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## ECONOMICS AGAINST THE BACKGROUND OF GEOPOLITICAL CHALLENGES: TOWARDS UKRAINIAN-RUSSIAN ECONOMIC RELATIONS (1990s – 2000s)

The article spotlights bilateral relations between Ukraine and the Russian Federation within the period after the dissolution of the USSR that came from multi-faceted vision of correlation system between countries and were defined by a wide range of peculiarities and paradoxes. Attempts to fix a favourable format of relations just for itself, unclosed ignoring of meaning and interests of the partner, mutual accusations were changed for attempts to compromise and find optimum ways for the crisis overcoming. And the latter were more than enough and not only in interstate relations.

The social and economic development of Ukraine after restoration of state independence was disputable and dramatic. The national economy on the whole fitted into the traditional scheme of transition economies that appeared instead of the centralized, extra-market economic relations with intrinsic to it rejection of private property, almost total control of the economic domain by the state. The crisis of the Soviet system emerged within the «Era of Stagnation» transformed in independent Ukraine into a full-blown economic collapse that lasted till the end of 1990s.

The Ukrainian economy and society for a long time (partially even at present) were dependent on Soviet Union heritage – no fundamental changes in the field of fixed assets, industrial infrastructures within the first twenty years took place after the independence restoration. The market economy was embroiling with increase in public control, economic freedom – with bureaucratic centralization, public servants outrages, law enforcement and fiscal agencies, free market – with transformation of public authority into rent source and corruption – to «organic» component of economic relations. The merge of public authority and business into a «weird conglomerate where the business gains a direct access to the public authority and the public authority transforms into a business» stayed almost the most pressing issue of Ukrainian economy.

But the Russian side within the first two decades after the USSR dissolution taking its economic strength that was significantly greater than Ukrainian one, permanently tried to foist own «rules of game» to social and political elite (subject to availability of this term) of the latter, own old economic model, constantly initiating a lot of reintegration projects (like CIS) to return former republics of the Soviet Union to its imperial/neo-imperial dominance.

The matter of division of foreign property of the former USSR became one of the most charged matters in Russian-Ukrainian relations after December 1991. This problem controversially united social and economic issues extremely important for revived Ukrainian statesmanship with social and humanitarian component.

The matter of division of foreign property of the former USSR was left unsettled prior to the very beginning of the Russian aggression against Ukraine and annexation of Crimea as well as occupation of parts of Donetsk and Luhansk Oblasts districts in 2014.

Key words: Ukraine, Russian Federation, economics, international relations. Ref. 16.

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# ЕКОНОМІКА У КОНТЕКСТІ ГЕОПОЛІТИЧНИХ ВИКЛИКІВ: ДО ПИТАННЯ ПРО УКРАЇНСЬКО-РОСІЙСЬКІ ЕКОНОМІЧНІ ВІДНОСИНИ (1990-ті – 2000-ні рр.)

В статті висвітлено двосторонні відносини між Україною та Російською Федерацією в період після розпаду СРСР, які походили з різнопланового бачення системи співвідношення між країнами та визнача-

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лися цілим рядом особливостей та парадоксів. Спроби встановити вигідний саме собі формат відносин, відкрите ігнорування позиції та інтересів партнера, взаємні звинувачення періодично змінювалися спробами компромісу та пошуком оптимальних шляхів подолання кризових явищ. А останніх було більш аніж достатньо і не лише у міждержавних стосунках.

**Ключові слова:** Україна, Російська Федерація, економіка, міжнародні відносини. **Літ.** 16.

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### ЭКОНОМИКА В КОНТЕКСТЕ ГЕОПОЛИТИЧЕСКИХ ВЫЗОВОВ: К ВОПРОСУ ОБ УКРАИНСКО-РОССИЙСКИХ ЭКОНОМИЧЕСКИХ ВЗАИМООТНОШЕНИЯХ (1990-е – 2000-ные гг.)

В статье освещены двусторонние отношения между Украиной и Российской Федерацией в период после распада СССР, происходящие из-за разнопланового видения системы взаимоотношений между странами и которые определялись целым рядом особенностей и парадоксов. Попытки установить выгодный именно себе формат отношений, открытое игнорирование позиции и интересов партнера, взаимные обвинения периодически менялись попытками компромисса и поиском оптимальных путей преодоления кризисных явлений. А последних было более чем достаточно и не только в межгосударственных отношениях.

**Ключевые слова:** Украина, Россия, экономика, международные отношения. **Лит.** 16.

**Problem Statement.** The social and economic development of Ukraine after restoration of state independence was disputable and dramatic. The national economy on the whole fitted into the traditional scheme of transition economies that appeared instead of the centralized, extra-market economic relations with intrinsic to it rejection of private property, almost total control of the economic domain by the state. The crisis of the Soviet system emerged within the «Era of Stagnation» transformed in independent Ukraine into a full-blown economic collapse that lasted till the end of 1990s. The essential modifications of labour differentiation took place due to the social and economic transformations, social and economic mobility increased.

