Aran, 2012: 50). A certain regime's institutional make up can foster slower or faster decision making, have abundant or sparse access points for societal actors to influence policy and can develop certain norms of behaviour. Furthermore, it takes regional patterns and local history into account. For example, a theory prominent in IR that is connected to this approach is the Democratic Peace Theory, constituting a body of literature that revolves around the expectation that democratic states are less likely to go to war that non-democracies because of their particular institutional composition (Neack, 1995: 218-219).

What the above theories have in common, is that they all focus on foreign policy in consolidated, liberal democracies. Less scholarly work is available when it comes to states that are still in the process of democratising or that have stopped democratising somewhere along the way, leading to some type of hybrid system between a democracy and autocracy. For countries with these types of regimes, knowledge about the relationship between business and foreign policy would benefit from further research. Ukraine is a good example that reflects one of these democratising states, where its domestic structure consists of a peculiar system of state-society relations, with a significant role for business elites in the form of oligarchs. It is therefore that I intend to find out to what extent in Ukraine domestic structures shape the possibilities (defined as access points) for business elites to influence foreign policy. First, however, it is necessary to examine the type of political system that exists in Ukraine.

1.6 Neopatrimonial democracy

As I have mentioned in the introduction, scholars have argued that the regime type in Ukraine can best be described as a neopatrimonial democracy. This concept originates in African Studies and has recently been adopted to describe political systems in Central Asia and Eastern Europe as well, including Ukraine. David Lewis describes it as 'a political system in which the familiar institutions of the modern state (government ministries, a legal system, and a legislative body) are combined with informal, behind-the-scenes politicking based on patron–client relationships, regional networks, and kinship' (Lewis, 2012: 116). The existence of a combination of both formal and informal elements is central in this kind of system. In a related sense, other central aspects are widespread corruption and the fact that power rests with those who can secure business opportunities for themselves and their allies. Writing in the context of Africa, Michael Bratton and Nicholas van de Walle summarise the three main dimensions of neopatrimonial rule as follows: Power concentration in the hands of patrons, systematic clientelism and particularistic use of state resources (Bratton & van de Walle, 1997: 63-68). This typology is in turn also used by others who have attempted to define neopatrimonialism (see von Soest, 2010: 11).

Increasingly, the concept has started to be applied to Ukraine. For example, Oleksandr Fisun (2010) states that Ukraine after 2004 can be described as a neopatrimonial democracy

because ‘political actors compete through electoral mechanisms, but their goals still focus on state capture as the primary gain’ (Fisun, 2010: 1). Second, Susan Stewart (2013) uses the concept of neopatrimonialism to examine how the existence of this system influences the process of domestic reform in Ukraine, specifically in the area of public procurement. She concludes that in 2010-2013 a neopatrimonial system had developed and this led to reform being slowed down by domestic actors (Stewart, 2013: 214). These actors pursue their own personal interests contrary to the national interest and when coalitions are formed, they are flexible and function on both formal and informal bases. Consequently, international institutions like the IMF and the World Bank could only influence the reform process up to a certain point, when it did not hurt these groups’ interests. Apart from the above-mentioned, other authors such as Malygina (2010) have used the concept in the context of Ukraine as well. Nevertheless, these authors limit their analyses mostly to the process of formulating policy on the national level and few scholars have paid attention to the consequences of its political system for Ukrainian foreign policy, as scholars of neopatrimonialism have in the case of African politics. One of the few exceptions is Mikhail Molchanov, who writes that because of the patrimonial character of its politics Ukraine ‘lacked a clear national strategy of foreign policy’ (Molchanov, 2016: 139). This corresponds roughly with what Lewis wrote in terms of neopatrimonial democracies in general, namely that ‘foreign policy alliances can shift rapidly in response to internal political events’ (Lewis, 2012: 116).

When it comes to the consequences of Ukraine’s domestic structures for foreign policy formulation, this is not very conclusive yet. On the basis of what has been written by the preceding authors, one can interpret the relation between business elites and politics as one that is characterised by informality, clientelism and personal interests. The state is rather weak and is susceptible to the demands of business elites, rather than public opinion. In Ukraine, a particular system appears to have emerged that has significant access points to policy making for business elites because of either personal connections or material resources, that are used to sway politicians their way. In comparison to a consolidated democracy, one can expect business leaders in Ukraine to have more access points to policy making and hence, more impact on foreign policy. This is in turn what I will be examining in the remainder of this piece.

The rest of the thesis will proceed as follows: In chapter 2, a concise history will be provided of the phenomenon of the oligarchs in Ukraine from the collapse of the Soviet Union until now and the most prominent individuals will be introduced. In chapter 3, the role of the oligarchs in the concluding of the Association Agreement with the European Union will be discussed. Subsequently, in chapter 4 I will examine their impact in the 2014 conflicts in Crimea and Eastern Ukraine. Finally, in chapter 5 I will summarise my findings and reflect on my research.

2. Oligarchs in Ukraine

2.1 Who are the oligarchs and what do they mean in Ukraine?

Before examining more closely the role the oligarchs in question played in Ukraine during the 2014 events, it will be required to devote some attention to who we are dealing with. Therefore, I will now give a concise overview of the history of oligarchs in Ukraine starting from the 1990s and leading up to 2014. The main individuals and their interests will be identified.

The first question that needs answering constitutes: 'What is an oligarch?'. The word oligarch became an accepted label in Russia and Ukraine in the 1990s and means a very wealthy and politically well-connected businessperson (Aslund, 2007: 256). Taras Kuzio identifies the key feature of an oligarch to become monopolists in every field where they operate, whether it be media, business or politics (Kuzio, 2016: 181). Their wealth is usually accumulated in the chaotic period of privatisation that occurred in both countries after the collapse of the Soviet Union. They made thankful use of the underdevelopment of regulations and lack of supervision to buy up state assets through murky deals and became rich very rapidly. Using their wealth, they eventually became important players in the media sector as well and, perhaps more significantly, actively strived to gain political influence. Oligarchs have funded political campaigns, bought seats in parliament and set up front parties in order to influence election results. An illustrating consequence from the link between politics and business is that election campaigns in Ukraine are among the most expensive in the world and without substantial support, running a campaign is nearly impossible (Aslund, 2015: 121).

The emergence of many of the oligarchs in the 1990s had its foundation already in the Soviet Union. Because of the economic stagnation in the 1970s and 1980s, a significant shadow economy had developed and this included participation by Soviet government officials and security forces (Kuzio, 2016: 183). After the collapse of the Union, it was relatively easy for these people to find each other again to continue their business, this time in a capitalist system. Other future oligarchs came up from nothing by being shrewd businessmen or through the use of force (Yekelchyk, 2015: 79). The most profitable business in post-Soviet Ukraine was the mediation in the gas trade between Russia and Ukraine: Because of a deal between the two countries to sell Ukraine gas at discounted prices, oligarchs with good connections could reroute the gas to Europe and sell it at market value, guaranteeing massive profits (ibid.). After the turn of the century, the now established oligarchs subsequently invested these funds in other businesses, in for example the metal and mineral sectors.

In terms of the leading people involved, Kuzio identifies five groups of oligarchs in Ukraine: The Donetsk clan, the gas lobby and the dissident, liberal and 'patriotic' oligarchs (Kuzio, 2015: 387). I will use the classification made by Kuzio and complement this with information from other sources. It is worth noting here, however, that the labels are merely used for simplification purposes and to illustrate how the oligarchs are organised; they should not be considered a definitive classification and there is a significant number of less prominent oligarchs in Ukraine

that are not included in Kuzio's categorisation. In the table below, these groups and the individuals and businesses involved are listed. It shows how the different groups often have their origin in one of Ukraine's major cities: Kiev (whose oligarchs were important during the 1990s but have lost much of their influence and are hence not listed), Donetsk and Dnipro. These groups of oligarchs have known each other because of personal ties, often share the same interests and act relatively single-mindedly. Especially the Donetsk clan has remained a tight political bloc with significant political influence.

