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THE CRISIS IN UKRAINE: ROOT CAUSES AND SCENARIOS FOR THE FUTURE



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This report was prepared by the Valdai International Discussion Club based on contributions from Andriy Blinov, Project Director, League for Financial Development (Ukraine); Kost Bondarenko, Director, Ukrainian Policy Institute (Ukraine); political analyst Dmytro Vydrin, Deputy, Verkhovna Rada (Ukrainian parliament) of the fifth convocation (Ukraine); Eduard Zolotukhin, Director, Research & Branding Group (Ukraine); Rostislav Ishchenko, President, Center for Systems Analysis and Forecasting (Ukraine); social analyst Yevgeny Kopatko, Founder, Research & Branding Group (Ukraine); Fyodor Lukyanov, Presidium Chair, Council on Foreign and Defense Policy, Editor-in-Chief, magazine *Russia in Global Affairs* (Russia); Sergei Mikheyev, Director General, Center for Current Politics in Russia (Russia); Mikhail Pogrebinsky, Director, Kyiv Center of Political Studies and Conflictology (Ukraine); Konstantin Simonov, Director General, National Energy Security Fund (Russia), **as well as materials from roundtable discussions in Berlin:** Alexei Vlasov, Executive Director, North-South Center for Political Studies (Russia); Arnaud Dubien, Director, French-Russian Observatory analytical center (France); Yevgeny Minchenko, President, Minchenko Consulting Communication Group (Russia); Gerhard Mangott, Professor of Political Science, University of Innsbruck (Austria); Nicolai Petro, Professor of Politics, University of Rhode Island (USA); Alexander Rahr, Research Director, German-Russian Forum (Germany); Hauke Ritz, journalist and writer (Germany); Hans-Friedrich von Ploetz, Ambassador Extraordinary and Plenipotentiary, Ret. (Germany); Reinhold von Ungern-Sternberg, Director, Kirovsky Zavod Berlin Office (Germany); Christoph Hoerstel, Director, Political Consultant, government, public relations and business consultancy Hoerstel Networks (Germany); Martin Hoffmann, researcher, German-Russian Forum (Germany); Gabor Stier, foreign policy commentator, foreign policy editor, Hungarian conservative daily newspaper *Magyar Nemzet* (Hungary); Dietmar Stuedemann, researcher, German-Ukrainian Forum (Germany); and **in Paris:** Pavel Baev, Professor, Peace Research Institute Oslo (Norway); Justin Vaisse, Director, Policy Planning Staff at the French Ministry of Foreign Affairs; Thomas Gomart, Vice President for Strategic Development, French Institute of International Relations, IFRI; Isabelle Dumont, Deputy Director, Continental Europe Directorate, Head, Office for Russia and Eastern Europe, Foreign Ministry of France; Etienne de Durand, Director, Center for Security Studies, French Institute of International Relations, IFRI; Antoine d'Evry, Researcher, Center for Security Studies, French Institute of International Relations, IFRI; Volodymyr Yermolenko, political analyst (Ukraine); Tatiana Kastueva-Jean, Head of the Russie-NIS Center (Russia-CIS), French Institute of International Relations, IFRI; Veronika Krashennikova, Head of the Center for International Journalism and Research, *Rossiia Segodnya* International Information Agency; Vladimir Lepekhin, Director, EurAsEC Institute (Russia); Philippe Lefort, former EU Special Representative for the South Caucasus, (France); Pierre Morel, former EU Special Representative for Central Asia, Director, Pharos Observatory (France); and Nicu Popescu, Senior Analyst, EU Institute for Security Studies (Romania).

Project Director **Pavel Andreev**, Executive Director, Foundation for Development and Support of the Valdai Discussion Club.

Associate Editor **Gayaneh Seiranyan**, PhD (History).

INTRODUCTION

0.

The crisis in Ukraine has become a tragedy, as is evidenced by the thousands of people who have been killed, and hundreds of thousands of refugees. It will alter the future of Ukraine, Europe, Eurasia and possibly the world.

The crisis began in the fall of 2013 as a public response to the authorities' ill-advised policy and the greed of the elite. But clumsy assistance provided by concerned «partners» turned the crisis into a coup, a power grab and subsequent chaos, which quickly spread across Ukraine, one of Europe's largest countries. Months later, Ukraine is still fighting a bloody civil war and humanitarian catastrophe amid an increasingly destructive economic crisis.

Ukraine will never be the same again. No one, neither Ukrainians, nor Russia nor the West, needs the old Ukraine. Ukrainians don't need it because it didn't provide them with the necessary development, a better quality of life or national unity. As for Russia and the West, they have no need for a Ukraine that plays with, and sometimes even trades on, the contradictions that exist between them.

Ukraine has been a major sore spot for Europe since the end of the Cold War. It was an ulcer that reopened many times as a result of domestic issues, or for lack of attention, or at the prompting of external actors, souring Russia's relations with its European partners.

A settlement in Ukraine offers a unique opportunity to heal this ulcer, this last open wound of the Cold War era, and also to bring clarity to the idea of a common geopolitical and geo-economic Euro-Atlantic and Eurasian space, from Lisbon (and possibly from Vancouver) to Vladivostok. The parameters of the settlement in Ukraine will likely offer a projection of the future rules of coexistence and cooperation in the world. Will it be a world of honest, fair and constructive competition, or will the phantoms of the zero-sum game continue to haunt us?

This report in no way aims to seal Ukraine's fate behind its back. It is based on contributions from Ukrainian experts, complemented with documents provided by Russian experts and the main points presented by European and American participants in roundtable discussions that the Valdai Club and its partners held as part of this report's preparation.

We are not aspiring to create a panacea. We offer only an objective analysis of the events that led to the 2014 crisis in Ukraine and outline possible parameters of an

agreement to help create conditions for the peaceful and positive development of Ukraine as part of the Eurasian space from the Atlantic to the Pacific coast. This should be in the interests of all responsible parties. The settlement parameters we suggest are concrete and practicable, given political will.

We hope that this report will help readers, including for research as well as practice, understand the essence of developments, and consequently formulate their position on the situation in Ukraine and the role of Russia and the West.

Pavel Andreev

Project Director, Executive Director of the Foundation for
Development and Support of the Valdai Discussion Club

THE ROOT CAUSES OF THE CRISIS

1.

INTERNAL CAUSES

The current crisis in Ukraine can be rightfully thought of as a systemic crisis of two models: post-Soviet Ukrainian statehood and the post-unipolar world. There are numerous causes of this crisis, which clearly has political, economic, social, and cultural dimensions to it. We will try to identify the most significant ones.

HISTORICAL CAUSES

A failed state

Although it has become commonplace to call Ukraine a failed state, this does not mean the actual historical causes underlying its current problems should be ignored. The crisis that began in November 2013 is indicative of the collapse of the current model of Ukrainian statehood.

Ukraine had never existed in its present borders before it became part of the Soviet Union. Its current borders are the result of Soviet state-building, which did not take into account the historical and cultural details of its

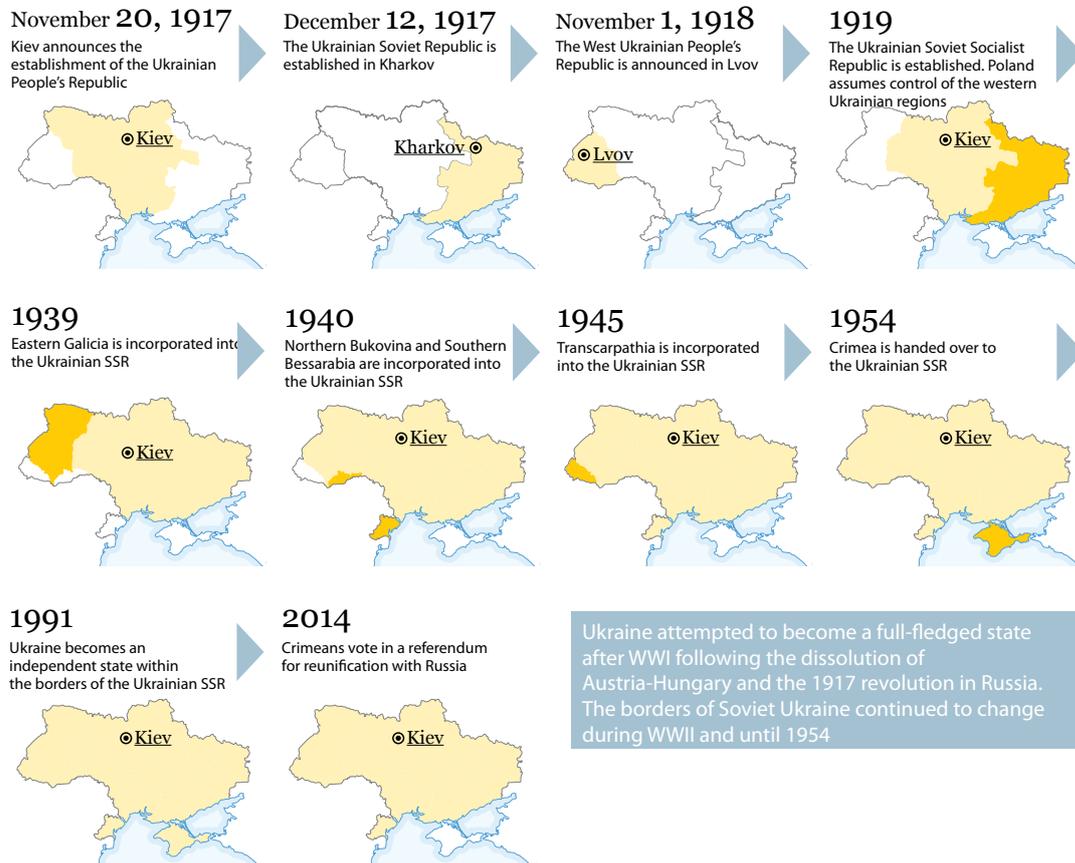
territories. Soviet power was based on purely pragmatic and sometimes openly manipulative considerations, as it merged particular territories and drew new internal borders. Moreover, often during the Soviet times, the decisions had nothing to do with common sense, and were based not on the ideas of harmonious creation, but rather, the ideas of conscious destruction of the territorial communities that existed in the pre-Soviet period.

For example, Soviet authorities wanted “to balance out” the Ukrainian peasantry with the industrial workers from Novorossia, and to do so, they merged the territories of what is now eastern and central Ukraine. Or, conversely, they divided the territories of the Great Don Army in order to destroy the identification of Cossacks as an “anti-Soviet” class, and handed these lands over to Ukraine. The history behind the post-WWII annexation of Galicia (Halych), which had been outside Russia’s historical project for several centuries, deserves separate study. The Transcarpathian Rus is a separate phenomenon altogether. And so on, and so forth.

Border changes in the 20th and the 21st centuries

Basic stages in Ukraine's territorial division

Ukraine is the second largest state in Eastern Europe after Russia and the largest country located entirely in Europe.



All of this led to the artificial unification within the borders of the Soviet Union of rather disparate areas and ethnic groups under the name of Ukraine and Ukrainians. However, being a Soviet project, this identity was, to a certain degree, conventional, and in any case, secondary to the Soviet identity, which, in one way or another, had a unifying nature that steamrolled all internal differences. In addition, all potential internal problems were extinguished by a tough style of governance that was backed by strong military, security and police resources of the Soviet state. Following the collapse of the Soviet Union, the disappearance of the Soviet identity and the weakening of the

state institutions, all suppressed internal disagreements, and the historical differentiation of Ukrainian society, rose to the surface, and did not fit into the formula of a single Ukraine in its Soviet borders.

In this sense, the sovereign Ukrainian state does not have its own authentic history. It's not just young; it's going through a period of historical infancy, when an infant is exposed to the risks of all age-appropriate diseases and can easily die if improperly cared for. Attempts to date the Ukrainian statehood back to Kievan Rus, the Chigirin Republic or the very brief period of the Directorate during the Civil War are untenable, and reminiscent of historical falsification rather



Ukrainian president Leonid Kravchuk (left), chairman of the Belarus Supreme Soviet Stanislav Shushkevich (center) and Russian president Boris Yeltsin (second right) at the signing of Agreement on establishing the Commonwealth of Independent States in Belovezhskaya pushcha, Belarus, December 18, 1991

than serious analysis. The truth is that prior to 1992 (the Soviet Union ceased to exist in late December 1991), there was no full-fledged sovereign Ukrainian state, and not only in its current Soviet borders, but under no other borders whatsoever.

In 1992, Ukraine received its independence not as a result of its own conscious and nationwide fight for independence, but as a result of a power struggle that took place primarily in Moscow, among Soviet leaders. Simply put, Kiev (just like almost all other post-Soviet capital cities) received its independence from the hands of Moscow. For the majority of Ukraine's population, it largely came as a total surprise, not as the result of years or even centuries of their fight for independence (as is the case with many other nations). It is important to understand this, not for the sake of impinging upon the national feelings of contemporary Ukrainian citizens, but in order to understand one of the important reasons behind the weakness of the current Ukrainian statehood and the ineffectiveness of its political elite. There has never been a long historical genesis of the Ukrainians as a political nation. A considerable portion of the population didn't want this independence at all. A single Ukrainian political nation has

yet to take shape. There has never been a full-fledged historical genesis of the world view, culture or ideology of independence. At least, this genesis has never concerned the majority of the Ukrainian population in its current borders.

The elite

The genesis of a national elite has never taken place in Ukraine either. The elite of Soviet Ukraine was largely unprepared for independence, and didn't really know what to do with it. One way or another, most of these people felt they were part of a major Soviet and Russian historical project and, therefore, were not ready for all-out strategic planning or a harmonious understanding of Ukraine's national interests as a sovereign state. A small portion of the Ukrainian elite (mostly intellectuals) with anti-Soviet views was mostly confined to a narrow conceptual framework of late Soviet dissent or ultranationalist ideas, meaning that it wasn't ready for a full-blown nation-building effort either, but for different reasons. As a result, a significant portion of the local elite found itself on the sidelines (as in many other former Soviet republics), another portion found itself involved in business or corruption schemes (since it didn't have any

ideological justification for its new status), while a third group got involved in developing ultra-nationalist ideas and implementing them in life.

Early on, the Ukrainian elite included economic, security, defense and law enforcement, and intellectual groups. Represented in the public administration were people with fairly specific economic experiences that had moved from being owners of shadowy production facilities in the Soviet Union all the way up to legal entrepreneurs and businessmen. “Men in uniform” – former servicemen and special services employees – were also widely represented in the government (one of them even became prime minister). Academics and teachers, mostly economists, were also involved in running the state.

However, some time later, things went terribly wrong. As the army was collapsing, political circles lost the representatives of the military

elite. As the special services and the law enforcement agencies were increasingly turning into business-like entities, they stopped being independent and started serving the interests of major economic players who actually put them on their payroll.

As a result, Ukraine’s ruling elite became incomplete. The country was, in fact, ruled by three groups consisting of members of the economic elite, which differed only in the way they made their money, and, respectively, their mental attitudes and political preferences. These groups included intermediaries, bankers and manufacturers.

Even though many Ukrainian oligarchs and simply strong economic players wear, within their protectorates, all three of these hats, they still clearly differ in their preferred methods of making money and their favorite “business toys.” Due to various circum-

THE CURRENT CRISIS IN UKRAINE CAN BE THOUGHT OF AS A SYSTEMIC CRISIS OF TWO MODELS: POST-SOVIET UKRAINIAN STATEHOOD AND THE POST-UNIPOLAR WORLD

Unfinished Parus Hotel in Dnepropetrovsk



stances, businessmen in Donetsk have always gravitated toward manufacturing, Dnepropetrovsk businessmen toward mediation, and Kiev and western Ukraine businessmen, toward banks.

These seemingly unimportant and often imperceptible differences, however, led to ongoing and painful competition and rivalry between these groups, each of which was trying to improve its political representation through their membership in parliament and, most importantly, through advancing their candidates to the presidential post.

There would not have been anything fatal about this competition if the intellectual elite were also part of the equation. It could transform this energy into strategic projects and plans. The military, security and law-enforcement elite, which could restrain the appetites of economists and redirect their energy for

National idea

In theory it was possible to try and resolve all these issues by putting forward some unifying civil idea that would not be closely linked with ethnic identification and ethnocentric interpretation of history. However, in the past 20 years nobody in Ukraine has been interested in issues of *raison d'être* either of the country or its citizens. In fact, not a single Ukrainian leader realized that a state without reforms, change and modernization is doomed to social and political upheavals because the sacral role of reforms is not to change something but to give people food for thought, to appeal to their feelings and hopes. The Ukrainian elite would have been wiser if it had searched for reconciliatory historical and cultural compromise to alleviate contradictions of the budding statehood and ensure painless integration of different social strata into a new, common project.