**Research Analysis.** The problematics of Russian-Ukrainian economic relationship got special severity already in the end of 1980s, that is why national historians, political scientists and others started more boldly interpret and refer to the past and present contentious issues of Ukrainian-Russian relations.

Ukraine and Russia in the International Relations System: Strategic Outlook [12] monograph was published in 2001 being marked by National institute of international safety problems at the National Security and Defence Council of Ukraine. The book provides scientific analysis of the Ukrainian–Russian relations in a broader international context, historical sketch of their formation and development processes.

In 2003 M. Riabchuk tried to find out the reasons and results of the notorious Ukrainian ambivalence, mechanisms of its self-reproduction and effective run by power elite as well as ways of its overcoming in book Two Ukraines: Actual Frontiers, Virtual Wars having analysed topical political, economic, cultural processes [10].

The Institute of History of Ukraine National Academy of Ukraine in 2004 published a significant for national historiography three-volume sketch «Ukraine and Russia in Historical Retrospective». The third volume of the same publication is dedicated to analysis of the present state-forming process. The authors (S. V. Kulchytsky and B. O. Parakhonsky) research it from the standpoint of Ukrainian-Russian relations [11].

The national scientists had spent a lot of time in focusing on the Crimea problem crisis situation at the beginning of the 1990s. Such authors among them are to be mentioned as Director of Foreign Policy Institute, Dr. sc. pol., Prof. H.M. Perepelytsia, Dr. sc. pol. O.S. Bodruk [1, 2, 9]. The military historians and political scientists devoted a number of works for forming the armed forces and for the matter of security of our country herewith special attention was also given to problems of the Black Sea Fleet Russia and Ukraine were resolving. So, H.M. Perepelytsia noted in his research The Division of the Black Sea Fleet as a Problem of Ukrainian National Security that negotiations on division of the fleet were quite stressful. The Russian party constantly changed its requirements and approaches to the given matter.

The works of V.M. Lytvyn are devoted to Ukrainian foreign policy, difficulties of formation and development of international rules of Ukraine activities, its strategic alternative and selection of strategic partners in particular Russia too Lytvyn [6, 7, 8].

Purpose of our work is to find out the essence, peculiarities of forming and evolution of Ukrainian-Russian economic relations within the first two decades after the USSR dissolution.

**Description of Main Information.** The Ukrainian economy and society for a long time (partially even at present) were dependent on Soviet Union heritage - no fundamental changes in the field of fixed assets, industrial infrastructures within the first twenty years took place after the independence restoration. The merge of public authority and business into a «weird conglomerate where the business gains a direct access to the public authority and the public authority transforms into a business» stayed almost the most pressing issue of Ukrainian economy.

According to the world ratings, the Russian Federation economy is one of the most disequilibrium economies. It is characterized by diversified definability that identifies its self-insufficiency, functional dependency. The strong tie of the Russian economy to fuel and energy sector first and foremost, energy exports let U.S. Sen. John McCain call Russia «a great gas station» but not a country. It is impossible to attribute all of it to miscalculations of economic policy or the Soviet past. The inefficiency of economic system, its insufficient flexibility, resistance to system modifications - this is a centurieslong giveness of Russia, its civilization distinctness. This is about the factors corresponding with the ability/inability issue of present Russia to cast back its Imperial past [3, 474–475].

But the Russian party within the first two decades after the USSR dissolution taking its economic strength that was significantly greater than Ukrainian one, permanently tried to foist own «rules of game» to social and political elite (subject to availability of this term) of the latter, own old economic model, constantly initiating a lot of reintegration projects (like CIS) to return former republics of the Soviet Union to its imperial/neo-imperial dominance.

Thus, on the 21st of February 1994 State Committee of Ukraine on Control of National Board of Ukraine (the State Committee on Board) sent working materials to Kartavtsev V. S., as a Secretary of National Security and Defence Council of Ukraine at President of Ukraine, on development of Complex national program for providing territorial integrity and inviolability of borders of Ukraine [17, 44–89].

This set of documents<sup>1</sup> in Offers to Tentative Plan of Program Development of Complex National Program for Providing Territorial Integrity and Inviolability of Ukrainian Borders along their Parameters gave that as of the 1st of February 1994 situation on the national board of Ukraine first and foremost was characterized as an incompletion of the national boarder legal registration; spate of activities of foreign special services at the border; growth in illegal migration scale through the territory of Ukraine; spate of organized crime structures through the border especially on illegal border crossing by people, goods and raw material, weapon and ammunition and other [13, 45].