Generally speaking, there is a number of ways through which oligarchs can attempt to influence policy and defend their interests in the Ukrainian political system, as identified by Heiko Pleines (2016). These take the forms of informal networks, formal political procedures and they can exert influence through the media and their material means. In the context of informal networks, the regional networks noted in the table below play an important role. For example, former president Viktor Yanukovich himself was part of the Donetsk network and knew oligarch Rinat Akhmetov and the others associated with them very well at a personal level and this eventually translated into their shared membership of the Party of Regions. In turn, where Akhmetov supported Yanukovich during his political projects, Yanukovich returned the favour by giving Akhmetov priority in trade and procurement deals (Kuzio, 2016: 191). Additionally, informal networks can also be based on personal relationships or on kinship, which corresponds to the description of the neopatrimonial democracy mentioned in the previous chapter. Furthermore, an interesting characteristic of informal networks is that they can persist over time, enduring under different governments. Pleines shows for example how the group of most prominent oligarchs hardly changed with the transition to the (progressive minded) Orange government: Someone like Dmitro Firtash maintained his highly influential position as monopolist in the gas trading business under the new government (Pleines, 2016: 117).

Additionally, a great number of oligarchs have themselves assumed formal office in politics in order to defend their interests. Out of the 29 oligarchs mentioned in Pleines' research, only three never held any formal political office, illustrating the prevalence of oligarchs in politics (Pleines, 2016: 120). The assuming of political office by oligarchs is also facilitated by the corrupt nature of the Ukrainian political system: According to an article in Der Spiegel, a seat in the Ukrainian parliament could be bought for 3 to 10 million dollars, which is small change for an oligarch (Bidder, 2015). This practice of selling positions on party lists continued up to the most recent parliamentary elections, as is reported by the European Council for Foreign Relations (Wilson, 2016: 6). After having secured a seat, an oligarch can go on to vote for bills that suit his business interests. Apart from this, instances have also taken place where oligarchs have created new political parties to skew the election results in ways that would benefit them. This happened in the 2000 Kuchma campaign for reelection for example (Pleines, 2016: 120). Finally, oligarchs can influence parliamentary votes through proxies who will do their bidding for them, or by bribing parliamentarians.

Another way oligarchs exert power and promote their interests is through media. The majority of television are owned by media enterprises belonging to one of the oligarchs, namely Rinat Akhmetov, Ihor Kolomoiskiy and Viktor Pinchuk (Ryabinska, 2011: 8; Pleines, 2016: 124). Seeing as television is the main source of information for Ukrainians, this offers the owners of television stations a significant amount of influence (see Zerkalo Nedeli, 2011 and R&B Group, 2017). Oligarchs started buying media outlets in the 1990s, for reasons of both influence and prestige (Ryabinska, 2011: 9). After the turn of the century the media started to be used increasingly for political purposes, which translated into the smearing of opponents or the favouring of the one or the other politician. This benefited the oligarchs either in the form of direct revenue from political advertising, or by promoting a politician who is favourable towards the oligarchs' interests (Ryabinska, 2011: 6-7). This process is confirmed in the OSCE/ODIHR report following the 2010 presidential elections: It concludes that agreements between candidates and TV stations determined who received coverage in the news and noted that this contradicts fairness and impartiality (OSCE/ODIHR, 2010: 6).

Finally, an oligarch can use his considerable private financial means to influence policy in a number of ways. In fact, this is a general thread running through all the above strategies but it deserves to be listed separately as using financial means is connected to, but not exclusive to the mechanisms listed above. It follows from the previous paragraphs that an oligarch can use his considerable wealth and take advantage of Ukraine's relatively unregulated system to realise anything from buying seats in parliament, to financing political parties or bribing rivals (Kuzio, 2016: 134; Aslund, 2014: 67). But apart from this, one can also think about using wealth for sponsoring non-governmental organisations, or as we will see later, to finance armed groupings.

	Individuals	*Businesses*	*Political projects*	*TV channels*	*Origin*
Dissident oligarchs	• Pavlo Lazarenko • Yulia Tymoshenko		• Bloc Yulia Timoshenko (2001-2012) • Batkivshchyna (1999 -)		Dnipropetrovsk
Liberal oligarchs	• Viktor Pinchuk • Serhiy Tihipko • Petro Poroshenko	• EastOne (former Interpipe) • Roshen	• Bloc Petro Poroshenko (2014 -) • Strong Ukraine (1999 - 2012; 2014 -)	• STB • ICTV • Novy	Dnipropetrovsk
Patriotic oligarchs	• Ihor Kolomoiskiy	• Privat group • UkrNafta • UkrTransNafta • Ukraine International Airlines (UIA)	• Our Ukraine (2005 -) • UDAR (2010 -)	• 1+1 • 2+2	Dnipropetrovsk

Gas lobby	• Dmytro Firtash • Serhiy Lyovochkin • Yuriy Boyko	• RosUkrEnergo (RUE) • OstChem • Group DF	• Opposition Bloc (2014 -)	• Inter	Mostly Western Ukraine
Donetsk clan	• Rinat Akhmetov • Vitaliy Hayduk • Serhiy Taruta	• System Capital Management (SCM) • Ukrtelecom • Metinvest Group • DTEK • HarvEast • Industrial Union of Donbass (ISD)	• Party of Regions (1997 - 2014)	• Ukraina	Donetsk

(Aslund, 2015: 30; Kuzio, 2015; Kuzio, 2016; Ryabinska, 2011; Szeptycki, 2008)

2.2 Business interests

For the purpose of understanding better each oligarch's position on questions of European integration and to comprehend the context of the conflict in Ukraine in 2014, it is worth examining what their business interests are, who they conduct their trade with and where their assets are located. For reasons of practicality, it is impossible to address here every oligarch listed in the table above as well as a great number of medium-level oligarchs I have omitted. Therefore, I will limit myself to the most prominent ones (in terms of wealth and political influence), of which three also appear in more detail later in my case studies; Rinat Akhmetov, Viktor Pinchuk, Ihor Kolomoiskiy and Dmitro Firtash.

2.2.1 Rinat Akhmetov

Akhmetov is the richest man in Ukraine at the time of writing and was so as well in 2014 (Forbes, 2017). He is part of the Donetsk clan and is closely associated with Viktor Yanukovich and the Party of Regions. His background is rather opaque, as he keeps this a guarded secret but it is suspected he was connected to the Donetsk criminal underworld in the early 1990s (Kuzio, 2015: 420). After inheriting capital from his former 'mentor', he went on to invest this in a great number of businesses under the title System Capital Management (SCM). They include enterprises in metallurgy and mining, power generation, banking and insurance, telecommunications, transportation, media and real estate (Kuzio, 2015: 421). Since the Yanukovich presidency Akhmetov especially focused on power engineering and metallurgy and eventually moved on to acquire a major telephone company (Matuszak, 2012: 53). He owns metallurgy plants and power plants in a number of places, including Central and Eastern Ukraine. Since 2011, he also possesses Ukraine's largest coal mines, giving him a majority share in the production of energy coal (ibid.). Writing in 2008, Szeptycki states that at the time, SCM was dependent on good relations with both Europe and Russia for his enterprises (Szeptycki, 2008: 46). Politically, the

Party of Regions that Akhmetov is in standpoints closer to Russia, but Akhmetov recognises that the most significant opportunities for business lie in Europe. Not coincidentally, Akhmetov owns steel works in the UK and Italy, as well as Bulgaria, making further European integration desirable for him (ibid.). On the other hand, Akhmetov's businesses are connected to Russia through loans he received from the Russian Sberbank (Zarembo, 2012: 12).