SOVEREIGN UKRAINIAN STATE DOES NOT HAVE ITS OWN

AUTHENTIC HISTORY

the benefit of the state, wasn't there either. The example of Ukraine demonstrates that an economic elite that has made it unchecked to a seat of public administration alone is unable to create a sound economy. It lacks the smarts of intellectuals, and the strict control, puritanism, discipline and asceticism of security, defense and law enforcement officers.

The intellectual elite is not only about research and books. It is also about logical analysis and the methodology of thinking, without which it is impossible to control any complex system, ranging from an institution to the state. The military, security and law enforcement elite is not just the army, the defense or the security services that serve to eliminate internal enemies. This elite carries a specific code of protection, a genome of honor, responsibility for their words and actions, and indeed responsibility for the entire state.

The Ukrainian events, which started out as a materialized and politicized desire of one group of economic elite to "hide in Europe" from another group, eventually became a fight of all against all, both at the level of the native oligarchs and at the level of their political projections in parliament and on the streets.

However, from the very start official Kiev opted for an essentially nationalistic idea in its most destructive version. To an extent, this was inevitable for the reasons cited above. When Ukraine became independent, the majority of its people, including the elite, did not have (or share) any ideology that would substantiate independent statehood. Only nationalist groups that invigorated their activities during Gorbachev's perestroika had some sort of such ideology and filled in the vacuum.

Those who came to power decided not to invent the wheel. They relied on these groups in shaping ideology for national development, all the more so since at that time official Kiev primarily focused on keeping the power that came from Moscow like a bolt of lightning. Ukrainian politicians were afraid that the Kremlin may soon recover from its "momentary madness" and, in their efforts to build a new state, decided to concentrate on substantiating the concept of distancing Ukraine from Russia. Ukrainian nationalism with its new slogan "Ukraine is not Russia" suited this purpose perfectly well.

However, the problem was that this ideology was too flawed and simplistic for harmonious national development. It was mostly based on

denial, on cultivation of historical grievances and extreme aggression. But its worst feature was the complete absence of any moral and ethical principles. Eventually, it justified any action if it helped “build independent Ukraine.”

This engendered an extreme historical and moral relativism that justified any crime from the past, present or future if that crime benefited the Ukrainian nation. This kind of ideology was bound to drift from nationalism to overt neo-Nazism. Far from offering a cure, it aggravated the domestic split by dividing the nation into “real” and “not real” Ukrainians, to say nothing of its attitude to Russians and other ethnicities. This ideology purposefully drove a wedge between Ukraine and Russia, Ukrainians and Russians. In the cultural sphere it encouraged large-scale falsifications, distortions and aggression against those who did not accept it, for instance, forced ukrainianization of the

fied as second rate. It was impossible to conceal this discrepancy and it eventually became the reason for a gradual escalation of social tensions. Such a destructive concept is a road to disaster both in domestic and foreign policy and was bound to trigger a crisis sooner or later.

Indicatively, the constructive part of modern Ukrainian ideology is essentially anti-nationalist because it gives priority to Euro-Atlantic integration embellished with local flavor “Ukraina tse Evropa” (“Ukraine is Europe”). But this is a far-fetched assumption considering what Euro-integration supporters mean when they refer to Europe. What matters here is that, on the one hand, it is fuelling the conflict in Ukraine by putting its people on the horns of the dilemma – choose one of the two options, there is no other – and, on the other hand, it is aggravating its relations with the outside world, and not only with Russia.

THE UKRAINIAN EVENTS, WHICH STARTED OUT AS A MATERIALIZED AND POLITICIZED DESIRE OF ONE GROUP OF ECONOMIC ELITE TO “HIDE IN EUROPE” FROM ANOTHER GROUP, EVENTUALLY BECAME A FIGHT OF ALL AGAINST ALL

regions with predominant Russian-speaking population.

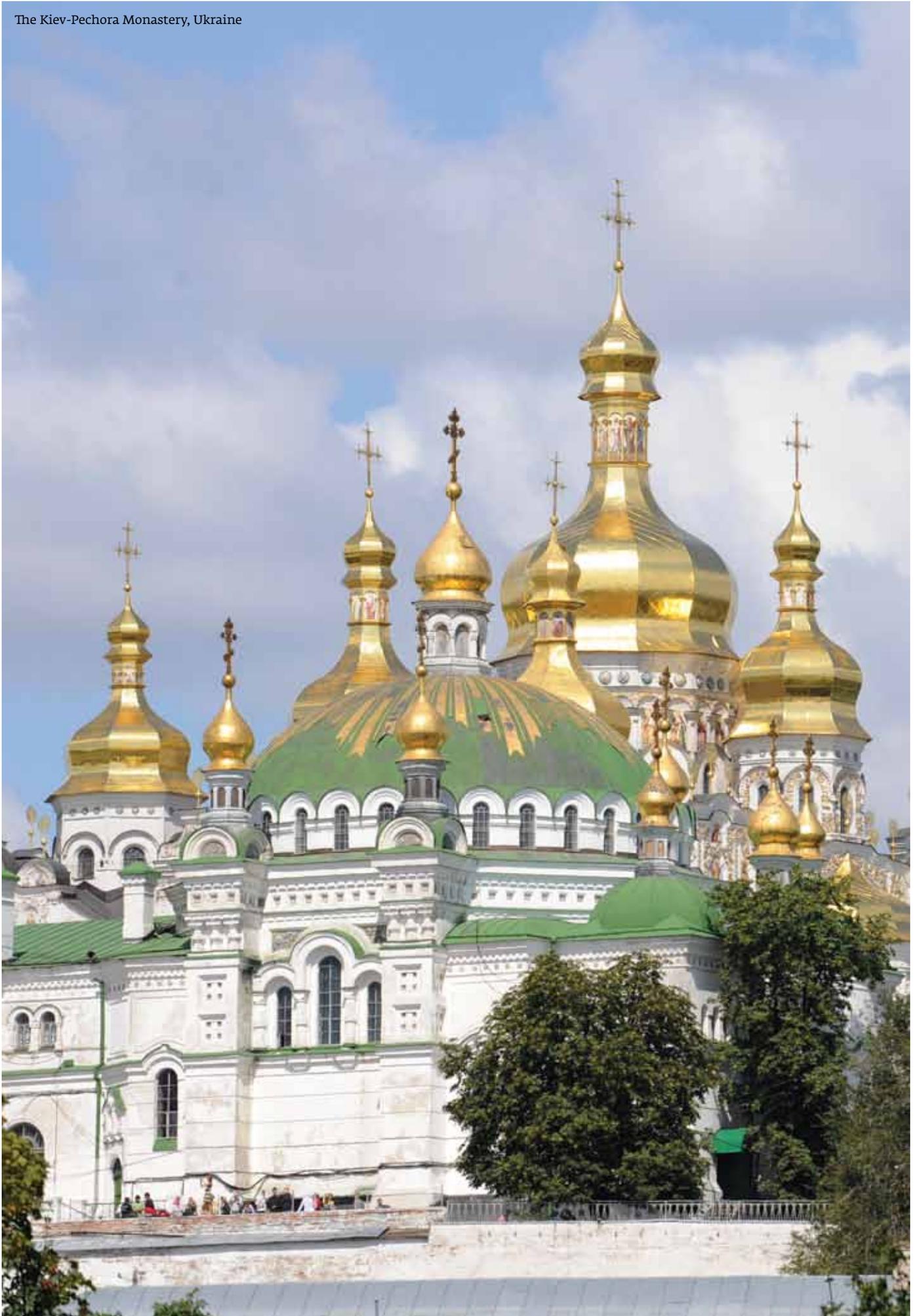
This ideology developed gradually but implacably. Under President Viktor Yushchenko after the 2004 Orange Revolution it produced two main theses. First, Russia is Ukraine’s number one enemy in the past, present and future (despite being its next-door neighbor and largest economic partner). Second, only those who associate themselves with the past collaborationist movement (primarily the wartime Organization of Ukrainian Nationalists and the Ukrainian Insurgent Army – OUN-UPA) and current ultra-nationalism are genuine Ukrainians. All others were treated as people with the mentality of slaves, idiots or traitors (the *untersmensch*, in a nutshell). Such people should either be re-educated or suppressed.

In effect, Ukraine became tacitly divided into first- and second-class citizens and regions. For obvious historical reasons the regions that largely kept Ukraine’s economy afloat – its historically industrial east and south – were classi-

Moreover, regardless of the EU concept’s interpretation, it inevitably compels each EU member to delegate a considerable part of sovereignty to the supranational level. And this is the sovereignty that Ukraine has not yet fully acquired and for which it is so fiercely fighting with Russia. This is not to mention joining NATO, which over half of Ukraine’s population opposes, and which is formally impossible because Ukraine’s non-bloc status is sealed in its Constitution. Prospects of Ukraine’s fully-fledged integration into the EU still remain fairly vague albeit its leaders supported these unjustified dreams for many years.

On top of everything else, these two most-widely promoted formulas – “Ukraine is not Russia” and “Ukraine is Europe” – say nothing about Ukraine. Neither helps understand what Ukraine is all about because it is “not in focus.” This shows that the formula of modern Ukrainian statehood is conceptually weak and far-fetched. As a result, Ukraine’s elite and the rest of its population have lost their bearings in

The Kiev-Pechora Monastery, Ukraine





The sculpture «Ukraine» on Troitskaya Square, Kiev

the maze of historical self-identification. They are suspended in a vague and weak position, which is causing apathy in some and aggression in others – as a way to find simple answers to all questions at once. This explains why some Ukrainians have neo-Nazi beliefs, while others want to return to Russia, and still others are lost in Euro-dreams.

In the years of its independence, Ukraine has failed to formulate a common national idea that would be equally understood and accepted in the west and the east of the country. In the post-Soviet period it existed as a state with two identities (like Belgium has for 184 years and Canada for over 200 years): two ethnicities, two languages, different cultures and faiths.

Most Ukrainians have stereotypes about each other. According to the data published by the Gorshenin Institute several years ago, 36 percent of Eastern Ukrainians had never been to the country's west, while 38.5 percent of Western Ukrainians had never travelled eastward. Yet, each part of the country firmly believes in the other's rejection of its way of life, mentality and culture.

The political border between Ukraine's west and east became markedly pronounced in the second round of the 2010 presidential elections. Kiev and 16 regions voted for Yulia Tymoshenko, who embodied the western choice, whereas nine regions and Sevastopol gave their support to Viktor Yanukovich, who was associated with the pro-Russian choice at that time. In terms of population these two parts of Ukraine are almost equal: 24 million live in the west and 21.3 million in the east (now less 2.3 million of Crimeans).

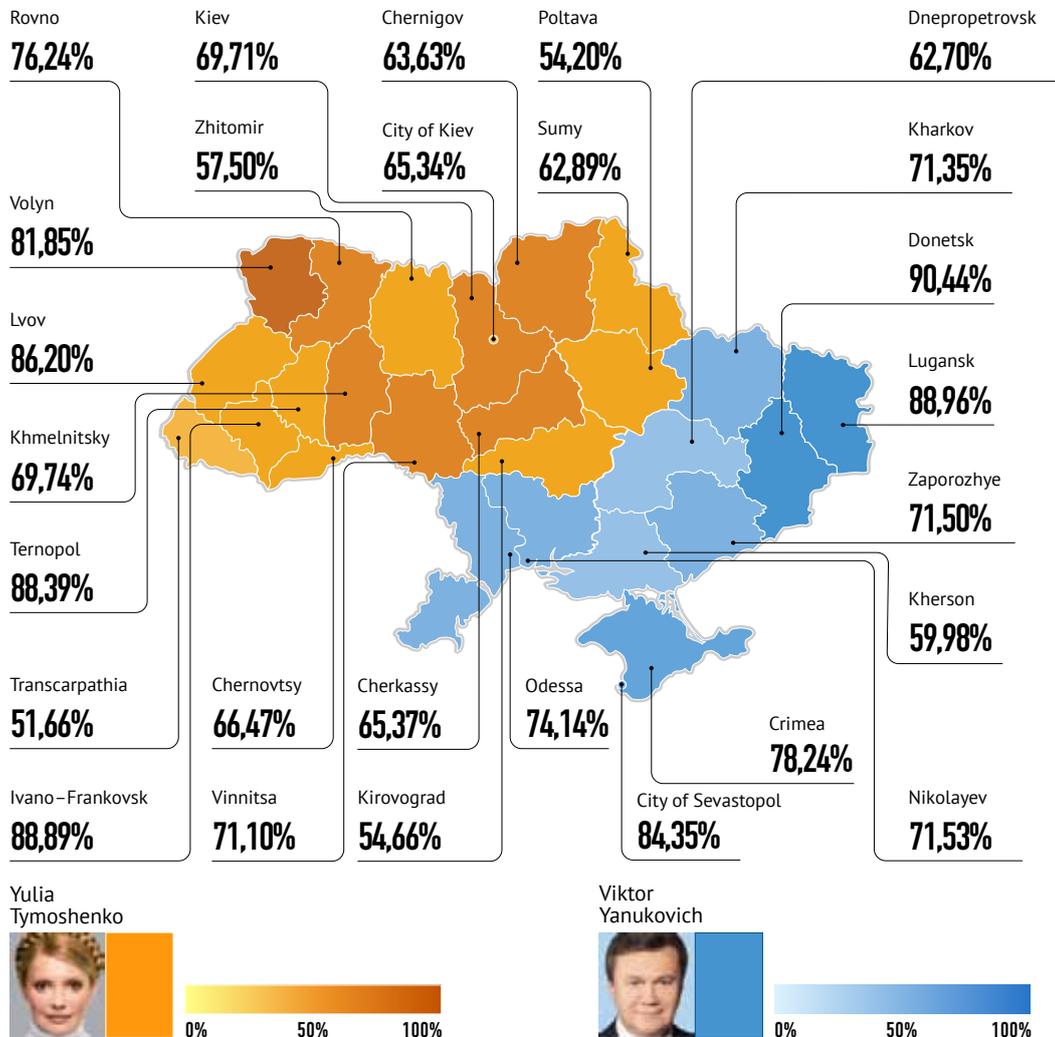
We are witnessing the formation of the two social identities on the basis of two unifying ideas – Western Ukrainian and Eastern Ukrainian. The latter is still making its first steps and it would be premature to speak about its progress. The number of challenges is enormous and the Ukrainian state does not provide any clear-cut ideological anchors.

Oligarchs

The oligarchs represent yet another birth trauma of the new Ukrainian statehood and a consequence of its weak historical roots and

2010 Ukrainian Presidential Election Results

Eighteen candidates ran for president, with Viktor Yanukovich and Yulia Tymoshenko advancing to the second round. Yanukovich won 12,481,266 votes (48.95%) to Tymoshenko's 11,593,357 (45.47%). 4.36% voted none of the above.



Source: Ukrainian Central Elections Commission: <http://www.cvk.gov.ua/>

ideological inadequacy. Since the very first years of post-Soviet independence Ukraine quickly began to be run by a small number of financial and industrial groups (FIGs).

The political and ideological components of the new statehood were weak and contradictory. Therefore, people who saw the gist of this statehood in the division of Soviet-inherited property and promotion of their own business projects quickly came to the fore. The new rul-

ing class converted independence and power into its business assets and divided the property. The FIGs quickly established a system of relations where corruption became a fundamental and decisive factor, a way of life for the entire country.