In our opinion, the same Offers... contained quite realistic forecast on possible risks of negative development of the situation on the north-east borders of Ukraine and the Crimea. So, a possibility

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<sup>&</sup>lt;sup>1</sup> The set of documents included three components: 1) Offers to Tentative plan of Program Development of Complex National Program for Providing Territorial Integrity and Inviolability of Borders of Ukraine (10 sheets); 2) Certificate of Territorial Claims to Ukraine on the part of neighbouring countries (35 sheets); 3) Certificate of Information of the State Committee on Board of Ukraine furnished to President of Ukraine, Government and interacting authorities on territorial problems and claims of the neighbouring countries to Ukraine 1992 – 1993. (3 sheets).

to implement such crisis scenarios on the north-east oblasts of Ukraine by Russia was stated due to active efforts of separatism-supporting and anti-state political parties and organizations aimed at reaching local self-governing and economic independence for further federalization/confederation of the state: 1) secession of the eastern oblasts from Ukraine with their further possible separate existence or affiliating with Ukraine or Russia based on federation/confederation; 2) restoration of idea of Donetsk-Kryvy Rih republic with following affiliating with Ukraine or (most likely) with Russia based on federation/confederation; 3) proclamation of Slobozhanks Republic (Kharkiv, Sumy, the southern part of Kursk, Belgorod and Voronezh Oblasts) with possible affiliating with the Russian Federation based on federation [13, 52].

After all, all these and similar crisis scenarios at least were used by Russia's political elite within the first two decades of existence of revived Ukraine state. 2014-2016 events confirmed once again availability of Russia's «crisis situations» on Ukraine and at Ukraine's expense.

The situation on construing of Ukrainian sovereignty over its firm land, in particular the Crimea peninsular by the Russian party was also not good.

On the 24<sup>th</sup> of September 1999, the regular talk of B.I. Tarasiuk, Ministry of Foreign Affairs of Ukraine, to I.S. Ivanov, Ministry of Foreign Affairs of the Russian Federation, took place during the 54<sup>th</sup> Session of the United Nations General Assembly. The interlocutors separated a number of main problematic issues and agreed to give special priority to them. Such problematic issues were referred to as: 1) foreign property of the former USSR; 2) additional agreements on the Black Sea Fleet; 3) boundary delimitation, in particular Sea of Azov and Kerch Strait area; 4) cost estimating of Ukrainian strategic bombers that were transferred to Russia for gas debts as mutual offset [14, 124–126].

The matter of division of foreign property of the former USSR became one of the most charged matters in Russian-Ukrainian relations after December 1991. This problem controversially united social and economic issues extremely important for revived Ukrainian statesmanship with social and humanitarian component.

Nowadays a fake and distorted image of Ukraine – almost like East-European Iraq, a state – successor of fascists and pogromists, at best a candidate to authoritarian nationalistic regimes like East-European regimes of the inter-war period, appeared in the world due to effect of all unfavourable factors as well as affected by anti-Ukrainian propaganda [...]» [15, 178–179].

The matter of division of foreign property of the former USSR was left unsettled prior to the very beginning of the Russian aggression against Ukraine and annexation of Crimea as well as occupation of parts of Donetsk and Luhansk Oblasts districts in 2014.

At the same time laws and regulations governing matters of bilateral trade and economic cooperation in the end of 1990s and laid 1993–1999 with joint efforts provided for in relations between the states considering each other as strategic partners: 1) development of trade and economic cooperation based on equality and mutual benefit; 2) creation of equal opportunities for economic agents; 3) harmonization and unification of system of tariff and non-tariff trade regulation between both states according to principles of the Tariffs and Trade General Agreement; 4) equitable and mutually beneficial cooperation in economy at the same time the Parties shall refrain from the actions that may cause economic damage each other; 5) moving as soon as possible to the unified principles of indirect taxes collection in mutual trade; 6) gradual removal of trade and technical curbs as well as indirect non-tariff restrictions [4].

The situation has been complicated also by the fact that Russia uses almost all possible forms of taxation and exporting tariff restrictions to Ukraine while they are used at random for other countries. This circumstance makes an additional mechanism for slowdown of the situation settlement process where trading and economic cooperation on the whole between our countries becomes economically unprofitable not only for Ukrainian consumer but for Russian supplier too. Moreover, Russia considers introduction of export dues exclusively as its internal affair setting its amount according to market condition [16, 108].

The issues on possible abolition of crude oil and refined products duties exported to Ukraine were related to repeated insistent demands of Russia to Ukraine to join the Customs Union the Ukrainian leaders in every way avoided.

Conclusions. Both political, and trading and economic relationships of the biggest two former USSR republics – Russia and Ukraine – developed extremely controversially within the first two decades of their post-Soviet existence, they went through crisis many times caused by the Russia party. The Russian authorities taking its economic advantage and geopolitical weight recognized by the Western world tried to foist their own rules of game to Ukrainian political and business echelons, draw independent Ukraine into a sphere of its political influence and economic dominance. The fuel and energy issue, problem of Russian energy transit to Europe through Ukrainian territory were almost the most effective Russian leverage for political leaders and economy of Ukraine.

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