2.2.2 Viktor Pinchuk

Viktor Pinchuk is considered a 'liberal oligarch', even though he enjoyed a more disputed reputation himself during the Kuchma presidency (Szeptycki, 2008: 49). He is the son-in-law of former president Kuchma and this gave him a very favourable position for the winning of government tenders and striking profitable deals (Matuszak, 2012: 107). Pinchuk is mainly a symbol of the oligarchic system before 2004, after which the Orange Revolution shifted the balance of power in favour of other oligarchs. After the revolution, Pinchuk started developing his image as a liberal and philanthropist - supporting progressive forces in Ukraine, sponsoring arts and culture and promoting Ukraine abroad. He has prided himself on not seeking political power and believes business and politics should be separated (Kuzio, 2015: 390). Pinchuks activities focus on the steel sector (producing pipes under the title Interpipe), banking and media (Szeptycki, 2008: 49). He owned pipe rolling factories in both Ukraine and Russia (Matuszak, 2012: 108). At the same time, Russia is an important export market for his pipes - 25% of its sales come from the Eurasian Customs Union and most of which from Russia (Forbes, 2014). In general, for his businesses access to foreign markets is key for Pinchuk and he has therefore always supported integration with the EU, but at the same time he maintained that Ukraine needed to cooperate with both Russia and Europe (Pinchuk, 2006).

2.2.3 Ihor Kolomoisky

Ihor Kolomoisky is one of the oligarchs who came up in Dnipropetrovsk and is the founder of the Privat group, consisting of the Privat bank and a large number of connected companies. Compared to Akhmetov or Pinchuk, relatively little is known about it because Kolomoisky has generally tried to maintain a low profile. Up until the Euromaidan, he spend most of his time living in Switzerland (Kuzio, 2015: 392). Apart from the Privat bank, Kolomoisky also controlled businesses in the energy sector (including Ukrnafta), mining and metallurgy (Szeptycki, 2008: 59). Furthermore, Kolomoisky owns Ukraine International Airlines, the largest airline of Ukraine. Additionally Kolomoisky has business interests abroad in a great number of countries, ranging from Russia and Georgia to Italy, Ghana, the Czech Republic, the United States and the United Kingdom (Szeptycki, 2008: 60). At the same time his key interests were still in Ukraine, however. According to some, his return to Ukraine and his later accepting of political office can be seen in the light of his business interests in the east part of the country and around Dnipropetrovsk: His key assets were located here and by taking political office, he could possibly influence the situation (Kononczuk, 2015: 4). In a later chapter, more attention will be paid to these dynamics

2.2.4 Dmitro Firtash

Dmitro Firtash is seen as the face of the important Ukrainian gas lobby and he made his fortunes starting in the 1990s, by functioning as a middleman between Russia and Ukraine in the gas trading business. He was one of the first and the most successful in importing natural gas from Russia at a low subsidised rate and then resell it on the European market. This scheme required cooperation from both the Ukrainian and Russian governments, but because of the huge rewards involved, neither side objected. In fact, there is substantial evidence that the incomes generated this way were transferred to both Ukrainian and Russian government elites (Matuszak, 2012: 18). This practice was temporarily interrupted while Yulia Timoshenko held the post of prime minister, but a report by Reuters shows that it continued under the leadership of Firtash all the way up until 2014 (Reuters, 2014). Evidently, Firtash held good contacts in the Russian government as he managed to negotiate a new deal with Gazprom in 2011, in spite of the higher profits Gazprom could have made selling the gas in Western Europe (Reuters, 2014). His business interests then mostly revolved around maintaining his position and warm relations with the Yanukovich government on the one hand and the Putin government on the other, as this is what his income depended on. Apart from this Firtash owned a number of chemical plants in Ukraine producing nitrogen fertilisers as well as Crimea Titan, a titanium producing plant in Crimea, and Nadra, one of Ukraine's largest banks (Matuszak, 2012: 51-52).

3. Oligarchs and the EU Association process

3.1 What is the Association Agreement?

Before proceeding with my analysis of the specific role of oligarchs in the EU association process, it is useful to examine first what exactly this Association Agreement (AA) entails and how the negotiations around it developed. Its importance is obvious when one considers that the refusal by Viktor Yanukovich to sign the Agreement is considered to be the spark that ignited the Maidan revolution and set in motion the rest of the events that followed in 2013 - 2014 (Yekelchyk, 2015: 163).

An Association Agreement is a bilateral agreement that the European Union can conclude with third countries, with the aim of setting up an 'all-embracing framework to conduct bilateral relations' (EEAS, 2011). It is an instrument to bring countries closer to EU standards and norms and can function as a preparation for future membership of the European Union but it is not necessarily followed by it. One of the main elements of the agreement is the liberalisation of trade in the form of a Deep and Comprehensive Free Trade Area (DCFTA), but it can also include security policy and cover subjects such as juridicial reform and environmental standards (European Commission, 2014). The DCFTA was of major significance in the Ukrainian case, as it would promote the opening of markets through the removal of tariffs and quotas, as well as promote the harmonisation of laws. This would in turn facilitate a great increase in cross border trade between the European Union and Ukraine.

Negotiations for the conclusion of an Association Agreement started in March 2007, when Viktor Yuschenko was president in Ukraine (Spiliopoulos, 2014: 257). The process got another boost when Ukraine became a member of the World Trade Organisation (WTO) in 2008, after which it was decided to add the DCFTA component to the agreement. With the election of Yanukovich in 2010 (who was considered a pro-Russian politician), the alignment with European norms and values appeared to take a hit but the EU signalled that it was still hoping to finalise the AA by 2011 (European Comission, 2011). This was hindered, however, by the imprisonment of opposition politician Yulia Timoshenko which was condemned by the EU, and this subsequently stalled the process (Pastore, 2014: 8). It took two more years before the negotiations went ahead following Timoshenko's imprisonment and this time it was Yanukovich who delayed the talks. The generally accepted reason for this was that the pressure on Yanukovich from Russia started mounting, as Putin was trying to keep Ukraine close to the Russian sphere of influence and to prevent the signing of the agreement. Russia did this by increasing tariffs and limiting imports from Ukraine, damaging the vulnerable Ukrainian economy (Pastore, 2014: 14). Still, the signing of the Agreement was planned to take place during the Eastern Partnership summit in Vilnius in November 2013. After a number of meetings with Russian president Putin, however, Yanukovich eventually decided to stop the association process altogether and it was this refusal to sign the agreement at the upcoming summit that was the direct cause of the subsequent protests that broke out in Kiev and came to be known as the Euromaidan (Aslund, 2013).

3.2 Attitudes towards EU integration

Now I will examine the oligarchs' attitudes towards European integration, for the purpose of finding out whether it was an issue they wanted to exercise influence over at all. When looking at the attitudes and actions of oligarchs in Ukraine, first it needs to be recognised that it is rather problematic talking about them as a homogenic group, a fact noted by the OSW Centre for Eastern Studies (Matuszak, 2012: 66). Previously, I have illustrated how the most prominent oligarchs conduct their business in different places and are part of several political alliances. It is not surprising, therefore, that they have different opinions concerning association with the European Union. Regardless, it is possible to highlight certain trends when it comes to oligarchs and their attitude towards the EU. According to a 2012 policy paper by the Ukrainian Institute of World Policy, at the end of 2011 there existed a 'passive consensus' in favour of the AA/DCFTA amongst the oligarchs (Zarembo, 2012: 8). The oligarchs were generally positive about it as a solid regulatory system could benefit them by guaranteeing ownership rights and effective competition, notwithstanding the fact that most of them made their initial fortunes thanks to opaque laws and informal agreements.