As a result, policy was reduced to competition between the FIGs and merely reflected some behind-the-scenes business developments. The information field was divided by

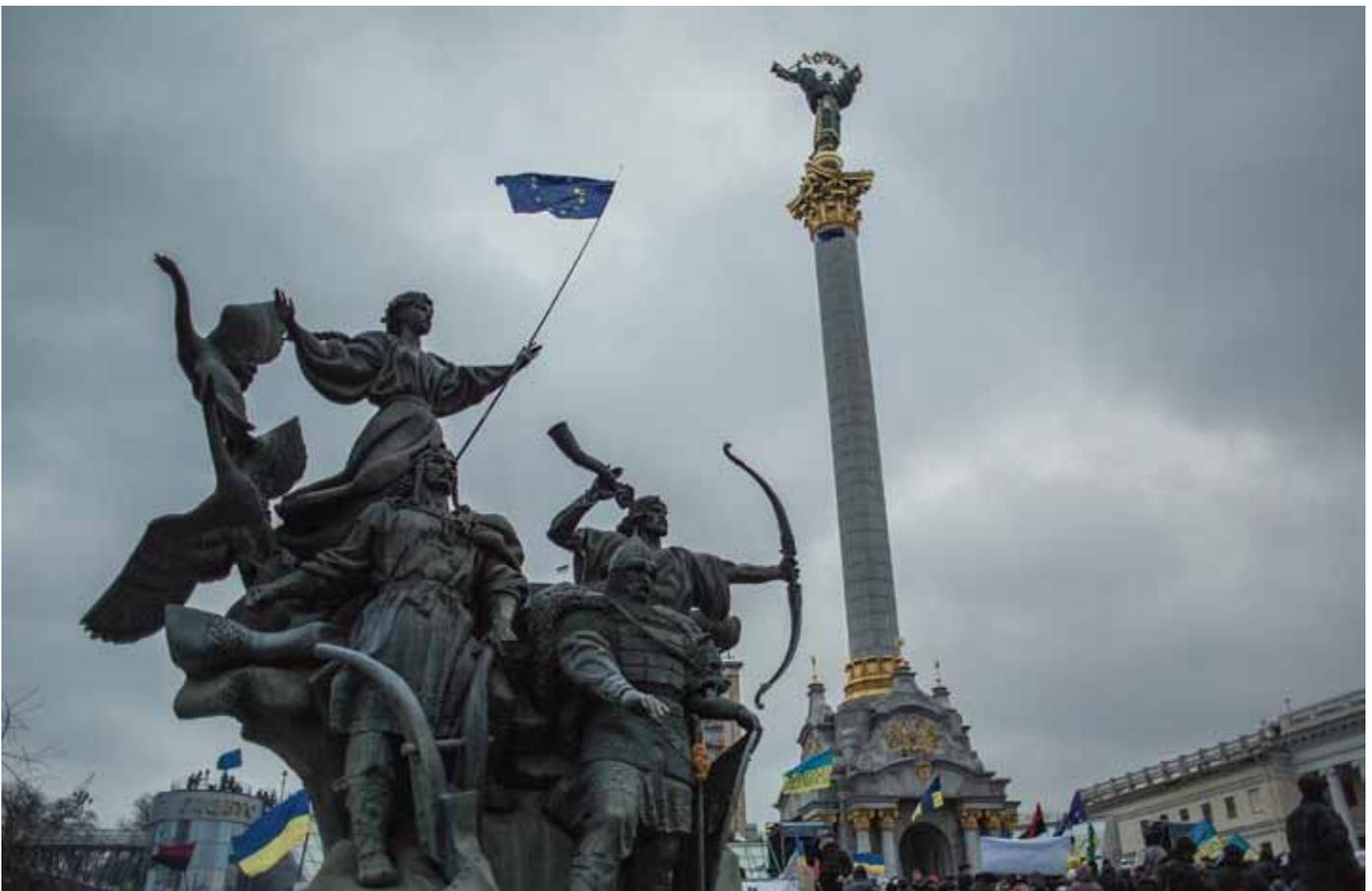
several leading media holdings also owned by FIGs. The public political process merely reflected the conflict of interests and intrigues among different stakeholders. Political parties, the media, the expert community, laws, the Constitution and finally the Ukrainian state per se became the stage for this theatrical performance.

Actions of key players were extremely reckless and cynical. In the first years after the Soviet Union's disintegration the authorities at least tried to save appearances owing to the traditions of former Soviet apparatchiks (Leonid Kravchuk, Leonid Kuchma and their entourage) but later on their policies quickly deteriorated, and not only at home but also abroad. Ukraine's national policy was in effect subordinated to the narrow private interests of various FIGs. The system was becoming increasingly corrupt and adventurist, undermining people's trust in the authorities, the foundations of the political process and the national economy. In the meantime the authorities were upping the ante. Typically, the core of this system remained the same regard-

less of the change of presidents. Even when on the surface Ukrainian presidents had different views on politics, history and life, in reality all of their differences boiled down to the division of property between their affiliated FIGs. Ukraine has never been a democracy in its entire post-Soviet history although it was often presented as such. It has always been a classic oligarchy with all the ensuing consequences. Moreover, it was an extreme oligarchy and as such it was bound to become a chip in the FIGs' struggle for political and economic influence.

To sum up, Ukraine's entire recent history has had a destructive and conflict-prone potential. At one time, in 2004 it developed into the Orange Revolution. Far from resolving problems, this revolution further aggravated most of them. The current crisis is not accidental either. It is a logical result of the tensions and contradictions that were inherent in the modern Ukrainian project from the very start and were bound to become even worse.

A rally in support of Ukraine's integration with Europe on Independence Square, Kiev



POLITICAL CAUSES

Having explored the long-term internal causes behind the current crisis, let's dive into domestic developments which set the stage for the crisis to erupt in November 2013. In the run up to this upheaval, almost all strata of the Ukrainian society lost confidence in Viktor Yanukovich due to his contradictory policies. Within a short time since taking office, the president and his team managed to mar relations with their allies, let alone opponents.

Yanukovich and the Party of Regions yet again cynically betrayed their voters, mostly from the country's southeast, who during the last presidential and parliamentary elections supported calls for industrial development, enhancing ties with Russia, halting "ukrainianization" policies, and also favored making Russian an official language. Yanukovich and

In addition, Yanukovich's team initiated the resonant Timoshenko case in an attempt to kill two birds with one stone: neutralize a dangerous political opponent and secure lower gas prices. Instead of investigating Timoshenko's past, tainted with criminal allegations as it is, she was accused of "betraying Ukraine's national interests," making the process a political, rather than a judicial matter. It cannot be ruled out that by going down this path, Yanukovich tried to win the support of ultra-patriots and nationalists. It was clearly a mistake. Instead of removing a political opponent, the trial all but brought Timoshenko back to life as a "martyr for truth," which helped opponents of Yanukovich and the Party of Regions gain momentum. It is telling that the Maidan protest movement started on Kreshchatik Street in downtown Kiev as a permanent rally in support of Timoshenko, while the call to free her was central to this

THIS KIND OF IDEOLOGY WAS BOUND TO DRIFT FROM NATIONALISM TO OVERT NEO-NAZISM DIVIDING THE NATION

the Party of Regions capitalized on the trust they had built among these voters, but were quick to forget their promises. The tentative thaw in relations with Russia (the Kharkov Accords that promised new industrial orders for Ukraine) was soon thwarted when the provisions of the Kharkov Accords on industrial cooperation were sabotaged, and the Timoshenko case became politicized and gained an anti-Russian dimension. The Russian language issue was purportedly resolved through the contradictory and flawed Kivalov-Kolesnichenko law, which was never implemented. In addition, Yanukovich engaged in an unprecedented effort to promote the upcoming signing of the EU Association Agreement, delivering a final blow to relations with Moscow. Moreover, various Russian-leaning or pro-Russian organizations were put under pressure by Yanukovich in an effort to monopolize the pro-Russian discourse. In a number of regions, pro-Russian aspirations were wiped out by law enforcers, above all the Security Service of Ukraine. Such an unprecedented cleansing took place, for instance, in Crimea. In Odessa, leader of pro-Russian party Rodina (Motherland), Igor Markov, was imprisoned.

upheaval. A huge photo of Timoshenko was placed against a New Year tree, dominating the Maidan Square, and people justified their actions by using her name as a synonym of Ukrainian democracy.

At the same time, the Presidential Administration and the Party of Regions came up with a daring idea of breathing new life into ultranationalist movements. The initiative came down to reviving the Svoboda (Freedom) Party, which has long been viewed in Europe as an extremist group. The rationale behind this move was simple: the authorities decided that in order to secure re-election, Yanukovich has to confront Svoboda's leader Oleg Tyagnibok in the runoff. There was confidence in Kiev that the prospect of an outright nationalist becoming president would frighten both Ukrainians and external players, making Yanukovich the only viable candidate. But in order to ensure that Tyagnibok goes into a runoff, Svoboda had to become far more popular than it was at that time. There is no doubt that it was the country's leadership that was behind the unprecedented push to promote Tyagnibok and his party along with ultranationalists. Their outright neo-Nazi rhetoric was de facto legalized. Svoboda started

picking up steam by the day, attracting supporters. It won a number of local elections in western Ukraine and was able to form an influential parliamentary group in Verkhovna Rada.

Moreover, not only did the Ukrainian authorities give leeway to Svoboda, but also supported it directly. Oligarchs loyal to the regime at that time, including Igor Kolomoisky, Pyotr Poroshenko and even the wealthiest businessman in the Donetsk Region Rinat Akhmetov (the main sponsor of the Party of Regions), all contributed to Svoboda. The biggest media groups owned by these oligarchs opened their doors to neo-Nazis. Initially even special services rendered them assistance. For instance, the odious Dmitry Yarosh (who is now at the helm of Pravy Sektor (Right Sector), and used to be among the leaders of the Tryzub paramilitary nationalist organization) was initially approached by the Security Service of Ukraine,

was even sometimes reminiscent of outright criminal dealings. Pro-Yanukovich officials from Donetsk (some of them with a criminal past) were appointed to leading positions across the country. They started to dominate local governments, imposing their own rules of the game, stripping local businesses of the most lucrative assets, and introducing corruption schemes for feeding their friends and levying tribute on their foes. It was the regions with the most successful economy in the southeast that used to be Yanukovich's key constituency and political stronghold, which were primarily affected by these developments. Yanukovich's inner circle also manifestly disregarded signals coming from public opinion polls, which did not help calm tensions. People were appalled by the antics of the president's son Alexander, who became one of the richest and most powerful people in Ukraine overnight. As a

UKRAINE BECAME TACITLY DIVIDED INTO FIRST- AND SECOND-CLASS CITIZENS AND REGIONS. THE REGIONS THAT LARGELY KEPT UKRAINE'S ECONOMY AFLOAT - ITS HISTORICALLY INDUSTRIAL EAST AND SOUTH - WERE CLASSIFIED AS SECOND RATE

so his actions were at first orchestrated by the special services. It is now hard to tell whether Yanukovich and his inner circle were aware of all the risks this initiative entailed and how they intended to deal with it moving forward. In fact, while getting a hand from the government, the nationalists had no intention of becoming its allies. They pursued their own objectives, and did nothing to boost Yanukovich's popularity. Even if underpinned by tactical considerations, this reckless project was unfortunately incremental to the shift of the Ukrainian state toward an aggressive nationalist platform (as described earlier).

The fact that the authorities faced the crisis of confidence against the background of rampant corruption and lawlessness, which became increasingly pronounced under Yanukovich, also had negative ramifications. Although Ukrainian oligarchs did not find themselves in a new realm with Yanukovich, the redistribution of property and power took an unprecedentedly violent and cynical twist, and

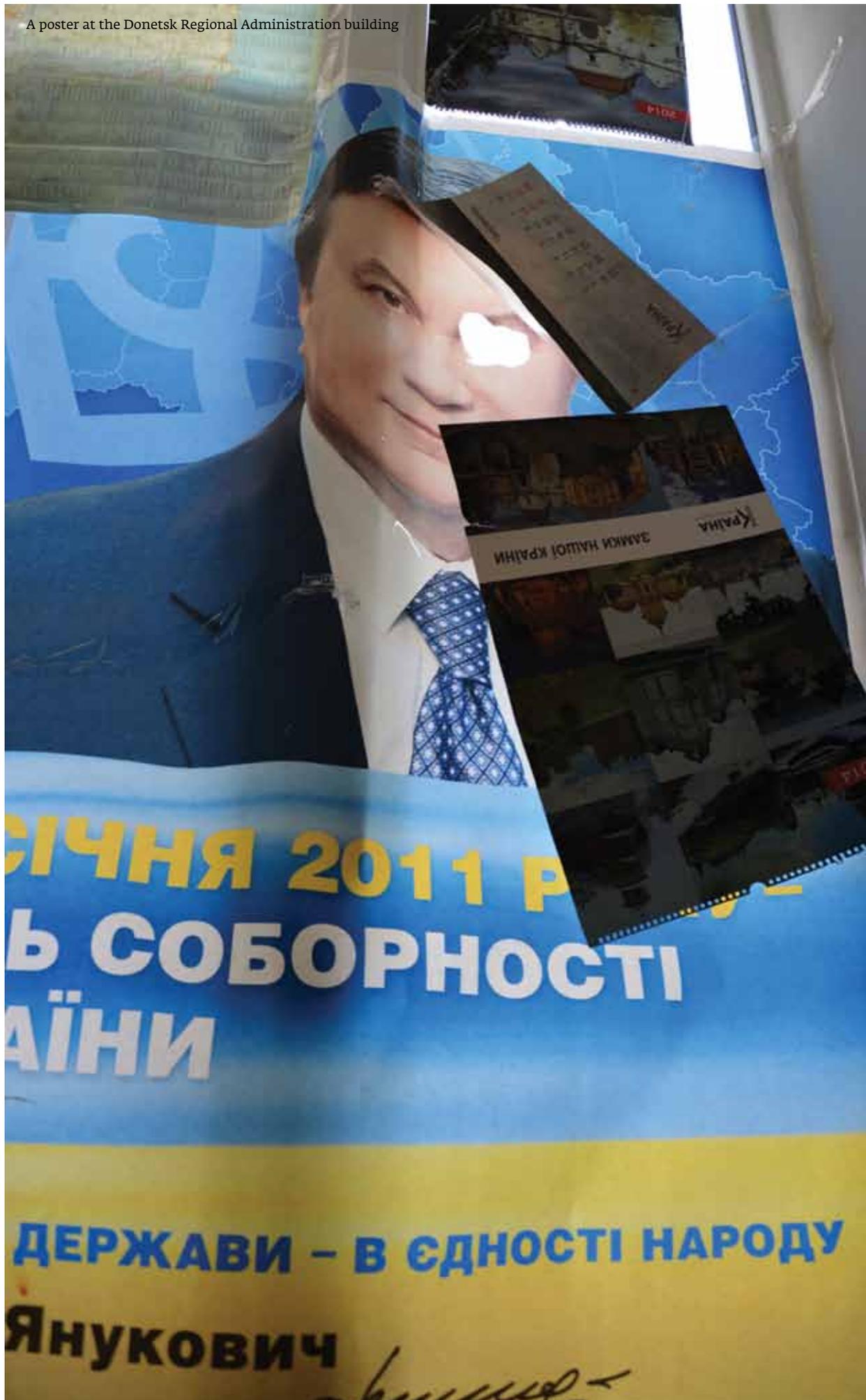
result, Yanukovich and his team became widely unpopular across the country.

Preparations for signing the EU Association Agreement were the final step toward the crisis and an absolute policy failure for Yanukovich. Having started off his presidency with a focus on enhancing economic ties with Russia (the Kharkov Accords were actually promising for a number of industries), Yanukovich suddenly made a policy U-turn, turned a deaf ear to proposals coming from Moscow and pushed ahead with the EU agreement.

Of course, Yanukovich was not the mastermind behind the idea of this agreement. It all started earlier, and did not bode well either for Ukraine's domestic or foreign policy. In reality, signing such an agreement at that time was not an absolute necessity, especially given that it was unprecedented compared to similar documents signed by the EU with other countries.

Yanukovich could have continued teetering between the EU and Russia, trying to

A poster at the Donetsk Regional Administration building



negotiate a compromise on the most favorable terms. However, he first accelerated the signing process, then accepted the draft laying out extremely disadvantageous terms for Ukraine having barely looked at it, and finally gave the green light to a large-scale media campaign to sharply raise expectations among the ordinary voters regarding the agreement.

The agreement was portrayed as nothing short of a full EU membership, as a “manna from heaven” that would change life in the whole country, not just its economy. This advertising and propaganda effort to promote the agreement appealed to emotions, fantasies, passions and archetypes, not reason. Economic modernization, liberalization, rule of law and greater integration with the West were opposed to integration with Russia, which, as people were told, entailed authoritarianism, nepotism and stagnation.