The corresponding mechanism is described by Pleines: After oligarchs accumulate their wealth, they become interested in a functioning legal system that secures property rights so that they can then consolidate their riches - as would be the case when adopting EU norms and regulations (Pleines, 2016: 109). Instead, if Ukraine would decide upon a pro-Russian course and enter the Customs Union, 'their [the oligarchs'] ownership rights will constantly be under threat' (Kropatcheva, 2014: 15). This view corresponds with what one of my respondents said and is shared by Olga Shumylo-Tapiola; on the basis of her research she also concludes that the majority of the oligarchs were in favour of the DCFTA for this reason (Interviewee 2, 2017; Shumylo-Tapiola, 2012: 13). The OSW disagrees with the IWP and the latter in terms of their qualification of oligarchic support for integration, however: It objects by saying that the oligarchs were best served by the status quo and the position of Ukraine as a crossroads between Russia and the EU. This position is also exemplified by a statement made by Dmitro Firtash in 2014, saying 'Ukraine needs to become a bridge between the West and Russia' (Firtash, 2014). According to the OSW, this status quo would be preferred by some oligarchs for them to continue to benefit from the informal connections between business and politics and to be able to buy off courts and influence the law making process (Matuszak, 2012: 66).

I believe the main distinction between the assessment made by Pleines, Shumylo-Tapiola and others and the analysis by the OSW comes down to the individual oligarch one focuses on. It appears conceivable that lower-level oligarchs who still have some to gain from the legal grey area in the status quo situation do not favour EU association yet whereas those who have already made their fortunes favour European integration to protect their acquired wealth. Furthermore, there is a basis to believe that the argument made by the OSW only functions accordingly for Ukraine at the domestic level, because some of the richest oligarchs are actually heavily invested

abroad and therefore have a key interest in the opening of foreign markets in the West. For example, the very important metallurgy sector would be a sector that could benefit greatly from access to the West European markets (Proedrou, 2010: 450). Considering the above and seeing as I focus on the most prominent Ukrainian oligarchs, it seems reasonable to assume that they indeed tilted towards integration with the EU at least hypothetically.

3.3 Oligarchs in Brussels and Davos

Regardless of their attitudes, what oligarchs think and what they do remain different things. For this reason, I will now explore whether oligarchs made a conscious effort to play a role in the EU integration process - for better or for worse - and whether their impact was facilitated by Ukraine's domestic structures. The first case concerns efforts by oligarchs to advance the integration process. A notable role was played in this regard by Rinat Akhmetov and Viktor Pinchuk.

Akhmetov belongs to the Donetsk clan and had economic ties with Russia, leading one to think he might have resisted the DCFTA to avoid antagonising his Russian partners. Evidence shows, however, that Akhmetov realised the potential of economic cooperation with Europe and began to promote integration with the European Union (Havrylyshyn, 2016: 154). These economic gains from EU association as opposed to joining the Russia-centered Customs Union are illustrated in the 2012 IWP report, showing how the EU would offer a $14 trillion market with 500 million relatively affluent consumers, compared to a $2 trillion market and 170 million poorer consumers in the Customs Union (Zarembo, 2012: 9). These business opportunities translated to Akhmetov backing integration with the EU and the drafting of the DCFTA. In concrete terms, first he used his financial means to organise events that put European integration on the agenda in Ukraine and in Brussels. In Ukraine for example, he established and financed a fund for the development of Ukraine named the 'Fund for Effective Governance'. Through this fund, he allocated significant resources to make Ukrainian business compliant with EU standards and worked on corresponding modernisation projects (Shibalov, 2013). At the same time, it would host events to raise awareness about the subject. For example, on April 24th 2012 this fund organised a debate under the title 'Ukraine has more to gain from free trade with the EU than with the Customs Union, is that so?' (Skachko, 2012 - translation by author).

At the European level, Akhmetov was active as well: He financially supported the Mission of Ukraine to the EU by organising events aimed at improving the integration process (Zarembo, 2012: 9). Subsequently, when the Vilnius summit approached he became an increasingly vocal supporter for signing the Agreement and he also started taking a more decisive position in public from that moment on. Leading up to the summit, in a reaction to RFERL he stated that he believed that 'increasing Russian assertiveness led big business to look west' - implicating that he supported European integration (Coalson, 2013). Similarly, at a business forum in Donetsk he hinted to Yanukovich that Ukraine should adopt Western rules of doing business [instead of those existing in Ukraine at the time] (Shibalov, 2013). Finally, when it became apparent that Yanukovich

would not sign the agreement after all, Akhmetov became more outspoken. A number of days after the decision not to sign, Akhmetov's System Capital Management issued a statement that declared that 'SCM Group is built on the fundamental European values' (Aslund, 2013). From this moment on, Akhmetov has publicly supported European integration, which is also reflected by his slashing of the financing of the Fund for Effective Governance as a reaction on the failure to sign the Agreement (Korrespondent, 2013b). Through this measure, he likely attempted to pressure the Yanukovich administration to reconsider its decision. On the whole then, this shows that Akhmetov has made increasing efforts to promote integration with the EU. Before appearing in public, he has funded projects aimed at speeding up the process and after the failure to sign the agreement, he has taken a more public - albeit still hesitant - role in promoting the signing of the agreement.

Another strategy was taken by Viktor Pinchuk. In contrast to Akhmetov, he has for a long time publicly supported initiatives to integrate Ukraine into the EU (Thomas, 2008). The most important channel in this regard is the Yalta European Strategy (YES). This is an annual conference where high-level government officials convene to 'discuss Ukraine's European future and global context' (Yalta European Strategy, 2017). It is a project founded by Pinchuk that he started in 2004, when he first invited several dozen European leaders to Ukraine. There can be no doubt about the purpose of the conferences: In one of its documents the YES called for Ukraine's membership of the EU by 2020 (Fischer et al, 2008: 73). In order to advance this process, Pinchuk personally spent significant sums of money to invite big names in politics, business and media to participate in the conference. Noteworthy is that at the 2013 edition, even Yanukovich was present and reaffirmed Ukraine's pro-European course (Leshchenko, 2013). At the same time, Pinchuk went abroad to promote Ukraine there as well. The Davos World Economic forum served as an important platform and became a place for promoting Ukrainian European integration (Zarembo, 2012: 9). Here, Pinchuk organised a lunch event for prestigious guests in 2007 under the title 'Where is Ukraine heading?' to focus attention on Ukraine (Fischer et al, 2008: 73). In the course of a decade developments within the European Union did make Pinchuk more sceptical about the challenges of rapid EU integration, as is illustrated by an interview with him in 2010 (Korrespondent, 2010: 20). But in any case, Pinchuk stated that he still believed the European choice was the only right one (ibid.). Finally, in terms of the Association Agreement and the subsequent failure to sign it by Yanukovich, Pinchuk kept a relatively low profile but he did praise the protestors for taking to the street (Weaver, 2013).

Akhmetov and Pinchuk are highlighted here because they are the two most prominent oligarchs to have promoted European integration. They are not the only oligarchs to do this, however: The IWP claims that almost every oligarch has financed activities promoting Ukraine's European integration in some way, including future president Petro Poroshenko (Zarembo, 2012: 9). There is just one notable exception to this, in the person of Viktor Medvedchuk. He is one of the few oligarchs who has sponsored a campaign to sway public opinion against the agreement. Medvedchuk is a controversial oligarch who has been politically active since the late 1990s and

served as chief of staff in the Leonid Kuchma administration. His role in Ukrainian politics is especially notable because of his personal ties with Vladimir Putin, who he considers a close friend and who is the godfather of his daughter (Kovensky, 2016). Medvedchuk acquired his wealth in the early 1990s and was the leader of the Social Democratic Party of Ukraine, being voted into parliament for the first time in 1997 (D'Anieri, 2007: 101). He has always been strongly connected to former president Leonid Kuchma, for whom he worked as chief of staff from 2002 until 2005. Medvedchuk is known for his pro-Russian, anti-European standpoints that he voices through the organisation Ukrainian Choice, that he founded in 2011. According to its website, its goal is the "realisation of the people's constitutional right to govern the nation, to take part in the making of decisions that are strategically important for the state" (Ukrainskiy Vybor, 2017 - translation by author). In practice, it has stood for recognising Russian as the second official language in Ukraine and a halting of the European integration process (Azar, 2014). In the run up to the eventual signing of the Association Agreement, Ukrainian Choice became known for running an active campaign aimed at swaying public opinion against the agreement. This is illustrated by an ad campaign financed by the organisation that was aimed at discrediting the EU by claiming that 'Association with the EU means same-sex marriages', which is a sensitive topic amongst Ukrainians (Miller, 2014). Furthermore, its representatives claimed that millions would lose their job over the agreement (Grytsenko & Walker, 2013). In short, Medvedchuk's organisation is in fact rather comparable to Akhmetov's Fund for Effective Governance, even though its goals were diametrically opposed and its strategies more unorthodox.

Having now examined the role of several oligarchs in trying to advance or slow down Ukrainian European integration, it is worth returning to the main question: To what extent has the role of oligarchs in Ukraine's political system shaped its foreign policy? I believe that in this case, one could argue that the activities described above are in fact not characteristic for the Ukrainian political system. The process whereby Akhmetov, Pinchuk and Medvedchuk have tried to influence Ukraine's foreign policy course in the context of the Association Agreement can still be considered within the legitimate lobbying process and this does not indicate any practices particularly associated with a neopatrimonial system. This reasoning was also followed by a Ukrainian government official when asked about this (Interviewee 1, 2017). The only thing one could point out here is the use of significant financial resources to influence public opinion through advertising and promotion campaigns. But in this context, one could question to what extent this is specific for Ukraine when compared to corporate lobbying in any consolidated democracy.

3.4 Lobbying the Association Agreement

Another image emerges when it comes to the negotiations around the Association Agreement itself. During the seven year process of negotiating the DCFTA, the terms for Ukrainian-European trade cooperation were to be determined. For this purpose, the European Commission negotiation team met with their Ukrainian counterparts roughly once in two months during the period of four

years. The concept document was finished in July 2012, but the eventual signing was delayed due to political circumstances. Already in the initial phases was there doubt among some analysts that businessmen with major interests in Russia or those who would be opposed to the free trade agreement with the EU for other reasons would attempt to influence the negotiations to their advantage. Especially the agricultural sector, the automotive industry and the textile industry were topics of discussion (Matuszak, 2011).

Based on her research, Shumylo-Tapiola concludes that business groups have indeed tried to influence the DCFTA negotiation process to their advantage (Shumylo-Tapiola, 2012: 13). As expected, the automobile industry turned out to pose an obstacle during the negotiations, which is in turn illustrated in the 2012 OSW study. It describes how there was a long lasting lack of consent by the Ukrainian side about lifting the customs duty on the import of used cars and household appliances that was most likely attributable to the less prominent oligarchs Tariel Vasadze and Valentyn Landyk (Matuszak, 2012: 71). This is confirmed by my interview with an EU official directly involved in the negotiations process, where the tariffs and quotas concerning the automotive industry was named the 'trickiest' topic during the negotiations as well (Interviewee 2, 2017). These problems stemmed from complaints by Vasadze, himself owner of the major car manufacturer UkrAVTO and at the same time member of parliament for the Party of Regions. He lamented that after the abolition of the customs duty he would not be able to compete anymore on the international market (Savitskiy, 2013). He argued that a reduction of import tariffs for passenger cars would flood Ukraine with cheap European import and that this would hurt his business. For this reason, he repeatedly opposed the agreement and publicly argued for stalling it (Finance UA, 2011; Sidorenko, 2010). At the same time, he used his personal ties to the Party of Regions to try to lobby the government into not signing the DCFTA (Langbein, 2016: 14). In this sense, he used both his formal position as a parliamentarian as well as his informal connections to gain access to policy making and to try to influence the negotiations. Subsequently, in the final agreement the European Union had made concessions and agreed to less stringent tariffs and a generous 15-year transition period (Interviewee 2, 2017). This final compromise is generally considered to be favourable to Vasadze's private interests and therefore leads one to suspect that his lobbying efforts were to some extent successful (Matuszak, 2012: 71). In the case of Landyk on the other hand, there are no hints in the final agreement of his involvement - it is not particularly favourable to his household appliances business. Still, like Vasadze he was also representing his business interests while simultaneously being a member of parliament for the Party of Regions. Furthermore, his lobbying efforts were of a more public nature than in the case of Vasadze: It was publicly announced that Landyk had had a meeting with president Yanukovich in 2013, asking him to at least delay the integration process by a year (DS News). This is a clear indication of his informal access to policy making structures, in addition to his formal position in parliament.

Additionally, it has emerged that one more oligarch has been active in trying to impact the negotiations in an other area of European integration. In this case, the ongoing European

Common Aviation Area (ECAA) talks are suspected to have been inhibited by Ihor Kolomoiskiy, who owns the majority share in Ukraine's aviation business (Matuszak, 2012: 71-72). The ECAA would facilitate the liberalisation of air transport and allow foreign flight operators into Ukraine, but so far negotiations on this topic have not been successful for opaque reasons. Flight operators other than those belonging to Kolomoiskiy's Privat Group have blamed Kolomoiskiy for the failing negotiations and have accused him of striking deals with politicians to maintain his monopoly in the sector in return for political favours (Delo Ukraina, 2016). More recent developments confirm this theory: On July 10, 2017 Ryanair announced that it would halt its attempt to enter the Ukrainian market in face of resistance from Ukraine International Airlines, a company owned by Kolomoiskiy. Kolomoiskiy's personal role in opposing the liberalisation of the Ukrainian airspace is in turn exemplified by a recent lawsuit he filed against the Ukrainian Infrastructure Ministry and Ryanair, demanding financial compensation and a revocation of Ryanair's permit to operate in Lviv (Melkozerova, 2017). This way, he attempted to pressure the Ukrainian government and Ryanair into passivity so his monopoly would be maintained and liberalisation of the air space would be halted.

In the above cases, the exact degree to which oligarchs have managed to influence the outcome of negotiations remains unclear. Because of the nature of behind-the-scenes politicking, it is beyond the scope of this project to give an unambiguous qualification of their influence. Even though substantial evidence points in a certain direction, it is not possible to make any conclusive claims on this basis. At the same time there is also a reasonable chance that there are other industries where the process of European integration has had consequences for oligarchic businesses and where they might have tried to impact the process, but this will require more research. What I believe these cases do illustrate well is how the domestic structure in Ukraine facilitates access to foreign policy for business elites in a way particular for this political system. Whereas the organising of events promoting Ukrainian European integration by Pinchuk and Akhmetov can arguably be considered to be within the framework of legitimate lobbying as would also take place in a consolidated democracy, attempts by oligarchs to impact the Association Agreement to their benefit more clearly reflect how oligarchs have access to policy in Ukraine. The cases of both Vasadze and Landyk show how important business elites at the same time preside over their businesses and fulfil a political position. This political position gives them important formal and informal access points to policy making, including in cases of foreign policy such as the negotiating process over international agreements. In turn, they are able to use these access points to promote their private interests. In the case of the ECAA, the course of events also suggests that Kolomoisky used his informal political influence to prevent the liberalisation of the Ukrainian air space and thereby impacted Ukrainian foreign policy making.

4. Oligarchs and the conflicts in Crimea and in Eastern Ukraine

4.1 What happened in Crimea and Eastern Ukraine?

The second case I will examine in the context of Ukrainian foreign policy in 2010-2014 is the annexation of Crimea by the Russian Federation and the conflict in Eastern Ukraine. These were defining foreign policy events, that had important consequences for all Ukrainians. The question here is what this has meant for the Ukrainian oligarchs: To what extent have they had an impact on the development of these two conflicts and was this facilitated by Ukraine's domestic structure? First, I will give a concise history of what happened in Crimea and Eastern Ukraine.