However, there is a big difference between European aspirations and actual EU integration. Over the 20 years since its independence, Ukraine was unable to get any closer to Europe. According to a November poll by the Kiev International Institute of Sociology, when asked whether they want to join the EU, only 39% of the respondents answered positively, while 37% opted for the Customs Union.¹

It seems that the purpose of this propaganda campaign for Yanukovich was just the same: to ensure re-election, win over voters in central and western Ukraine (while forcing the southeast to support him as an alternative to Tyagnibok), as well as appease Europe and the United States so that they do not stand in the way. That said, neither Yanukovich, nor his inner circle bothered to analyze the political and economic developments. The Ukrainian authorities didn't think about the possible consequences of their actions,

THERE WAS NO WAY THAT THE PATCHY UKRAINIAN OPPOSITION WOULD ACCEPT THE POSSIBLE RE-ELECTION OF YANUKOVICH FOR ANOTHER TERM

A tent camp on Independence Square in Kiev





Participants of the Batkivshchina Party convention on Sofiyska and Mikhailovska Squares unanimously nominated ex-Prime Minister Yulia Tymoshenko for president at extraordinary presidential election in Ukraine on May 25, 2014

even though it was clear from the start that the agreement would have a negative impact on the economy of southeastern regions, that Yanukovich would not become any more popular in the western regions or among the opposition, and that once the agreement is signed, the United States and the EU won't need him anymore.

The situation was nearing fever pitch when all of a sudden Yanukovich slammed down the emergency brake. For millions of people who had started to believe in the EU fairytale and were even making plans for the future, this came as a severe blow. Whether Yanukovich realized it or not, his actions laid the groundwork for popular protest. All that was left to do was to light the fuse.

As a result, Yanukovich lost his old allies without winning over new supporters. He was now viewed as a traitor in the southeast; the western regions still saw him as a Moscow agent, while the European dreams of people from Kiev and central Ukraine were betrayed. And everyone was unhappy with the vicious governance style imposed by Yanukovich and his team across the country, failing to make him a "president of the whole nation."

However, the causes of the Ukrainian crisis do not boil down to Yanukovich's mistakes and miscalculations. The country's political elite as a whole was dominated by intrigues, vested interests, recklessness, and failure to grasp the country's strategic future and take ownership of Ukraine's national interests. The failure of the Ukrainian state reached its high point in the winter of 2013–2014 on Maidan Square. The authorities, the opposition and the Ukrainian people are all equally responsible for what happened there.

There was no way that the patchy Ukrainian opposition would accept the possible re-election of Yanukovich for another term. In fact, the opposition (and a number of oligarchs) anticipated this outcome and was preparing a massive uprising for the next election, another Maidan protest that would dwarf the 2004 demonstrations in terms of its radicalism. Neo-Nazi groups, which have long gone beyond peaceful protests and velvet revolutions in their strategic planning, contributed to the radicalization of this movement.

By refusing to sign the EU Association Agreement, Yanukovich provided a formidable

pretext for pressuring the government. The opposition decided to jump on the occasion without waiting for the presidential election. A sort of a de facto alliance was formed between neo-Nazis and national democrats who were at the core of the movement.

At a certain point, they must have decided to use the protest movement to seize power instead of just pushing for signing the agreement with the EU. Peaceful protest did not suffice to achieve that. There had to be violence with “sacred victims” and all the other elements of a revolutionary coup. They used the hundreds of thousands of people who took to the streets to protest against aborted European integration to legitimize their actions and proclaim Maidan as the expression of the will of all Ukrainian people. At the same time, trained neo-Nazi radicals came to the fore and transformed the movement into a face-off with the government.

Some groups within the elite that were loyal to Yanukovich were quick to realize that the winds were changing. Treason and division started to poison the ranks of the governing elite.

Once it all happened, Maidan protesters were no longer interested in compromises with the government. On the contrary, the opposition was seeking an escalation and provoked the authorities to use force. They needed victims, and they got them.

The opposition was fighting for power, deliberately breaking conventions and turning the protest into a civil war. Whether the opposition realized it or not, it was destroying the Ukrainian state. Ultrnationalist rhetoric soon replaced the idea of European integration in the public discourse. Not only Yanukovich and his inner circle, but all who dared to think differently were labeled as enemies. The state was falling apart. All law enforcement officers, who per-

THE RESULT OF THE YANUKOVICH GOVERNMENT'S SHORT-SIGHTED INITIATIVES WAS A POLITICAL CRISIS OF WINTER AND SPRING OF 2014 THAT LED TO A GOVERNMENT COUP

Oleg Tyagnibok, leader of the nationalist Svoboda party





A commemorative cross brought at the barricades on Kiev's on Independence Square to mourn the victims of the clashes between the opposition activists and the police

formed their legitimate duties, were declared national traitors along with almost half of the country's population, above all the southeastern regions. A slander campaign was launched against them in the opposition media. "Who is not with us, is against us" became the dominant logic. While every illegal act or violence by the opposition was justified as "fighting for freedom," any attempt by the government to defend itself (even within their legal authority) was labeled "a crime against the people." There was no place left for logic, compromise or common sense, let alone legality. Violence and propaganda took center stage. The opposition was deliberately pushing for a government coup, and was even ready to sacrifice anything, including their state, to deliver on this objective.

The format and style of the Maidan movement only deepened the crisis, revealing contradictions and inherent conflicts of the Ukrainian statehood, and pushing the country into civil war.

When it all started, Yanukovich had a theoretical chance to avoid a catastrophe by giving

up his endless intrigues and behind-the-scenes dealings. On the one hand, he could have started a more direct and open policy, established direct contact with the people, and toured the regions. On the other hand, he had all it took to prevent Maidan from radicalization by firm, albeit restricted, use of the police force in the very beginning of the crisis, which could have prevented an escalation of casualties. However, Yanukovich and this team displayed total political impotence, were unable to grasp the significance of the events and remained silent.

The result of the Yanukovich government's short-sighted initiatives was a political crisis of winter and spring of 2014 that led to a government coup. The government fell and was replaced by an ad-hoc coalition deriving its legitimacy from the Maidan's revolutionary outburst and moral and political backing of the West instead of formal institutions.

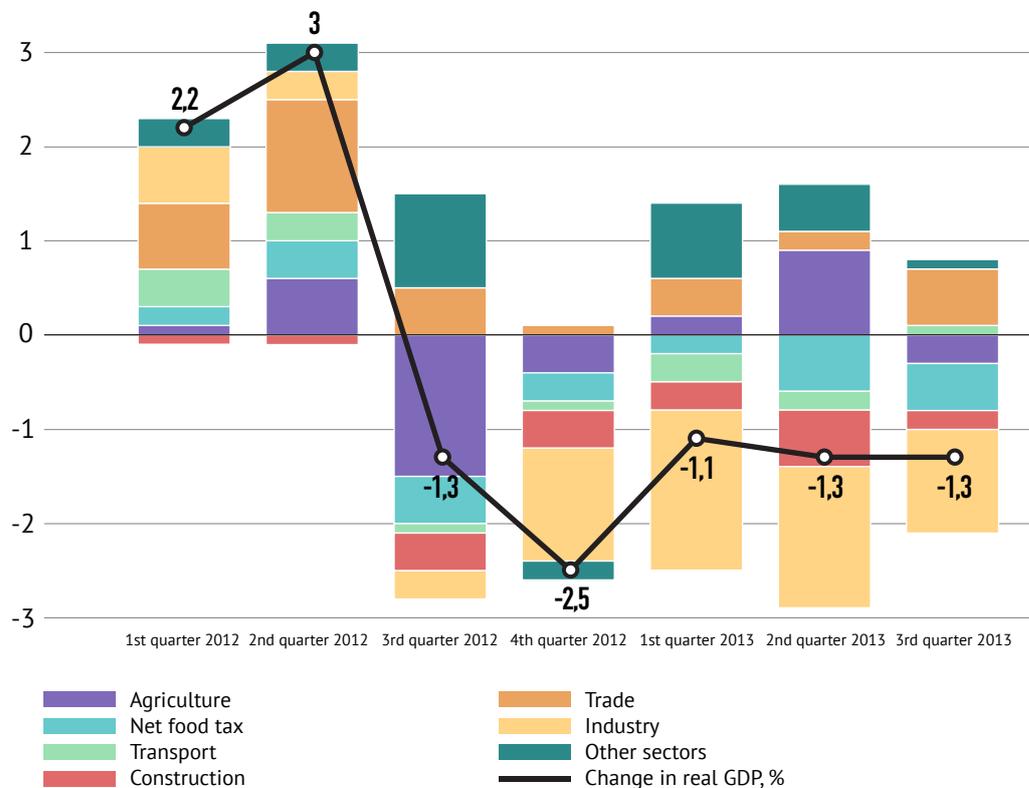
Yulia Tymoshenko's *Batkivshchyna* (Fatherland) party took control of all but a few

Rally of radical opposition members, Kiev





Contribution to GDP growth by sector in Ukraine



Source: State Statistics Service

levers of government, which means that the old establishment remained in power. Forces that came to the fore on the back of the protest wave – the nationalist Svoboda party and radical groups like Pravy Sektor – provided an ideology for the new authorities.

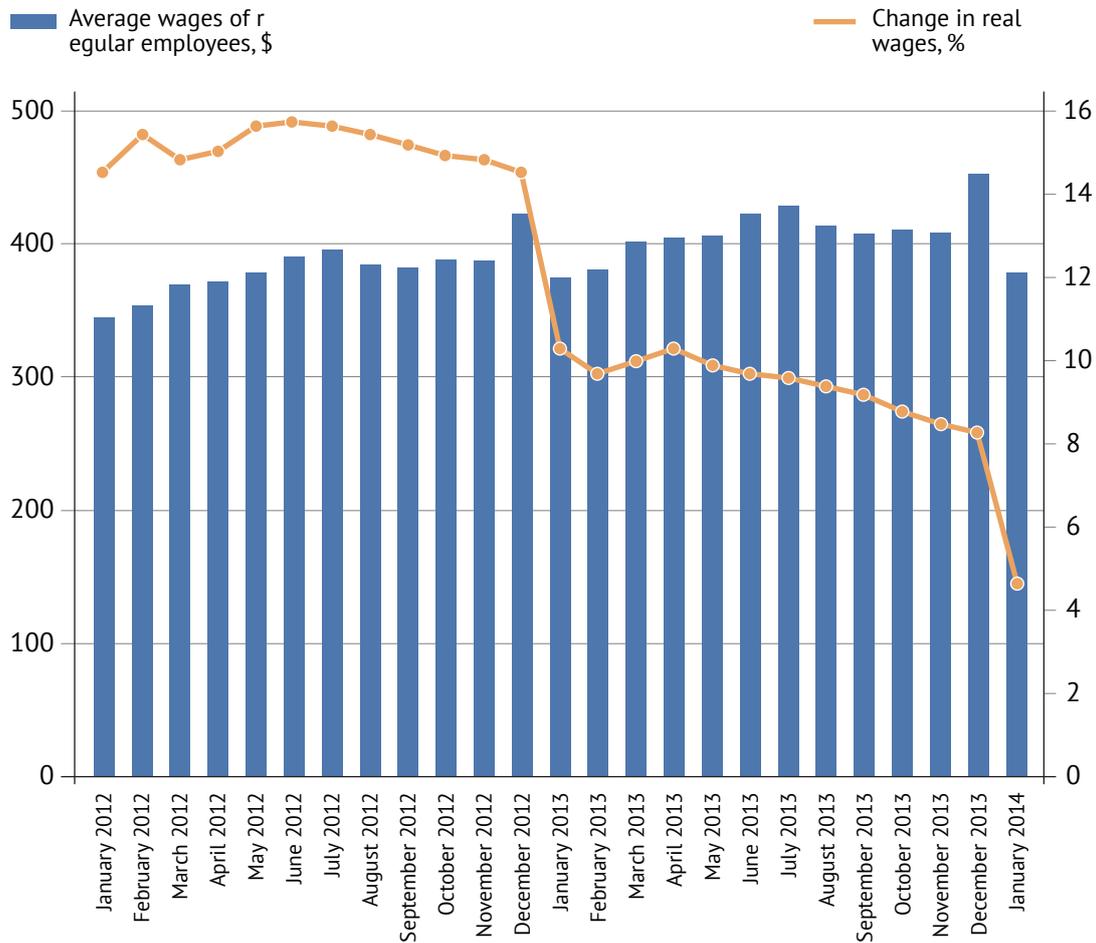
The Party of Regions fell apart. With the flight of Viktor Yanukovich, not only did it lose momentum, but also its institutional backbone and political platform. The inherent fluidity of Ukrainian politics, whereby politicians easily change views and party allegiances, exacerbated the crisis even further. A number of MPs from the pro-Yanukovich party joined the ranks of the winners, while others fled or were marginalized. Without a system opposition, the political system lost its balance and collapsed.

ECONOMIC CAUSES

The mass protests in Ukraine from December 2013 through February 2014 took place against a backdrop of growing economic challenges. However, the protests were not preceded by a dramatic deterioration of socioeconomic conditions. Moreover, 2010–2012 could be described as a period of social stability in Ukraine.

There are echoes of the mass protests of 2004 in the Maidan protests of 2013–2014, not in terms of the social and economic developments of the time, but rather in the aspirations of the working-age population of Ukraine. The challenges facing Ukraine included (1) the perpetuation of post-Soviet production relations; (2) shadowy property redistribution practices; (3) pervasive corruption; (4) disregard for the opin-

Nominal and real wages



Source: State Statistics Service

ions of a large portion of the political spectrum; (5) undercapitalization of the economy; (6) destructive speculation on foreign policy decisions.

1. Chronic recession. Ukraine’s real GDP started falling in the third quarter of 2012, immediately after the 2012 UEFA European Championship (Euro 2012) in Poland and Ukraine. The decline of the GDP reached the lowest point with a 2.5 percent contraction in the fourth quarter of 2012 year on year, and stayed at the level of 1.1 percent to 1.3 percent in January-September 2013. In the fourth quarter of 2013, Ukraine reported GDP growth for the first time in five quarters. The country’s State Statistics Service

estimated total real GDP growth in 2013 at zero percent. That figure was announced in the last days of Nikolai Azarov’s government, possibly for political reasons, as the standoff in Kiev and several western regions entered an acute phase. According to the latest data from the National Bank of Ukraine, seasonally adjusted real GDP declined 0.3 percent. The Ukrainian government expects the decline in GDP to accelerate to a fall of 3 percent in 2014.

2. Loss of international standing. In 2012, the global economy started to grow more quickly than the Ukrainian economy. Ukraine was losing international standing and could no longer

hope to join the group of the world's 20 leading economies, which was a major policy objective for President Yanukovich. In 2010–2013, Ukraine's share of the global GDP fell from 0.408 percent to 0.389 percent. The IMF expects it to fall to 0.381 percent in 2014.

3. The budget deficit and social policy. The Ukrainian government chronically ran a budget deficit of 3–4 percent of GDP in order to pursue a positive social policy. Real income in Ukraine grew by 16.2 percent in 2010, 6.1 percent in 2011, and 9.7 percent in 2012. In 2013, real income growth decreased from 7.6 percent at the beginning of the year to 1.9 percent by July. Real wages grew even faster, gaining 14.4 percent in 2012 and 8.2 percent in 2013. The 2014 budget envisioned a 6.8 percent growth in subsistence and minimum wages, peaking on October 1, 2014, six months before the planned presidential election.

at 20–25 percent. Moreover, by stimulating the internal government bond market, the Ukrainian Finance Ministry was competing for investment in the real economy.

7. Growing debt. The key factor that kept recession at bay was the government's policy of allowing foreign and domestic debt to grow. As a result, Ukraine's total sovereign and state secured debt increased by 13.4 percent in 2013, as high as during the economic crisis of 2008–2009, when the economy contracted by 15 percent. Ukraine's aggregate sovereign debt rose 83.6 percent during the presidency of Viktor Yanukovich (2010–2013), reaching \$73.1 billion or 40.2 percent of GDP. Direct internal debt grew by 35 percent in 2013 to \$32.1 billion, and direct foreign debt went up 6.9 percent to \$27.9 billion. About 40 percent of Ukraine's sovereign debt matures within two years.