The annexation of Crimea and the conflict in Eastern Ukraine are generally regarded to be connected to Yanukovich's refusal to sign the Association Agreement and the protests that erupted as a result of it. The ouster of Yanukovich and Ukraine's apparent pro-European turn raised worries in Moscow and prompted it to take action in Ukraine in what they considered a 'counter-coup' against the pro-European protesters (Sakwa, 2015: 280). This started in Crimea, a region that had been a disputed topic since the collapse of the Soviet Union, as it had become part of Ukraine but was predominantly Russian-speaking and continued to have the Russian Black Sea Fleet stationed at the regional capital of Sevastopol. The take-over of the peninsula started on February 27, 2014 when armed men started occupying government buildings (Yuhas & Jalabi, 2014). These men, who appeared in uniforms without markings, came to be known as 'little green men' or 'polite men' but turned out to be Russian soldiers (Shevchenko, 2014). There was little resistance coming from the Ukrainian side, who held their positions for some time before withdrawing altogether. This lack of resistance can be attributed to a number of factors, from ill preparation, to the vacuum that existed in the government to Ukrainian officers who were themselves sympathetic to Russia (Polityuk & Zverev, 2014). After securing control over the peninsula, the local government organised a referendum about reunification with Russia, aimed at legitimising the annexation. This controversial referendum took place on March 16 and with a 83.1% turnout, 96.77% of the population voted in favour of joining (Sakwa, 2015: 291). The referendum was declared illegal by the UN General Assembly and only Russia and a number of its allies voted against this declaration (Yekelchyk, 2015: 5). The reality was, however, that Crimea had *de facto* become part of Russia and Ukraine was not able to change the situation in the short term.

Following the annexation of Crimea, popular uprisings started in parts of Eastern Ukraine as well, with the same purpose of seceding from Ukraine. In early April, protesters occupied government buildings in several cities in Eastern Ukraine, including Donetsk, Luhansk and Kharkiv. The protesters started ill-equipped but evolved into groups of professional, well-armed men (Sakwa, 2015: 404). On April 7, the protesters in the most significant city in the region, Donetsk, proclaimed the Donetsk People's Republic (DPR) and the Lugansk People's Republic

(LPR) would follow some weeks later. Contrary to the Crimea case, this secession did provoke a direct military response from the Ukrainian government. On April 15, Kiev announced that it was starting its 'Counter-Terrorism Operation' against the separatists in Eastern Ukraine (Sakwa, 2015: 406). This operation developed into a full-scale war, culminating in major battles in the Summer of 2014. The operation was initially successful, but owing to Russian assistance to the separatist forces, the Ukrainian army was not able to reassert complete control over the region (Kuzio, 2015: 111-112). Eventually, on September 5, 2014 a truce was signed that would form the basis of the precarious cease-fire agreement that is still in place at the time of writing (BBC, 2014).

4.2 Crimea

Now I will explore the role of oligarchs in the conflict that started with the annexation of Crimea. A number of oligarchs like Ihor Kolomoiskiy and Dmitro Firtash had clear business interests in Crimea when the annexation of the peninsula started and Akhmetov also owned assets or businesses in the area. The oligarchs' presence in Crimea is further illustrated in a 2013 report by the Ukrainian Centre for Investigative Journalism, that identified the owners of Crimea's most expensive beach properties. A number of familiar oligarchs appear in this list, including Kolomoiskiy, Akhmetov, one of Akhmetov's business partners Vadim Novinskiy and Viktor Medvedchuk (Tsentr Zhurnalistkych Rassledovaniy, 2013). From a strictly material perspective then, one might expect them to have resisted the annexation of the Crimea as it could threaten their properties if ownership rights would not be honoured under Russian rule.

But as a matter of fact, there is little evidence that any of the oligarchs took decisive action in order to influence policy around the events unfolding on the Crimea in early 2014. Reactions were mostly mild and conciliatory and did not harshly condemn Russia for its actions. In response to the events in Crimea, Akhmetov posted an appeal to Ukrainians on his Facebook page: In it, he calls upon citizens, politicians and businessmen to keep a cool head and unite to maintain the integrity of the country (112 News, 2014). He does not mention Russia by name nor does he suggest any subsequent course of action. His business partner, Vadim Novinskiy, made similar statements. A former Russian national, Novinsky received Ukrainian citizenship in 2012 by Yanukovich and went on to participate in elections in the Sevastopol region in Crimea on an agenda promoting Russian as the second language and opting for membership of the Customs Union (Korrespondent, 2013a). With the events in Crimea developing, however, he proclaimed to support the integrity of Crimea and stated that he considered Crimea an integral part of Ukraine (Liga Novosti, 2014). His generally pro-Russian agenda therefore perhaps makes his proclamations somewhat more significant, as he was deviating from what one might expect to hear from him by speaking out in this way. Nevertheless, apart from these statements there are few reasons to suspect they actively tried to influence the proceedings.

The only instance where oligarchs have acted in the Crimea case was in preventing their own assets from being expropriated. After the annexation of Crimea, Russia started a nationalisation program on the peninsula where former owners of land or businesses were

dispossessed to the benefit of the Crimean government (MacFarquhar, 2015). Among these assets were those belonging to the Privat Bank (owned by Kolomoiskiy), a holiday complex owned by Serhiy Taruta and the Crimean branch of Ukrtelekom, owned by Rinat Akhmetov (Molchanov, 2015). Consequently, these affected oligarchs have started various law suits to reclaim their properties. But these actions are not indicative of any impact on Ukrainian foreign policy as they only concern the protection of their private interests. One can speculate about the reason for the oligarchs' relative inactivity in the Crimea case, but it corresponds with the general passivity in Ukraine among politicians and civilians in the Crimean crisis - which might be attributable to the speed at which events were taking place or the political vacuum at the time. On the other hand, it might have been a rational calculation to not antagonise Russia, where some also still had business interests. One can only say for certain that the situation looks different when one looks at the conflict in the rest of Eastern Ukraine. A number of oligarchs had a stake in this conflict and contrary to the Crimea case, they have been more active players on the political stage. The main players can be identified as the major oligarchs like Akhmetov and Kolomoiskiy, as well as some important but lesser known individuals like Serhiy Taruta and Viktor Medvedchuk. Their role in this regard will be discussed below.

4.3 Eastern Ukraine: Institutionalisation

The first direct consequence of the start of the unrest in Eastern Ukraine was the promotion of some oligarchs to important political posts, institutionalising their role in Ukrainian policy making. Their promotion to politics was part of an attempt by the Ukrainian interim government to maintain some stability and continuity at a point when instability and violent separatism was growing in Eastern Ukraine (Kramer, 2014). Seeing how oligarchs control significant assets in the region and have political influence with the population, offering them formal political positions was regarded as a pragmatic solution to foster stability. Their appointment was made uncomplicated by the laws in Ukraine, that allow governors to be appointed by the president rather than be elected. The first and most important two oligarchs to be offered the post of governor and to accept this proposition were Ihor Kolomoiskiy and Serhiy Taruta.

In early 2014, Kolomoiskiy was still living in Switzerland but he returned to Ukraine when the conflict in the country started escalating. He was subsequently invited to become governor of Dnipropetrovsk Oblast, the region in East Ukraine where he grew up and where he still enjoyed great influence (Rudenko, 2014). Upon having accepted the position, he took a radical anti-separatist and anti-Russian position, insulting Vladimir Putin as well as Yanukovich for their participation in destabilising Ukraine (see Vovremya Novosti, 2014). He considered it his duty to fight separatism and to ensure that separatist forces would not advance further into Ukraine, the position that would earn him the label 'patriot'. In order to influence the course of events with regard to the war in Eastern Ukraine, Kolomoiskiy used both his position as governor as well as well as his private financial means. At a political level, he took measures to defend the Dnipropetrovsk region against separatism: He created a number of volunteer battalions to

complement the Ukrainian army, that would both patrol the city of Dnipropetrovsk and help fight on the frontline in the Donbass (Butchenko, 2014). Furthermore, he established a region-wide fund through which middle-class businessmen could contribute financially to the war effort and he took action to strengthen Dnipropetrovsk's general economic situation. Additionally, in a symbolic move to illustrate his determination, he started offering a $10,000 bounty that he paid for personally for any pro-Russian militant with a firearm that was captured by Ukrainian forces (Cullison, 2014).
Because of these measures, Kolomoiskiy is generally considered to have been very successful in halting the separatist advance further into Ukraine and can be seen as having played a role in Ukraine's fight against separatism (Miecik, 2014).

Along with Kolomoiskiy, Donetsk clan oligarch Serhiy Taruta was at the same time likewise invited to fulfil a gubernatorial post in the problematic region of Donetsk. Serhiy Taruta is the most important business partner of Rinat Akhmetov and is one of the most influential oligarchs in the region. Similar to Kolomoiskiy, he was invited by interim president Oleksandr Turchynov to assume a political position because of his position as an influential businessman and his historical ties to the region (Danilova, 2014). His immediate task was to enter in negotiations with separatist forces, who had at the time just started occupying the municipal buildings in Donetsk. Even though Taruta himself was replaced rather quickly over personal disagreements with later president Poroshenko, during his time as governor he was personally responsible for negotiating with the representatives of the DPR over solving the conflict (Gordon UA, 2014). In this regard, he can be considered to have had some influence on the development on the conflict. Along with Kolomoiskiy then, Taruta's governorship shows how through being appointed governors, oligarchs have gained important access points to policy concerning the conflict in Eastern Ukraine. Moreover, they earned their nominations because of their position as established and well-connected oligarchs, showing how oligarchs in the Ukrainian system can easily assume formal office because of their position and can then continue to impact foreign policy.

Apart from the promotion to governor of some oligarchs, the conflict in Eastern Ukraine also facilitated the promotion to another important political position of Viktor Medvedchuk. As I have mentioned in an earlier chapter, he is an oligarch who is often mentioned in context of his ties with the Russian president Vladimir Putin and who is known for his pro-Russian standpoints. It was also Putin who saw a role for him in the negotiations for reaching a settlement for the conflict in Eastern Ukraine and is said to have proposed his involvement to the other negotiating parties of the OSCE Contact Group, that was tasked with reaching a cease-fire agreement (Herszenhorn, 2015a). Shortly afterwards, on June 25, 2014 the controversial proposal to invite Medvedchuk to the negotiating table and act as a fixer during the negotiations of the OSCE Contact Group was eventually made by Angela Merkel (Censor, 2014). This proposal was subsequently accepted by the members of the contact group, including Ukrainian president Poroshenko. Medvedchuk himself said the reason for his appointment was that the separatist leaders would not talk to the Kiev authorities directly so they needed him to act as a mediator

(Buckley & Olearchyk, 2017). It is indeed Medvedchuk's unique position between the different factions, owing to his informal ties to the Russian leadership and the pro-Russian separatists, that help explain the Ukrainian approval of the decision which would otherwise perhaps be hard to comprehend. In terms of his assignments, Medvedchuk's initial task was to arrange the exchange of prisoners between the warring sides (Herszenhorn, 2015a). But according to the Financial Times, sources state that his role is not limited to the topic of prisoner exchanges and that he is in fact involved in constant negotiations with the warring parties over the topic of the future status of the Donbass and the rest of Ukraine (Buckley & Olearchyk, 2017).

The scope of this project makes it impossible to ascertain what happened behind the closed doors of the Minsk Group or the Kremlin and based on this information the true extent of his impact on the settlement of the conflict remains unknown. But as in the case of the promotion to governor of Kolomoiskiy and Taruta, one can conclude that Medvedchuk was assigned an important political position with access points to the formulation of a settlement for the conflict thanks to the prominence of oligarchs in Ukraine's political system. His informal ties to key players in the process facilitated his nomination, which would otherwise in the light of the hostility between Ukraine and Russia be hard to justify. Subsequently, the above mentioned oligarchs had a personal impact on the development of the conflict through negotiating with the separatists, financing military operations in the function of governor and by functioning as a mediator in the OSCE Contact Group.

4.4 Eastern Ukraine: Private militias

Another way in which oligarchs helped shape the outcome of the conflict was not through their informal networks or by assuming formal office, but through their material means. Akhmetov and Kolomoiskiy played a significant role in the conflict in this regard, as I will demonstrate below. At the moment when the war in Eastern Ukraine broke out, Akhmetov still owned significant businesses in the Donetsk region and he therefore had a major interest in protecting his assets from the unrest that was ensuing (Wilson, 2016: 7). For this reason, he started appearing in public in spite of his preference for staying out of the public eye. In his first public appearance since the protests in the Donbass broke out, Akhmetov travelled to the region and called upon the protesters to calm down and start talks with the authorities in Kiev in order to find a peaceful solution for the conflict (Sindelar, 2014b). Additionally, he appeared alongside Ukraine's pro-Western Prime Minister nearly a week later (ibid.). His language suggested an increasing support for the government in Kiev when he subsequently referred to the separatists as 'bandits and looters' and condemned them for making the people of Donetsk live in fear (Sindelar, 2014a; Matveeva & Kartsev, 2014). All these actions suggest that Akhmetov condemned the separatist movement in Eastern Ukraine, but so far he refrained from taking action against it.

On the other hand, empirically there are reasons to believe that Akhmetov in fact used his means to financially support separatist forces in the beginning phases of the war. Taras Kuzio reports about these ties, writing that the separatist *Vostok* and *Oplot* battalions were reportedly

close to Akhmetov (Kuzio, 2015: 424). This is confirmed by other sources as well: According to one of the leaders of the Donetsk People's Republic, in the early phases of the separatist movement against Kiev almost all of the separatists received financial support from Akhmetov (Azarenko, 2014). A name that is often mentioned in this regard is Alexander Khodakovsky, who was the commander of the *Vostok* battalion at the time. He used to be a member of the Ukrainian security service in Donetsk, before he joined the separatist movement. During his life in Donetsk he was allied with Akhmetov and recent revelations have shown how he likely received payments from him while heading the *Vostok* battalion: For example, in an interview for a Russian broadcaster Aleksandr Borodaj, head of the Union for Volunteers of the Donbass, states that he witnessed Akhmetov handing Khodakovsky a suitcase of money to equip his battalion in 2014 (Kotenok, 2017). These allegations are made more credible by other details that have emerged recently. First, hackers have managed to retrieve files reporting about meetings in late 2014 between Akhmetov and the leadership of the DPR showing how he was involved in the promotion of Khodakovsky to leader of the DPR Security Council and other members of Akhmetov's circle to other posts in the DPR (Novoye Vremya, 2015). Second, it emerged that members of the *Vostok* battalion were responsible for guarding Akhmetov's property in the region, leading one to believe that they were financed by him (Romanenko, 2014).

Altogether, looking at the evidence there is reason to expect that Akhmetov was connected to the separatist forces at least in the beginning of the conflict. Moreover, by shaping the military balance in the region, this means that he has had an impact on the development of the conflict in Eastern Ukraine. Akhmetov managed to accomplish this by using his position as an authoritative figure in the region, his informal personal connections to some of the separatist leaders, as well as by using his personal financial means. In this sense, Akhmetov's role in the conflict remains something of a unique case as he directly shaped Ukrainian foreign policy rather than influenced the foreign policy making *process*. A similar situation developed in the case of Kolomoiskiy.