THE GROWTH IN CONSUMPTION AMID AN ECONOMIC RECESSION LED TO HIGHER IMPORTS AND DECLINING INVESTMENTS

4. Growing economic imbalances. The growth in consumption amid an economic recession led to higher imports and declining investments. Gross fixed capital formation dropped by 6.6 percent in 2013, according to the State Statistics Service. In all, fixed asset investment from all sources plunged by 11.1 percent. The net inflow of foreign direct investment was cut in half in 2013, from \$6.63 billion to \$3.35 billion, according to the National Bank of Ukraine.

5. Curtailment of state investment after Euro 2012. State investment declined after Euro 2012. Capital expenditures (capex) from the state budget plummeted by 39.5 percent in 2013, with funds channeled to everyday needs.

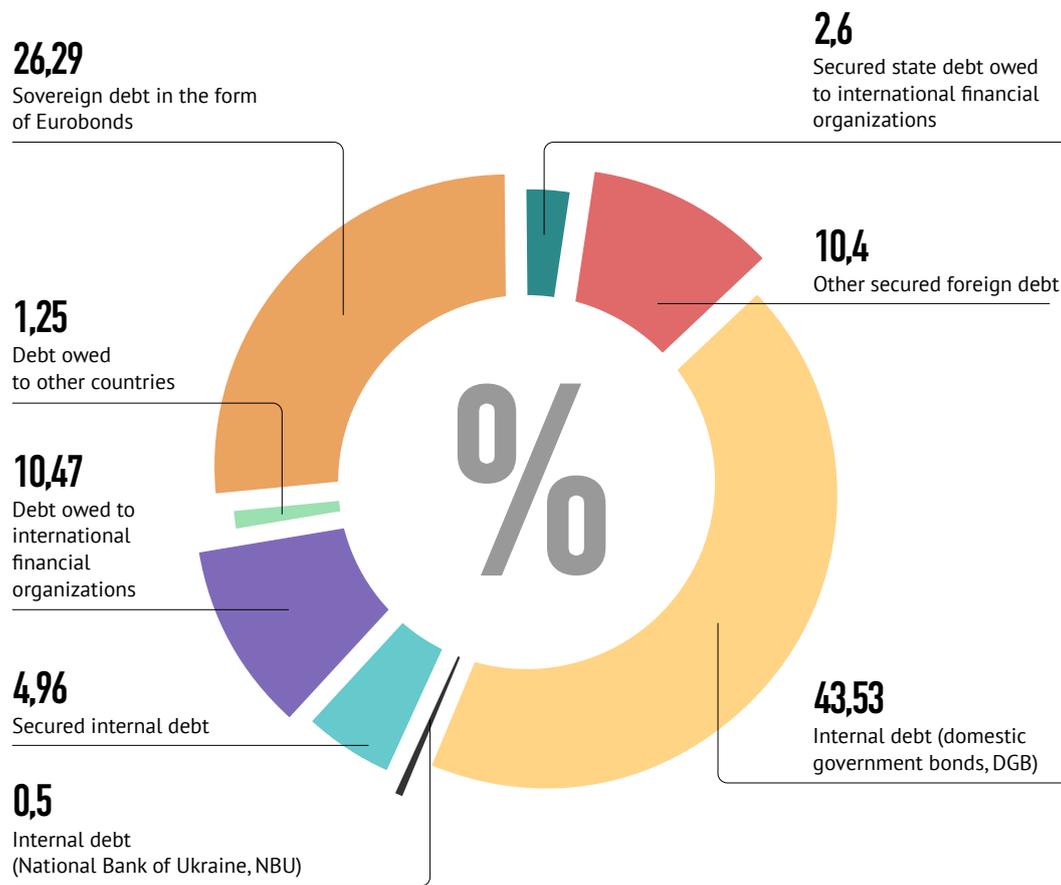
6. High interest rates. Ukraine's National Bank pursued a tight monetary policy, maintaining the hryvnia exchange rate at 7.90–8.20 per \$1. Combined with an inability to protect the rights of creditors, this kept annual retail deposit rates at 17–19 percent (quoted from the UIRD, the Ukrainian Index of Retail Deposit Rates). Consequently, interest rates for long-term loans were even higher,

8. The Ukrainian government's main creditors are the National Bank and the banking system of Ukraine, investment banks, the IMF, the World Bank and Russia. By the end of 2013, 59.4 percent of internal government bonds were held by the National Bank and 30.8 percent by Ukraine's commercial banks. The government and the National Bank combined owed slightly more than \$7 billion to the IMF (after 2010, the release of new tranches under the Stand-By Arrangement (SBA) with the IMF was suspended), and \$3.3 billion to the IBRD. By December 31, 2013, Ukraine owed \$17.4 billion under Eurobond programs, including the first tranche of financial assistance from Russia, issued in late 2013, and registered as Eurobonds with obligatory placement on the Irish Stock Exchange. Ukraine's total debt to Russia is estimated at between \$5 billion and \$7 billion (including money owed for Russian gas delivered as of the end of February 2014; the possibility that the Kharkov Accords will be terminated is not taken into account).

9. The negative impact of higher taxes, tax avoidance loopholes. Although taxes were raised, the country was not able to collect

Ukraine's sovereign and secured debt

as of late January 2014



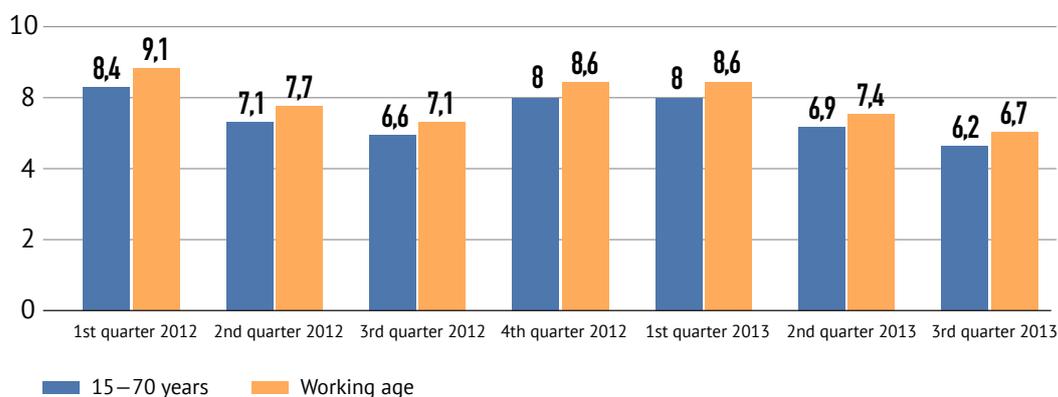
Source: Finance Ministry

enough revenue. According to the Finance Ministry, the 2013 budget ran a deficit of 3.4 percent. The budget totaled 339.2 billion hryvnias (UAH), or UAH 6.8 billion below the 2012 level. Advance tax payments increased by UAH 4.1 billion to UAH 62 billion. Unreimbursed VAT amounted to UAH 14.9 billion on January 1, 2014. Last year, customs specific excise taxes on alcohol, spirits, wine, brandy and beer, minimum excise tax liabilities and customs specific duties on tobacco were raised, a vehicle utilization duty was introduced, and the excise duty on tobacco began to be collected in advance. A tax on securities buyout transactions and derivatives transactions was introduced, while companies offering

cash-in services continued to work on the market, with their prices growing from 7–9 percent to 10–13 percent, according to market operators.

10. Household income = foreign currency + deposits. The growth of Ukrainians' incomes was offset by high demand for foreign currency and attractive retail deposit rates. According to the National Bank, the net demand for foreign currency (the demand for US dollars, euros and other foreign currency, minus the sale of these currencies to banks) reached nearly \$2.9 billion in 2013. Retail deposits climbed 19.5 percent in 2013, including a 38 percent increase in hryvnia deposits.

Unemployment in Ukraine, %



Source: State Statistics Service

ALTHOUGH TAXES WERE RAISED, THE COUNTRY WAS NOT ABLE TO COLLECT ENOUGH REVENUE

11. Deflation. Low consumer and investment demand brought down prices, which led to unhealthy trends and an absence of growth incentives in the Ukrainian economy. The industrial producer price index was 99.9 percent in 2013, with factory-gate prices falling by five percent for steel, 3.4 percent for metal ore, 7.5 percent for coal and 11.5 percent for coke and coke products. According to the State Statistics Service, consumer prices fell 0.3 percent, whereas the prices of services continued to grow at a moderate rate: hotels and restaurants by 1.9 percent, education by 3.4 percent, transport by two percent, recreation and culture by 2.8 percent, healthcare by 2.3 percent and rent by 2.6 percent. Deflation was due to declining prices of food products (down 2.4 percent) and clothes and footwear (down three percent).

12. Modest consumer confidence. In general, Ukrainians' already modest spending activity plummeted after the Maidan protests began. The consumer confidence index, which GfK Ukraine has calculated since 2000 based on household polls, stabilized at 80–90 points (out of 200) in 2012–2013, which means that

between 40 percent and 45 percent of respondents believed that their consumption would increase. But in December 2013, the consumer confidence index collapsed, hitting 72.5 by January 2014, which means that only 36 percent of working age respondents (15 to 59 years old) believed the economy would improve within 12 months. Likewise, the economic confidence index plunged to 71.3 in early 2014, a historic low surpassing the previous record set in March 2011.

13. Low unemployment. Under President Viktor Yanukovich, the unemployment rate remained below 2008–2009 levels, and considerably lower than in some central and southern European countries. According to the ILO, unemployment in Ukraine following the 2008–2009 crisis stood at 8.8 percent for people between the ages of 15 and 70. The overall figure fell to 7.5 percent in 2012, and the unemployment rate for the most vulnerable group of working age men decreased from 10.8 percent to 8.9 percent. The ILO estimated that the number of unemployed has remained relatively stable at 1.7–1.8 million Ukrainians between the

ages of 15 and 70, which is 3.5 times more than official unemployment figures. In the third quarter of 2013, only 6.2 percent of people in this age group were registered as unemployed, while the figure for the working age population (18–60 for men, 18–56.5 for women) was 6.7 percent.

14. Maidan's source of manpower. The highest unemployment rates among working age groups in January–September 2012 were reported in the Chernigov (10.3 percent), Rovno (10.2 percent), Ternopol (10.2 percent) and Zhitomir (10.1 percent) regions. It is noteworthy that a large number of the vehicles that transported activists and otherwise aided Maidan had license plates from these regions. The Batkivshchyna party won the 2012 parliamentary elections in these regions, and entered into a governing coalition with Svoboda in February 2014. However, most of those who died at

23.8 percent. However, Russia still imports the bulk of Ukrainian high-value-added engineering goods. For example, Russia accounts for 58 percent of Group 84 goods (nuclear reactors, boilers, machinery) and 71 percent of Group 86 goods (railway or tramway locomotives, rolling stock and parts). The majority of these goods are produced in eastern Ukraine.

17. Hydrocarbons are more expensive than metals. Prices of ferrous metals, a key Ukrainian export, grew more slowly in 2009–2013 than oil prices. According to the MEPS consulting company, from January 2009 to November 2013 prices rose in the CIS for cold-rolled mill products by 21 percent, hot-rolled products by 39 percent, and wire rod by 66 percent. In the same period, the price of oil more than tripled from \$35 to \$110 per barrel. Economic growth in Russia and Kazakhstan, which are the main suppliers of oil to Ukraine, slowed considerably.

NOT A SINGLE UKRAINIAN POLITICIAN HAS A NET POSITIVE RATING IN

POLLS OF PUBLIC TRUST

Maidan were from the city of Kiev and the Lvov and Kiev regions, where unemployment is historically low.

15. The diminishing role of exports as a driver of economic growth. In 2011, the export of goods and services increased by 2.2 percent with a deflator of 26.1 percent. In 2012, it fell by 7.7 percent while prices increased by 9.8 percent. In the third quarter of 2013, the export of goods and services decreased by 7.8 percent, but the deflator (3.6 percent) remained higher than the internal figure. The exports to GDP ratio fell to 45.9 percent from 53.8 percent in 2011.

16. Ukraine failed to adequately respond to Moscow's import replacement policy. Falling exports to Russia were not offset by higher exports to other markets (with the exception of China). Exports to the Russian Federation dropped by 24 percent in 2012–2013, from \$19.82 billion to \$15.065 billion. Last year, the EU regained its place as Ukraine's largest foreign trade partner, receiving 26.5 percent of Ukraine's exports, compared to Russia's

18. Destructive antagonism between the EU and the Customs Union. Against this background, the Ukrainian government faced the extremely difficult choice of a free trade area with the EU or the Customs Union. After promoting integration with one economic block for years, the government suddenly decided to move in the opposite direction. When the Ukrainian Academy of Sciences announced that the national economy would need \$160 billion to compensate for the economic costs of closer integration with Europe, the public saw the decision as a sign of the government's unwillingness to act.

19. Obstacles preventing the private sector from boosting production remain. A routine survey of companies by the National Bank of Ukraine has shown that the main obstacles to economic development are high energy prices (49 percent of the 1,252 company leaders cited this factor in a survey conducted in the fourth quarter of 2013), insufficient working capital (42 percent), excessively high taxes (39 percent) and low demand (34 percent).

Why Ukrainians went to Maidan

up to three reasons, % of respondents



Source: A survey of Maidan protestors on the weekend of December 7-8, 2013, conducted by the Democratic Initiatives Foundation and the Kiev International Institute of Sociology, KIIS (1,037 respondents)

20. The failure to adequately address Ukraine's institutional challenges undermined public confidence in the government.

Ukraine ranks 84th out of 148 countries in the Global Competitiveness Index, 112th out of 189 countries in the Doing Business Index, and 155th out of 178 countries in the Index of Economic Freedom. Its weakest points are access to funding, corruption, taxation and political instability. Ukraine ranks behind Russia, Belarus and Kazakhstan in the majority of these rankings.

21. Pervasive corruption. Bribes make up a part of nearly every interaction Ukrainians have with the authorities. Traffic police, doctors and teachers all expect "gifts." And large bribes are essential if you want to take part in a tender or secure incentives that will make your business more competitive. Ukraine ranks 144th out of 177 countries in the Corruption Perceptions Index. Many professional associations in Ukraine demanded that the government focus

on corruption and put an end to privatization auctions with only one or two bidders, as well as nontransparent tenders.

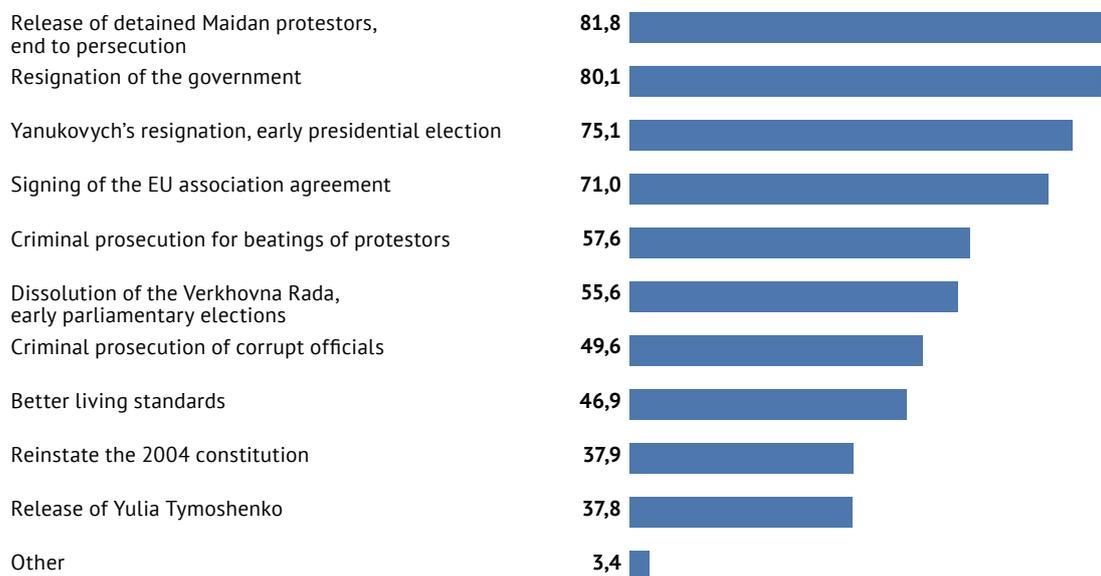
22. Intervention by "The Family." Meanwhile, key government and business positions continued to go to people closely connected with the Yanukovich family. Companies like MACO Holding and the VETEK Group were flourishing, and people like Alexander Yanukovich (MACO, the son of the president), Sergei Kurchenko (VETEK) and MP Yury Ivanyushchenko became fantastically wealthy nearly overnight. The rapid rise of the new elite was accompanied by strong pressure on several "old" oligarchs and political rivals.

23. Noncompetitive wages for civil servants.

In January 2014, the average monthly salary of Ukrainian civil servants was 3,165 hryvnias, or \$385. Therefore bribes and kickbacks are seen by them as the only way to ensure a decent quality of life.

Support for Maidan demands

% of respondents



Source: A survey of Maidan protestors on the weekend of December 7-8, 2013, conducted by the Democratic Initiatives Foundation and the Kiev International Institute of Sociology, KIIS (1,037 respondents)

24. Less focus on reforms. When Nikolai Azarov was reappointed prime minister in November 2012, reform efforts lost momentum. Execution of the president's key five-year policy document – the program of economic reforms, entitled “Prosperous Society, Competitive Economy, Effective State” – fell from 70–90 percent in 2010–2011 to less than 40 percent in 2013.

25. Plummeting trust in state institutions. Not a single Ukrainian politician has a net positive rating in polls of public trust. According to the Democratic Initiatives Foundation, only one in four Ukrainians said they trusted the authorities. In June 2013, the percentage of Ukrainians expressing distrust of the Verkhovna Rada was 76.8 percent, of the courts 72.3 percent, the Cabinet 71 percent, the police 70 percent, the president 68.9 percent, the public prosecutor's office 63.5 percent, the security service 48.5 per-

cent and local authorities 47.3 percent. Only civic organizations, the media and the church have a positive balance of trust in Ukrainian society.

26. The combination of these factors quickly radicalized the electorate. Evidence first appeared during the Verkhovna Rada elections in the fall of 2012. The number of votes cast for parties calling for radical changes on both the extreme right and the extreme left nearly matched the share of votes of the Batkivshchyna party, and was only a few percentage points behind the Party of Regions. Taken together with the share of the electorate that did not turn up at the polling stations, it is fair to say that 65 percent of Ukrainians older than 18 either wanted to radically change the country's direction or did not believe that politicians could change anything.

THE ROLE OF EXTERNAL PLAYERS AND FACTORS

EuroMaidan was planned by its organizers as a war of discourse norms, with clashes not only between protesters and the police, but also between discourse patterns of the protesters and discourse patterns of the regime. And here, the authorities came out on the losing end.

The Maidan was using “Western” vocabulary because the West had brought to its organizers, leaders and participants a huge glossary with 20 synonyms for the word “freedom” and 30 synonyms for “justice.” In the blink of an eye, the opposition monopolized all of European civilizational discourse. A vocabulary that

included words and phrases such as “equality,” “justice,” “freedom of speech,” “peaceful protest,” “European values,” “our children’s future” and “the European choice” could inspire optimism in even the greatest skeptic, while the words “banditry,” “dictatorship,” “violence” and “cruelty” painted the darkest possible picture of the present, and aroused indignation against the regime.

The Maidan did not “speak Russian,” because Russia had given Ukraine only two words – “stability” and “gas” – which were capable of getting only alienation and irony in response.

Assistant US Secretary of State Victoria Nuland and US ambassador to Ukraine Jeffrey Payette seen after meeting with the Ukrainian opposition leaders on the Independence square, Kiev on December 10, 2013



Which world – Western or Russian – inspired the Maidan?

THE PLAYERS' POSITIONS

The US position

The developments in Ukraine consist of a freedom-loving nation fighting its corrupt authorities, US Ambassador Geoffrey R. Pyatt said in January, expressing his personal position and, for that matter, that of the US Administration as well, substantiating overt support for the nation against an allegedly criminal regime. I think “we’re in play”, the diplomat said later in a notorious bugged and leaked phone conversation with Assistant Secretary of State Victoria Nuland.

It was an unbalanced position, and arguments about the extreme danger of it were

of Ukrainian federalization as an anti-crisis tool came from the German leadership.

Russia’s position

Russia for a long time abstained from expressing its view of the situation in Kiev. When the crisis was still in its embryonic stage, Moscow was distracted by the Winter Olympics in Sochi, while Kiev was being swarmed with visits by American and European officials. Consider, for example, Victoria Nuland’s memorable appearance, as she treated Maidan protesters to cakes. Moscow feigned aloofness, posing as a disinterested onlooker while it played for time to work out a strategy in secret consultations.

Russia did not recognize the legitimacy of the new authorities in Kiev, and qualified the situation as an “unconstitutional coup and armed seizure of power.”² As it stressed repeatedly, Viktor Yanukovich remained the lawful

RUSSIA’S BLACK SEA FLEET, STATIONED IN CRIMEA, RULED OUT THE USE OF FORCE AGAINST THE UPRISING BY THE NEW KIEV AUTHORITIES

plentifully advanced. The United States was warned that providing strong backing would provoke the Maidan to a pointed confrontation that might result in bloodshed. More than that, such support was doomed to arouse violent anti-Americanism in eastern and southern Ukraine. These warnings were never heard. They could not be heard, as is clear now.

The lots were cast, and the US no longer regarded Yanukovich as a partner. The job from there was simple: to intimidate him and his men in order to prevent them from introducing a state of emergency, and to provoke the Maidan into a battle royal against the corrupt regime. The French, Polish and German foreign ministers were to formalize its capitulation. Poland is known for servility to the US Department of State, and the current French Cabinet is also not irreproachable in this respect. Germany, on the contrary, has long abstained from such degrading moves. Perhaps this was why Angela Merkel shifted Germany’s stance on the Ukrainian crisis settlement. Or perhaps the decisive impact came from public rallies sweeping Ukraine’s southeast early in March, against the backdrop of the developments in Crimea. At any rate, the first explicit demand

president until the election scheduled for May 25. Meanwhile, Yanukovich fled to Russia and confirmed his legitimacy at a news conference in Rostov-on-Don on February 28. However, Moscow effectively discounted his chance to retain leadership of the country.³

The long choice of tactics did not move Moscow to any decision. A decision was prompted by the events of February 26–27: Crimea rose and immediately became well-organized, and received powerful support. Its residents mirrored the Maidan tactic as they occupied official premises in Sevastopol and all around the peninsula, and put before public figures a choice: join them or resign. Those who chose the latter option were promptly replaced by popular political activists. Russia’s Black Sea Fleet, stationed in Crimea, ruled out the use of force against the uprising by the new Kiev authorities that had been formed by the Maidan: there were not enough regular troops to face the challenge. The Army and Interior troops declared noninterference in the domestic conflict after the Verhovnaya Rada undermined their morale through a ban on the use of arms and impact munition against protesters. As for armed Maidan insurgents, they could not go to



Russian Foreign Minister Sergei Lavrov, third left, and US Secretary of State John Kerry, second right, attend four-sided talks on resolving the domestic political crisis in Ukraine. The talks held on April 17, 2014 in Geneva involved the Russian Federation, the United States, the European Union and Ukraine

Crimea either: they would inevitably clash with the sailors, which would mean war on Russia. Anything could be a *casus belli*: say, Maidan men attacking a resort hotel in Yalta or taking any other civilian premises, without realizing that the buildings belonged to the Russian Navy. Kiev had lost control of Crimea completely by the night of February 26.

The situation developed similarly in all of southeastern Ukraine. The Kharkov, Donetsk, Lugansk and Odessa regions (and, to a lesser extent, the Dnepropetrovsk Region) were only formally loyal to Kiev. They recognized Maidan rule but did not allow its officials on their territory, and obeyed only the local regional and municipal offices. A people's militia, recruited in each of these regional centers, declared that it was ready to depose local authorities, as in Crimea, unless they complied with the popular will. The public mood in the southeast was not expressed so pointedly as in Crimea, but it was clear that it would not take a lot of effort to lead the population to finally disobey Kiev. Public rallies elected so-called "people's gover-

nors" in Donetsk on March 1 and in Lugansk on April 21.

On March 2, Russian President Vladimir Putin requested that the Federation Council grant him the right to use the Armed Forces to stabilize the situation in Ukraine. Indicatively, he did not specify any particular Ukrainian regions but referred to the entire country. Parliament's upper house granted his request. The United States and NATO promptly reported that they would be unable to provide military assistance to Ukraine in the event of a Russian invasion, as they had not prepared for this eventuality.

A referendum held in Crimea on March 16 was made possible simply by the presence of the Black Sea Fleet, incomparably superior in power to its Ukrainian counterpart. President Putin did not play for time or bargain with the West. On March 18, he made a speech to announce the signing and ratification of the Treaty on the Integration of Crimea and the City of Sevastopol into Russia.

Putin said he was sure that the three fraternal peoples – Russians, Ukrainians and Belaru-

sians – would reunite, and stressed that Moscow was determined to protect the Russian World by all means at its disposal. That said, the ethnic and political borders of the “three fraternal nations” are known, in contrast to the vague borders of the Russian World, which the president mentioned in another part of his address that did not concern these three nations. If desired, the Russian World could be defended in Serbia, Bulgaria or another Balkan country, and in the post-Soviet Baltic countries. With his reference to the Russian World, Putin announced Russia’s claim on its own sphere of interests (or of responsibilities, to use the latest political idiom). By neglecting to outline its borders, Putin gains a vast area for foreign policy maneuvering in negotiations with the United States and the European Union, which must begin sooner or later if the Ukrainian crisis is to be settled.

On the one hand, Putin denied claims on any part of Ukraine except Crimea. On the other hand, he said explicitly that southeastern Ukraine is a territory that the Bolsheviks had forcibly severed from Russia in their time and transferred to Ukraine. He also promised to protect Russians anytime and anywhere.

Henceforth, Russia was proactive on the international scene, commenting on the Ukrainian developments, initiating a United Nations discussion, participating in international meetings of various formats and in consultations. In the person of Foreign Minister Sergei Lavrov, Russia made regular appeals to the West to give up its ideological rhetoric and regard the crisis from the point of view of every Ukrainian.

Europe’s position

The Ukrainian crisis revealed the complete incompetence and dependency of European politics. In fact, Europe effectively provoked the crisis, as it compelled Ukraine to sign the Association Agreement with the European Union on fairly disadvantageous terms, and ignored Russia’s opinion on the potential consequences of this political move.

Many European officials and European Parliament members visited the Maidan at the beginning of the crisis to encourage the protesters and to accuse Russia of imperial ambitions. Vladimir Lukin, an observer at the Ukrainian President’s talks with the opposition leaders, noted that they were defying political logic as

A view from the Miskhor – Ai-Petri cableway’s funicular, Crimea



they supported the nationalist, revolutionary, terrorist Maidan, and approved the overthrow of a government they had recognized.⁴ They turned a blind eye to blatant outrages: the protesters' Nazi battle-cries and civilians killed by snipers on the Maidan.

Such connivance and non-compliance with declared European values, and a vision of the world in black and white, with deliberate blindness to its actual motley colors, has borne fruit that the European strategists never expected as they shrugged off Russia's warnings. The OSCE was evidently reluctant to assume peacekeeping duties, though it was able to mediate a crisis settlement from the experience of the Bosnian conflict. When the crisis acquired a scope beyond Europe's control and evolved into an armed confrontation, Europe timidly appealed across the Atlantic.

Despite the proactive German stance,

overseas NGOs to bolster its election system and democratic institutions. Russian and US interests clashed in Ukraine during its Orange Revolution, when the Central Election Commission announced the victory of Moscow-backed Viktor Yanukovich, but later had to disavow the election results and cede the presidency to Western-supported Viktor Yushchenko.

It took the West 25 years to depict Russia as Ukraine's sworn enemy. It would seem the last several weeks have made them true enemies.⁵

Before Yanukovich refused to sign the Ukraine-EU Association Agreement, Russian policy toward Ukraine had never earned such epithets as "expansionist," "neo-imperialist," "neo-Soviet," "aggressive," etc. Unbiased experts on both sides of the Atlantic regard Yanukovich and the Ukrainian radicals as the chief culprits of the Kiev unrest.⁶ Nevertheless, the Western media depict Vladimir Putin as enemy No. 1, the

THE UKRAINIAN CONFLICT DEVELOPED FROM THE VERY BEGINNING ON TWO BARELY INTERSECTING PLANES: ONE WITHIN UKRAINE AND THE OTHER BETWEEN RUSSIA AND THE WEST, WHERE UKRAINE WAS MERELY THE PRETEXT

Chancellor Angela Merkel's political drive was restrained by German businesses interested in unhampered partnership with Russia. Bargaining and backdoor pressure resulted in a limited set of sanctions intended to punish Russia for the annexation of Crimea.

RUSSIA AND THE WEST: THE UKRAINIAN CLINCH

The Ukrainian conflict developed from the very beginning on two barely intersecting planes: one within Ukraine and the other between Russia and the West, where Ukraine was merely the pretext.

Ukraine became a stumbling block in Russian-US relations during the presidency of George Bush, Jr., insofar as its "democratization" fit in with his Freedom Agenda. Even under President Clinton, Ukraine ranked third after Israel and Egypt in the amount of US aid received. Ukraine received millions of dollars through

man who thwarted the Ukrainian turn toward Europe.

However, the reintegration of Crimea into Russia demonstrated Moscow's political U-turn from noninterference to active moves challenging the world, partly because the Russian leadership saw the February 21 agreements as a failure due to the West plotting to establish a government loyal to it in Kiev. This extreme right government was to revoke the agreement on the deployment of Russia's Black Sea Fleet in Crimea, promptly apply for EU and NATO membership, suppress the Russian-speaking community and legitimize the power shift. Time proved that Moscow was right. As soon as Yanukovich fled Kiev, power was grabbed by extreme right radicals, who gave armed nationalists free reign.⁷ The West promptly accused Russia of annexing Crimea counter to international law and of aggressive expansionism.

The Ukrainian crisis raised the Russian-Western rivalry from the local to the global level. What matters now is not Ukraine, but the

global arrangement of forces which Russia is questioning, as the US sees it. Western experts repeatedly noted Russia's desire to be an equal party in international politics. To introduce Russian interests into the big political game is Russia's foreign policy goal during Putin's presidency. Though Russia's motives were quite clear, its interests and concerns were not taken into consideration as it was not regarded as an equal partner, particularly where NATO expansion was concerned, a theme that Russia has emphasized since the 1990s. As Russia stressed more than once, its interests were endangered not so much by such expansion (Russia was even willing to join NATO) as by the appearance of military facilities close to its border.

According to contemporary philosopher Slavoj Žižek, the relations between Russia and the Western powers were regulated in the 1990s by the silent admission that the West should

treat Russia as a great power on the condition that it would not behave as one. When Russia had enough of this, and started to behave as a great power, a catastrophe followed, which threatens the entire existing system of relations, as the events of five years ago in Georgia showed.⁸

The Ukrainian crisis demonstrates a socio-political phenomenon that has become the main source of conflict and instability in today's world. The global environment obliterates the border between internal and external processes, thereby creating permanent resonance. Domestic upheavals, especially in large states or countries where major interests clash, instantly evoke an external response, and so rise to a higher, interstate level. These oscillations reinforce each other, upsetting the regional and occasionally the global environment. It is very hard to withstand this effect and dampen its waves. This challenge demands a simultane-

THE UKRAINIAN CRISIS REVEALED THE COMPLETE INCOMPETENCE AND DEPENDENCY OF EUROPEAN POLITICS

Leader of the opposition parliamentary faction «Batkivschina» Arseny Yatsenyuk, European Union foreign policy chief Catherine Ashton and former Foreign Minister of Ukraine Vladimir Ogryzko, from left, in Kiev's Independence Square



A monument of architecture Swallow's Nest, Crimea







President Vladimir Putin facing journalists to answer questions concerning the situation in Ukraine, March 4, 2014

THE WESTERN MEDIA DEPICT VLADIMIR PUTIN AS ENEMY NO. 1, THE MAN WHO THWARTED THE UKRAINIAN TURN TOWARD EUROPE

ous response within and without: the relevant countries need to address their national problems while the external forces involved in the conflict work to restore the balance of interests.

The global imbalance, which has been getting worse since the end of the Cold War, is so bad now that it's almost impossible to settle such crises. Local conflicts of varying intensity have flared up in every part of the world since the early 1990s, and there is no way to extinguish them, with rare exceptions. The idea of conflict settlement has gone out of use in its previous sense of coming to a decision acceptable to all the involved parties. The philosophy of the right and the wrong which has replaced it demands that internal conflicts be settled in favor of the party that the West considers progressive, that is "on the right side of history". Opponents to regimes regarded as authoritarian, to varying degrees, have been found to be "on its right side" in the majority of instances.