Apart from fulfilling his position as governor of Dnipropetrovsk, he also had a direct impact on the conflict itself, in a way comparable to Akhmetov. Other than the bounties he was financing from his personal means but in the name of Dnipropetrovsk Oblast, he personally funded pro-Ukrainian militias fighting in the East (Wilson, 2016: 7). As the Ukrainian forces were at the time underfunded and under equipped, Kolomoiskiy personally purchased equipment ranging from tires, car batteries, fuel and weaponry (Cullison, 2014). Reportedly, at some point he spent $10 million per month in supporting the Ukrainian military and the volunteer militias (Kuzio, 2015: 392). The battalion most often noted for its connection to Kolomoiskiy is Dnipro-1, named after the city Dnipropetrovsk, but as of 2015, there are a number of others financed by him as well (Sergatskova, 2015). In this case, Kolomoiskiy's impact on Ukrainian foreign policy is all too visible, as the Ukrainian state was directly dependent on Kolomoiskiy for the waging of its military operations. In fact, the reason he was later relieved of his position by Poroshenko was for the

reason that he was considered to have become too powerful because of his control over the armed militias (Herszenhorn, 2015b).

The militias financed by Akhmetov and Kolomoiskiy present an interesting case for examining the relation between oligarchs and foreign policy in Ukraine. In the preceding sections of this piece, the emphasis was predominantly on the usage by oligarchs of informal networks and formal political power to influence foreign policy. In this sense, this fits well into the framework of policy making in neopatrimonial democracies. The examples above represent something of a unique case, however: In this instance, oligarchs have used their substantial material means to directly influence foreign policy by privately funding militias - rather than influence the policy making process. This fits less readily within the neopatrimonial or domestic decision making frameworks, but it is exemplary of the role of oligarchs in the Ukrainian political system: It shows how oligarchs can use their exceptional wealth and historically shaped regional ties to influence the outcome of foreign policy even outside of formal or informal political structures, by determining the course of a violent conflict.

5. Conclusion and discussion

In the previous chapters I have examined the relation between oligarchs and foreign policy in Ukraine. Central was the question to what extent the position of oligarchs in Ukraine's political system has helped shape foreign policy in the cases of the negotiating of the Association Agreement with the European Union and the conflict in Crimea and Eastern Ukraine.

In terms of the negotiations around the Association Agreement, I have found that the most prominent Ukrainian oligarchs were generally favourable towards it and have supported the process. This attitude led to a number of oligarchs promoting Ukrainian European integration at both the Ukrainian and European level, as did Akhmetov and Pinchuk. They founded pro-European organisations and used their private means to organise events that promoted Ukraine's European course. On the other hand, one of the few oligarchs that were opposed to the signing of the agreement, Viktor Medvedchuk, took similar action to prevent its signing. In this case, one could say that these individuals did impact Ukrainian foreign policy by setting the public agenda and their financial means allowed them to do so. On the other hand, I have concluded that this is in fact not very surprising and that this constitutes regular lobbying practice similar to what one would find in other types of political systems. More significant are my findings when it comes to the lobbying of the negotiations around European integration, where there are indications that several oligarchs have used the peculiarities of the Ukrainian political system to influence policy making to their personal advantage: Thanks to the formal and informal access points to government some Ukrainian oligarchs had, for example by being members of parliament themselves or by having personal ties with policy makers, they had the opportunities to impact the negotiation process and there is preliminary evidence that they were in some cases successful in influencing it. Seeing as the process of European integration was a key topic of Ukrainian foreign policy, one can conclude that in this instance the position of oligarchs in Ukraine's political system has in some cases facilitated their impact on foreign policy.

When one examines the role of oligarchs in the conflicts that emerged in Crimea and Eastern Ukraine, a mixed but similar picture emerges. In the Crimean case, I have found little evidence that oligarchs played a role in any of the proceedings except for taking legal action to reclaim their confiscated properties after the annexation. When it comes to Eastern Ukraine, however, I believe one can argue that oligarchs have played a significant role in the development of the conflict, facilitated by the position oligarchs take in Ukraine's domestic structure. Their impact on the conflict is most notable in the cases of Akhmetov and Kolomoiskiy, as the former likely supported the separatist forces in the initial stages of the conflict and the latter used significant private means to fund the Ukrainian volunteer battalions, thereby shaping the course of the conflict and the course the Ukrainian government would take in it. I have argued that this is also typical for the role of oligarchs in the Ukrainian political system, because they have been able to influence the outcome of foreign policy outside of political structures by using their exceptional material means combined with their regional ties. Second, the influence of the oligarchs was

institutionalised when they were appointed important political positions. This gave Taruta, Kolomoiskiy and Medvedchuk notable access to formal policy making in concern to the conflict. Taruta and Kolomoiskiy were tasked with negotiating with the separatist forces, while Medvedchuk was promoted to mediator between the fighting parties. Thus, in this case a number of oligarchs have been able to impact foreign policy because of their formal political positions.

All in all, on the basis of my findings I believe there is reason to suppose that the domestic structure in Ukraine, where oligarchs have emerged as important players on the political stage, has given them opportunities to influence events on the international level as well. I have argued that the political system that has developed in the country gives oligarchs the access points to impact foreign policy in several important ways: Their informal as well as formal connections give them access to the decision making process and this helps them to influence policy, domestic as well as foreign. Moreover, as shown by the Eastern Ukraine case, oligarchs can also effectively impact foreign and domestic policy directly by using their significant wealth. So what does this mean for the general theory on business elites and politics in foreign policy formulation? My findings in terms of the role of Ukrainian oligarchs in decision making broadly correspond with what Grossman and Helpman wrote about the influence of business groups on foreign policy in the United States. They described how business elites are able to win the favour of politicians and steer policy their way by using their financial means. Oligarchs in Ukraine indeed use their financial means to steer policy and strive to win the favour of politicians. But my main contribution to their theory and theory on big business and foreign policy in general, is that I have illustrated how in a non-consolidated democracy like Ukraine, business elites can also have access to formal and informal political channels to complement their financial means in order to influence foreign policy. This mechanism then is also in accordance with the way David Lewis described the functioning of a neopatrimonial democracy: Institutions of the modern state are combined with informal behind-the-scenes politicking. In this regard, I have contributed to the existing scholarship by showing how this functioning can not only have consequences for domestic policy, the area scholars of neopatrimonialism in Ukraine have so far predominantly focused on, but for foreign policy as well.

Still, as I have indicated earlier, based on my research it would not be possible to give a definitive qualification of the extent of the influence of oligarchs on Ukrainian foreign policy. Quantitative data as was used by Jacobs and Page in their research would be needed, as well as more comprehensive qualitative investigation into the informal political activities of oligarchs. As I conceded before, the nature of the topic has made the collection of data for this project challenging and my research was limited by time and scope. I have only dealt with a select group of prominent oligarchs, while excluding others. The role of Petro Poroshenko for example, himself oligarch and since 2014 president of Ukraine, would also deserve to be examined more closely. Thus, my findings should be considered indicative and not conclusive. One could also object that I have been too selective with my cases and indeed future research should involve more foreign policy events in order to make a stronger case. Nevertheless, in this respect my expectation is

that when one would include more events preceding 2010, oligarchic influence in foreign policy as a result of Ukraine's domestic structure will likely rather be more apparent than less. One can for example consider Ukraine's main subject of pre-2010 Ukrainian foreign policy; energy politics. It follows from past research that oligarchs like Dmitro Firtash and Yulia Timoshenko were decisive in determining Ukraine's approach to the gas trade by making use of their political positions and personal contacts (see Balmaceda, 2013: 115-135, Kuzio, 2015: 394-408). Consequently, this would correspond with my findings with regard to the 2010-2014 events.

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