This model could be relatively effective in a world under the unconditional political,

military and ideological dominance of the West. At any rate, the US and European potential were sufficient to guarantee the success of the combatants they considered "right," while nations that disagreed with their assessments (Russia was often in this situation) were unable to prevent such an outcome. Stability was shaky, and the results grew more and more uncertain, declining from the relatively stable arrangements in the Balkans (Bosnia remains fairly stable to this day despite its artificial political architecture) to the disastrous collapse of Libya. The Syrian conflict proved a watershed, when tough resistance from Russia and solidarity from China and Iran, thwarted direct support to the rebels and the conflict froze in a clinch.

Ukraine generated the end of that paradigm. An acute socio-political crisis in this major European country at the intersection of the Russian and EU orbits soon turned into an irreconcilable confrontation, with influences on a regional and even global scale. It was

impossible to use the above settlement model in its pure form without engendering a direct clash with Russia, including armed conflict, while employing its separate elements had a destructive effect on the object of appeasement. Shaken by its domestic crisis, Ukraine started to collapse with the introduction of external intervention in the conflict. The deeper the crisis of the Ukrainian statehood goes, the tougher the external confrontation for the right to settle Ukraine's destiny. This confrontation threatens to bring about a direct clash.

It is no longer possible to answer the Ukrainian question without addressing far broader questions: on the principles of relations between leading world figures and the terms on which it is possible to coordinate interests in major local conflicts. In practice, the situation demands working together to design the new Ukrainian statehood. It should from the

start provide safeguards against internal and external conflicts of the kind that have led the country to collapse.

A resolution to the Ukrainian issue based on principles cannot be achieved, because looming behind it is the entire cluster of unsettled Russia-West relations from the quarter-century since the Cold War ended. It is impossible to return to the previous (pre-Crimean) pattern of partnership based on reticence and imitation in the absence of mutual understanding and even covert reciprocal antagonism. So it is all the more important to elaborate a precise pattern of Russia-West crisis deterrence. First, it should be localized in Ukraine to prevent all-out rivalry over any given issue. Second, opportunities must be created for the resolution of similar conflicts in the future. No doubt, they could flare up in other parts of the world.

NO ONE GAINS MORE FROM THE WARLIKE RHETORIC AND THE DANGER OF A RUSSIAN INVASION THAN THE UKRAINIAN POWER AS THEY DISTRACT THE PUBLIC FROM THE GOVERNMENT'S BLUNDERS AND THE INEVITABLE UNPOPULAR MEASURES

EU integration supporters picketing the parliament building in Kiev



AN INFORMATION WAR: A NEW TYPE OF WARFARE

The events in Ukraine uncovered a new type of warfare, in which misinformation and electronic attacks are the principal weapons.

The majority of Ukrainian media outlets belong to financial-political groups. Since the start of the unrest in Kiev, they have displayed total unity in their coverage of the events in Ukraine from the position of all-out support for the Maidan, which completely ruled out any criticism or alternative opinions. Russian TV channels were cut off (they could be accessed only through satellite communication). Russian journalists had limited access to Ukraine, especially to the seats of unrest and combat zones. The media manipulated the public through derision, crafting an image of the enemy, imposing ideological cliches, hyperbola,

and blatant propaganda devices such as repetition of particular phrases, and video and sound montage. The blame for outrages committed by one of the belligerents was often shifted to the other side. The media harped on such strong negative emotions as fear, hatred and dejection. Content censorship appeared in news programs. Journalists were intimidated. Lists were compiled of bloggers and writers allegedly “unloyal to the revolution” and virtual attacks on their resources were organized.

The online community played a decisive role in these circumstances, as Maidan’s friends and enemies were mobilized. Internet during the Ukrainian crisis was an information field with the greatest possible charge. It did not merely analyze events and help the public to exchange opinions: it determined actual developments.

Central and western Ukrainian media outlets refer to public protests in eastern Ukraine

THE EVENTS IN UKRAINE UNCOVERED A NEW TYPE OF WARFARE, IN WHICH MISINFORMATION AND ELECTRONIC ATTACKS ARE THE PRINCIPAL WEAPONS

Muscovites lay flowers outside the Ukrainian embassy in Moscow to show their sorrow for the people killed in the Trade Union House in Odessa



as a “pro-Russian rebellion,” though Russia did not raise a finger to instigate it; everything was done by Ukraine’s new regime and mass media.

In the eastern Ukrainian city of Mariupol, police officers who refused to follow orders from Kiev barricaded themselves in the local Interior Ministry building on May 9, and were attacked by the National Guard in armored vehicles. Civilians celebrating Victory Day came to their rescue. Nine were killed and more than 40 injured in street clashes. The Ukrainian media reported the tragedy as “anti-terrorist operation casualties.”⁹ The victims of the Odessa Trade Union House fire were described as “pro-Russian radical rioters”¹⁰ and “separatists with firearms.”¹¹

Russian officials and media, for their part, adopted the vocabulary of World War II, referring to militants as “fascists,” armed clashes in southeastern Ukraine as “punitive operations,”

their coverage of the Ukrainian crisis. Other countries did not care to understand Russia’s arguments, which have been made public by President Vladimir Putin and Foreign Minister Sergei Lavrov, as, by design, a new electronic Iron Curtain descended on the world. Leading foreign experts and even top politicians used propagandistic clichés instead of objective information and unbiased news analyses in their assessments of the situation. Suffice it to mention the widespread opinion that the Ukrainian crisis was instigated by Russia and that Russian troops were fighting in Ukraine, the latter claim proved by photos of bearded men.¹²

Western media coverage of the Ukrainian events changed after the tragic fire in Odessa on May 2. It became less tendentious and more diverse, with at least hints of contrasting viewpoints. As the crisis developed, public interest in it subsided and became fixed at a steady level.

THE UKRAINIAN CRISIS RAISED THE RUSSIAN-WESTERN RIVALRY FROM THE LOCAL TO THE GLOBAL LEVEL BECAUSE RUSSIA WAS QUESTIONING THE GLOBAL ARRANGEMENT OF FORCES

and the new government in Kiev as “the junta.”

No one gains more from the warlike rhetoric and the danger of a Russian invasion than the Ukrainian opposition that has come to power. “Russian aggression and military intervention” are a godsend for the Ukrainian authorities, as they redirect western Ukraine’s energy to distract the public from the government’s blunders and the inevitable unpopular measures that are yet to come. The new authority needs to show off its strength at all costs to prove its legitimacy. Military and patriotic rhetoric give it this opportunity. Western Ukraine can be mobilized very quickly.

The population is being zombied, and is brought to both sides of the barricades by total control of the Ukrainian information environment. This is true not only of Ukraine. Western media outlets were no less biased in

Western media descended on Russia with new vigor after the Malaysian Airlines plane crash.

The First World Information War is on. Media content is its decisive weapon, as NATO Secretary-General Anders Fogh Rasmussen acknowledged in early June. He credited Russia with inventing the new type of war.¹³ Moscow owes its Crimean victory to this new type of warfare.

If we follow this logic, we have to remark that the absence of objective information in southeastern Ukraine and the image of Russia as an enemy, generated by the Ukrainian media, ruled out the possibility of united public support for Russia. For this reason any dynamic action in the region on the part of Russia was out of the question. However, the information fog dissipated after Kiev began its military operation.

CIVIL WAR AND
THE END OF THE
REVOLUTION

2.

WAR IN SOUTHEASTERN UKRAINE

Developments in Ukraine have gained momentum, with too many actors involved and few possibilities for control. It has become clear that reviving the February 21 agreements is no longer realistic, and this awareness has led the conflicting sides to blame each other for derailing the next stage of agreements: Geneva Statement, signed on April 17.

Back in April, the West believed it would have no difficulty in pressuring Moscow into obedience with the threat of sanctions. Ukraine's central government was expected in the meantime to gain control over paramilitary units, forcing armed militants off the streets, cracking down on banditry and plundering, establishing a more or less acceptable rule of law and bringing the southeast of the country back into the fold with the help of the newly formed National Guard, with its far-right Pravy Sektor radicals. But given the current makeup of the Ukrainian government, there are serious doubts that it will be able to cope with the challenges it faces, primarily those related to restoring law and order and ensuring security for its citizens.

Financial aid from the West, regardless of its amount, is unlikely to make a major difference. The parliamentary opposition's alliance with radicals has proven mutually beneficial, but of these two groups just one has received dividends so far: or part of it, to be precise, the one affiliated with the Batkivshchyna party. Vitaly Klichko's Ukrainian Democratic Alliance for Reform, or UDAR, distanced itself from the acting government, apparently with the hope of an easier victory in the imminent presidential election for Klichko, now free of any responsibility for Ukraine's economic woes. Later, though, Klichko teamed up with a fellow hopeful, billionaire tycoon Pyotr Poroshenko, only to quit the presidential race and set his sights on the post of mayor of Kiev instead.

Before they embark on their mission, Ukrainian ultranationalists have some groundwork to do, including building infrastructure in the regions. Given that like-minded politicians from parliamentary parties have now gained access to law-enforcement agencies such as the Prosecutor General's Office, the Interior Ministry, the National Security and Defense Council and the

Security Service of Ukraine, it is almost certain that purging the country of dissent will be an integral part of those preparatory efforts.

The ultranationalists are unlikely to be able to seize power completely, but maybe they don't need to. Meanwhile, the role of "sword of punishment of the revolution" is one they are strong enough to handle, and they declare this as their goal, promising to create infrastructure in order to combat the "fifth column."¹⁴ The future ruling elite will be only too glad to rely on the ultranationalist camp for such services, while they themselves are busy exploiting national resources for their own benefit.

In southeastern Ukraine, those opposed to the insurgents and the followers of Stepan Bandera, a major 20th-century Ukrainian ultranationalist leader, are driven by psychological motives that are much deeper than they may appear on the face of it.

True, the southeast is struggling against Kiev's discriminatory Russian language policies, the openly Nazi ideology of most of the parties that have taken power there, the dismantling of old monuments and the destruction of cultural symbols. But more importantly, the southeast is struggling for reason, logic and common sense.

Maidan's mystical, quasi-religious, and rustic medieval components aside, the persistence of new myths has played an evil prank on their creators, and so the media's tale of "heroic martyrs" and their struggle for justice has ended up tarnished. The southeast's ideas of justice, duty, and homeland are diametrically opposed to what central Ukrainian broadcasters have been trying to instill in the public's mind for more than two months now.

In the rapidly developing southeast project, attempts to present politics in a simplistic manner are encountering strong resistance. Descriptions like "titushky" (thugs), "gopniks" (hoodlums), "slaves," "mob," and "unpatriotic outcasts" may or may not sound offensive to an individual southeasterner ("this is not about me"), but they will definitely be taken as an insult by a local protest group, especially one threatened with an armed crackdown.

The key role in rallying the southeast has not been played by local assets, elites, political parties or social media. The region's mobilization and change of self-identity have come about as a result of central Ukrainian media propaganda, spinning the image of a Maidan activist. Indeed, the glorification by Ukraine's pro-government

Donetsk rally



media of a man-on-the-street type of fighting on Kiev's Independence Square with a bat and a Molotov cocktail has backfired in the southeast, where this simple image has come to be synonymous with a faceless masked stranger who has come to kill. So now all attempts to bring Ukraine's breakaway southeast back into the fold are seen on the ground in terms of an alien invasion. Ukraine's official law-enforcement agencies can be of no help here: the police have fallen into disgrace, while the army has embraced a policy of non-interference. This is prompting the population of southeastern Ukraine to turn elsewhere for protection, pinning their hopes on armed "foreigners" with whom they share a similar language, faith and value system.

The situation is being aggravated by the personnel policies of the new Ukrainian government. Instead of placing people who enjoy moral authority within their respective communities in top regional public-office positions, the central government is doing the opposite. It appointed the business tycoons Sergei Taruta and Igor Koloimoisky as governors of Donetsk and Dnepropetrovsk, respectively. This latter is infamous for his involvement in high-profile business scandals, including ones involving hostile takeovers in the

region. The Ukrainian ultranationalist Vladimir Nemirovsky, meanwhile, was appointed governor of Odessa, with its predominantly Russian and Jewish population.

Loyalty seems to be the key selection criterion here. Candidates loyal to the Maidan ideals, Kiev reasons, will be willing to cut the pro-Russian regions down to size, using the entire arsenal of means accessible to super-wealthy and unscrupulous oligarchs.

The national government refused right away to go to the southeast to try to negotiate an agreement with regional elites, although the Verkhovnaya Rada MPs who had visited Donetsk and Lugansk said diplomacy was strongly recommended. The unwillingness to negotiate manifested itself as a crackdown, though with insufficient forces.

Local independence supporters – referred to as "separatists" by Ukrainian and Western media – managed to stop the National Guard's frontline operations.

In referendums subsequently held in the Donetsk and Lugansk regions, residents were asked whether they wanted to see their territories become sovereign states. Voter turnout reached nearly 75 percent in Donetsk, and 81 percent in

A victim of the armed clash outside Karlivka village, Donetsk Region





The miners from the Donetsk Zasyadko mine

Lugansk. In both regions, more than 96 percent of the population voted for sovereignty.¹⁵ This led the two regions to proclaim themselves as independent republics and subsequently declare their intention to unite. Kiev responded by stepping up military operations.

In the little over a month and a half between Yanukovich's flight and the socio-political outburst in Donbass, none of the new leaders bothered to address the problem of the east of the country. This is inexplicable, as it had been clear all along – and especially after Crimea broke away – that there was a serious threat of resistance and secession. The incompetence of the Kiev leadership is partly to blame here, along with revolutionary arrogance. They reckoned that with the kind of “mandate” gained on Maidan, they would be able to sweep away non-conformists as a relic of the past.

The central government's neglect of its administrative duties toward the entire country, rather than just parts of it, has created a growing sense of rejection in the southeast for everything that has flowed out of revolutionary Kiev. The generous moral and political support offered by Russian public opinion was instrumental in empowering the southeastern regions to install popular governors and proclaim themselves “people's republics.” The importance of outside encouragement in southeastern Ukraine, as well as in Kiev's Independence Square rallies, is undeniable. But as in Kiev initially, the impetus in the southeast also came from within, as a reaction to the govern-

ment's inability or unwillingness to adequately meet the needs of society. The most pro-active and, oftentimes, the most radical of forces tend to rise on this kind of wave, especially when the opposition offers a vision of the future that is at odds with what the current leadership has in mind. The logic of post-revolutionary developments inevitably entails polarization and more fierce confrontation, and the longer this lasts, the more illusory the chances of reconciliation become.

The May 11 referendums in Donetsk and Lugansk had no binding force, and their outcome could not provide legal grounds for further political decision-making, either for developments inside Ukraine or foreign powers' attitude toward them. But those plebiscites did play a different, crucial role.

The high turnout, with most voters not involved in the protests and paramilitary operations, has disproven the assumption that the breakaway republics were being governed by a group of thugs with no public support behind them. Whatever the track record of the core group of self-defense forces, and surely there are enough of haphazard, risky and criminal elements among them, they do reflect public sentiment on the ground.

The clashes and the subsequent referendums reminded Kiev that it would not be able to deny the southeast involvement in national decision-making. So harsh and tragic a reminder seemed unavoidable. Without one, the central authorities would have continued to ignore the opinion of

what they see as “retrograde” regions and Yanukovich sympathizers. Had the new government chosen to start a dialogue right after the coup in Kiev and the breakup of the ruling Party of Regions, there would have been no one to negotiate with. But they were not particularly eager to do so back then. Now the need to heed the south-east’s opinion is already obvious to everyone, and even the US State Department and the European Commission recommend this.

The pressure brought to bear by pro-federalism forces (violently or otherwise) has impelled the central government to pay attention to the east while also provoking the revival of the remnants of the Party of Regions, who will be able to avoid demise only if they stand in opposition to the current government.

The referendums in the southeast have also marked a turning point in regional politicking, in its increasingly destructive forms. Each side

now tends to appeal only to its own sources of legitimacy, which opponents will unfailingly find dubious and invalid.

The struggle is being waged on several fronts, and ranges from increasingly bloody clashes between self-defense forces and the central government all the way to a schism among the regional political and business elite, and to the advancement of oligarchs’ interests. The level of violence, too, is on the rise, and is taking an increasingly heavy toll. According to the UN, more than 2,500 have been killed and at least 6,000 have been wounded as of the end of August.¹⁶ The number of refugees reached 260,000 by the beginning of September.¹⁷ If this trend persists, there is the danger that the local population, dismayed by the demise of their familiar lives, may become so desperate as to support whoever promises to restore order.

THE CENTRAL GOVERNMENT’S NEGLIGENCE OF ITS ADMINISTRATIVE DUTIES TOWARD THE ENTIRE COUNTRY HAS CREATED A GROWING SENSE OF REJECTION IN THE SOUTHEAST FOR EVERYTHING THAT HAS FLOWED OUT OF REVOLUTIONARY KIEV

The referendum on the status of the self-proclaimed Donetsk People’s Republic



PRESIDENTIAL ELECTIONS: END OF THE REVOLUTION AND ONSET OF THE OLIGARCHS' RULE

Russia took a lot of heat from the EU and the United States, who tried to persuade Moscow to recognize the new Ukrainian government and took advantage of every opportunity to do so. In particular, Western countries indicated that the Geneva Statement of April 17, 2014, agreed upon by Russian Foreign Minister Sergei Lavrov, US Secretary of State John Kerry, acting Ukrainian Foreign Minister Andrei Deshchytsa and EU High Representative for Foreign Affairs and Security Policy Catherine Ashton, was in fact evidence of Russia's recognition of the new Ukrainian government.

which is a prerequisite for a proper presidential campaign. Several regions, in particular, the Lvov, Ivano-Frankovsk and Ternopol regions, banned the Communist Party and the Party of Regions, which was the leading party just six months earlier.

In addition, on May 15, Acting President of Ukraine Alexander Turchinov announced the beginning of an «anti-terrorist operation» in the north of the Donetsk Region. In a situation where part of the country's territory is declared the site of an anti-terrorist operation, the likelihood of holding free, fair, democratic and safe

STRONG ANTI-OLIGARCH EMOTIONS THAT HAD ENERGIZED MAIDAN NOT ONLY FAILED TO CHANGE THE POLITICAL MODEL BASED ON THE FINANCIAL AND INDUSTRIAL CLANS, BUT ENDED WITH THEIR COMPLETE INSTITUTIONALIZATION

The new Kiev authorities decided to hold presidential elections on May 25 in order to legitimize the coup.

Following numerous international consultations, Russia made it clear that it will monitor the elections and will be ready to work with the new president of Ukraine, even though previously it had on many occasions indicated that the elections were premature. Russia's position was that first Ukraine needed to adopt a new constitution, because under the previous one Viktor Yanukovich was the incumbent president, and no constitutional impeachment procedure had been held. After that, a new presidential election would follow in line with the new constitution.

In addition, a number of Ukrainian experts pointed out that opinion polls showed low electoral preparedness of Ukrainian voters and that the new government was unable to ensure freedom of expression across the country,

expression of will becomes questionable. Nevertheless, Moscow had de facto recognized the legitimacy of the vote, the election of President Poroshenko and expressed its readiness to start a dialogue with him.

Notably, Presidential Advisor Sergei Glazyev said that the elections in Ukraine were a farce and Poroshenko received only 40 percent of the votes.¹⁸

The presidential election of May 25 drew a line under the previous developments and marked the beginning of a new stage. The Euro-Maidan revolution was drawing to an end. Formally, it was a success, because the new president signed an Association Agreement with the EU, and it had been the failure to move on with it that got everything started. But in reality the aspirations of the protesters were not implemented in any way. Ironically, strong anti-oligarch emotions that had energized Maidan not only failed to change the political model



Petro Poroshenko, foreground, is sworn in as President of Ukraine at the ceremony at Verkhovna Rada in Kiev. Background: Verkhovna Rada Speaker Alexander Turchinov

THE DONETSK AND THE LUGANSK REGIONS ARE NOW CLOSER TO THE MAIDAN IDEALS THAN KIEV AND THE REST OF UKRAINE

based on the financial and industrial clans, but ended with their complete institutionalization. The personalities of the most influential actors in today's Ukrainian policy – President Poroshenko and Governor of the Dnepropetrovsk Region Igor Kolomoisky – clearly indicate that Ukraine is now officially ruled by the oligarchs. The revolution has failed to produce new forces that would be capable of leading the country, whereas the removal of oligarchs from power would now completely destroy the Ukrainian economy, which is already in deep recession.

Eastern regions, especially Donbass, where presidential elections were not held, are a separate issue. This fact was a formal sign that this region left the Ukrainian political and legal fields. Ironically, the Donetsk and the Lugansk regions are now closer to the Maidan ideals than Kiev and the rest of Ukraine. Extreme anti-establishment forces are now playing the leading role in regional politics, being in op-

position to the previous political entities and the oligarchic elite. The local protest combines the opposition to the “Banderan” Kiev with the general anarchist, leftist and anti-capitalist feelings.

The current Ukrainian political landscape is made up of the five main “poles” of force, whose interaction will determine the future course of events.

1. President Poroshenko, with a sufficient level of legitimacy and the mandate issued by the majority of Ukrainians, but without any support in the form of his own political power and a strong information backup. Under the 2004 Constitution, which the Ukrainian parliament restored after Viktor Yanukovich was toppled, the powers of a head of state are limited primarily to national security; the economy and control over financial flows are the prerogative of the government, which is appointed by

The opposition's tent camp on Kiev's Independence Square





the parliament. Poroshenko's credibility with the Ukrainian people is based on them being tired of chaos and revolution and their desire to see a respectable man in the country's top spot, who can provide solutions to problems rather than create them. However, this image needs to be confirmed, and if the situation does not improve, the support will rapidly wane.

2. Prime Minister Arseny Yatsenyuk enjoys full backing of the West and has a reputation of a competent technocrat. Ukraine is completely dependent on Western aid; therefore, the right to dispose of this resource that is delegated to Yatsenyuk by Western donors is a major lever of his influence. Yatsenyuk does not entertain any explicit political ambitions, but will make every effort to prevent any attempts, including by the president, to oust him from the position of the chief dispatcher in Ukraine's relations with

elections to the Verkhovna Rada. Although in many ways the Timoshenko era in the Ukrainian politics is coming to an end, she will certainly try to reverse this trend by mobilizing her supporters and taking advantage of every gaffe committed by the current government. Her relations with President Poroshenko turned sour back when she was prime minister.

5. The "People's republics" in eastern Ukraine are becoming a real political force, the very existence of which has a significant impact on the situation in the country. In eastern Ukraine, there's systemic opposition to the Ukrainian state, which cannot be ignored and is unlikely to ever be suppressed. Its obvious weaknesses include the lack of a clear political agenda, coherent structure and ideology, as well as the dubious standing of some of the leaders. In the case of a political consolidation

THE NEW GOVERNMENT AIMS AT MARGINALIZING THE MAIDAN AND KEEPING THINGS WITHIN THE PREVIOUSLY DRAWN BOUNDARIES, WHICH LEAVES OPEN THE QUESTION OF REAL SOCIAL CHANGE AND DOES NOT MEET THE ASPIRATIONS OF THE MAIDAN PROTESTERS

the West. The Ukrainian prime minister has relationships of varying degrees of constructiveness with all the major players, including Poroshenko, Kolomoisky and Timoshenko, but his relative independence in Ukraine comes entirely from the support of his Western patrons.

3. Igor Kolomoisky claims the role of the main Ukrainian oligarch and is trying to prove his political clout by adopting an extremely tough position to suppress separatism in eastern Ukraine. His ambitions go far and wide, and his relationships with the majority of the actors are in reality or potentially fraught with conflicts. Kolomoisky is building a base to be able to communicate with everyone around him from a position of force, both political and economic. That makes a conflict with President Poroshenko very likely.

4. So far, **Yulia Tymoshenko** has been the leader of the strongest political party in Ukraine; therefore, she expects to take revenge for her defeat in the presidential elections during

and the ability of the leaders of the Donetsk People's Republic and the Lugansk People's Republic to restore order within the territories they control, these entities can (given Russia's political support) become a force to reckon with that cannot be dismissed as mere rebels. As a new oligarchic regime is taking shape in Ukraine, the emphasis on the "popular" nature of the government in eastern Ukraine can be a good bet.

Of these five centers of influence, Timoshenko and the "People's republics" are the most likely to benefit from the continued revolutionary upheavals. Overall, however, the new government aims at marginalizing the Maidan and keeping things within the previously drawn boundaries, which leaves open the question of real social change and does not meet the aspirations of the Maidan protesters. This means that if the socioeconomic crisis worsens and the government's policies fail, the protests could rise up again under the same anti-oligarchy slogans and demands to return their "stolen" victory.

SCENARIOS

3.

THE UKRAINIAN ECONOMY IN THE NEAR-TERM

The economic situation will be a significant factor in the development of any scenario. For the time being, economic forecasts are extremely negative, regardless of future events. It will not be possible to compensate for this with a political and information campaign (as regards the southeast and Russia) for a long time.

Ukraine is essentially doomed to an economic crisis, and not just because of the civil conflict, although it is a powerful factor in the country's destabilization. Ukraine will have to spend more and more money on security from its imbalanced budget, and continue drafting young people for military operations in the east (who will be withdrawn from the economy and will land in barracks at best or on the battlefield at worst).

The economic crisis will continue to devalue the hryvnia and reduce imputed expenses of the population. Purchasing activity increased in the first quarter of 2014, but this is hedge buying because people are worried about the political situation and growing import costs. Reserves will soon be depleted and the domestic mar-

ket – a powerful catalyst of economic growth – will start shrinking.

Problems of the east's archaic heavy industry, reduction in trade with Russia, the unresolved gas issue and a serious budget shortfall will have their effect on Ukraine regardless of political circumstances.

Hopes pinned on Europe may not materialize. The European Union has never had a clear-cut plan for the recovery of Ukraine's economy. The EU can only offer its old idea to Kiev, of salvation via institutions: if a country builds normal economic institutions, its economic development will become inevitable. Having received freedom, private business will redress the situation, investment will start flowing into the country and the economy will improve by itself.

Unfortunately, this theory has failed more than once, for instance, in Ukraine after the first Maidan in 2004 when Viktor Yushchenko, an absolutely pro-Western politician, came to power. Being ideologically indoctrinated, he sincerely believed in Ukraine's European choice. Yet, nothing changed in the economy.



A gas compressor station in Boyarka near Kiev

THE EUROPEAN UNION HAS NEVER HAD A CLEAR-CUT PLAN FOR THE RECOVERY OF UKRAINE'S ECONOMY

The economy of post-Soviet countries needs exports, but the EU is not going to open its markets. As a result, the lack of economic success has to be balanced out with the same old values. Thus, before the elections in Moldova, the EU cancelled Schengen visas to distract its population from the lack of tangible economic progress.

Analysts predict that the record grain harvest in 2013 – 63 million metric tons – will be followed by a considerable decline in crop raising, proceeding from Ukraine's average annual harvest of 42 million metric tons in the 21st century.

Before the political crisis, analysts from banks, financial companies and research institutes assumed that the growth of consumer prices would accelerate up to 3.6 percent, and prime costs in industry up to 5.5 percent. They also predicted minor devaluation (up to four percent). The biggest economic imbalances would not have disappeared anywhere. The double shortfall continued to exert heavy pressure on the Ukrainian economy, threatening to trigger a deep crisis at the worst time. Analysts expected the current balance of payment deficit to reach 7.4 percent of the GDP, while the hole in public finances was predicted to add up to 4.6 percent of

the GDP. Under the circumstances, the government's main task was to find 72 billion hryvnias for patching up holes in the public purse.

Now the Kiev authorities are trying to restore trust in the central government. In the first months after the revolution, taxes and other payments are likely to be 75–80 percent of their former level. The authorities will have to give up on the most unpopular reforms in order to gain authority. They will launch printing presses to partly deliver on social promises. Initially, the government will not sharply reduce the budget shortfall, but will limit itself to populist spending cuts (it may cancel exclusive air flights for top officials and upkeep of state-provided dachas, reduce expenses or probably give up altogether on the Eurobasket-2015, and cut down the bloated workforce of the police and Prosecutor's Office).

Ukraine will utilize Western loans to make budget deficit payments. Its main move will be the start of a new program with the IMF, for the sake of which it will have to increase gas, electricity and heating fees by 20–50 percent.

The IMF loan of \$17 billion under the standby program appears to be an adequate sum,



Head of the Kiev City State Administration Vitali Klitschko, left, and President of the U.S.-Ukraine Business Council Morgan Williams

THE POST-REVOLUTIONARY SYNDROME WILL STIMULATE REDISTRIBUTION OF PROPERTY

considering that the EU and the United States have already promised over six billion dollars of loans and grants. Ukraine received the first tranche of \$3.2 billion last May. It needs a minimum of \$9.2 billion of foreign funds. However, the IMF program is alarmingly short-term: for two years only. So the issue of debt refinancing will be intensified starting in 2016, because the government is not trying to get rid of the budget deficit (the new authorities have already approved the adjusted 2014 budget with a deficit of 4.3 percent of GDP).

However there are many doubts that these funds will help Ukraine. In mid-June it owed Russia \$4.5 billion for gas.¹⁹ In addition, in 2014–2015 Ukraine must pay off about \$5 billion of its former debts to the IMF. Ukraine has already taken many foreign loans and devalued its hryvnia, but these anti-crisis measures have failed to produce the desired effect. Moreover, the IMF loans will be provided for a program of tough

economic reforms, which will initially reduce the purchasing power of the population, thereby deteriorating the current economic picture.

The post-revolutionary syndrome will stimulate redistribution of property. Most likely, this process will concern both assets owned by the most odious representatives of the former government and those that were a point of contention for corporations.

Ukraine is headed for an unprecedented crisis in its trade with Russia. It may lose up to half of its exports, or up to \$8 billion of export revenues. The reduction in certain trade barriers promised by the EU will allow Ukraine to increase its exports by a mere \$300–600 million. The ongoing recession and partial rupture of economic ties with Crimea and the Customs Union states are expected to produce a short-term rise in unemployment of up to 12–15 percent, which will be followed by active labor migration abroad.

Tensions in trade relations with Russia and reduction in subsidies (for instance, in the coal industry and utilities) will encourage the growth of energy efficiency in Ukraine. At present its energy/output ratio is 0.4 metric tons of oil equivalent per \$1,000 of GDP. The relevant figure for the United States and China is half of that, and is about 0.11–0.15 metric tons in Western Europe. The warm spring and persisting economic recession will reduce gas imports by 10 percent, down to 25–25 billion cubic meters in 2014.

In reality, the Ukrainian economy can only be saved by de-politicization, no matter how naïve this may sound.

Further confrontation with Russia will be fatal for the economy of Ukraine's east. The EU is not going to assume responsibility for this part of Ukraine, and the east will become hostage to the circumstances. An abrupt political turn to the EU is provoking the growth of separatist attitudes in the east, in part for economic

reasons. Ukraine's industrial east is bound to collapse without the Russian market. As a result, Russia and the EU may be flooded by millions of economic and political refugees, as economic depression becomes entangled with the political crisis.

The only possible option for Ukraine is to adopt a rescue program in cooperation with Russia and the EU. The three parties should be able to make decisions on the gas issue, foreign trade, external markets and economic aid. Naturally, Russia and the EU's willingness to rescue the Ukrainian economy will strongly depend on the future political decisions of the Ukrainian leaders.

If the economy in Ukraine does not improve, Maidan, as an uprising for civil freedoms, is likely to develop into classic forms of strikes and socio-economic protests against the general decline in living standards. Thus, the sharp deterioration of the economic situation harbors the risk of a new revolution, in the form of social upheaval.

UKRAINE IS HEADED FOR AN UNPRECEDENTED CRISIS

IN ITS TRADE WITH RUSSI

Participants in the nationwide Ukrainian rally against bank outrage and for the rights of borrowers under the slogan «No to currency slavery!» by the building of Ukraine's Verkhovnaya Rada



CAN UKRAINE RETRACE ITS STEPS?

It's obvious that all the basic scenarios for Ukraine as a unified state are negative, and differ only by their degree of gravity. The Kiev government is unwilling to take a constructive approach, including because of the rigid position of the West, which is stubbornly refusing to admit that the situation is more complicated than the pro-Maidan forces expected. So far, Kiev and its Western partners are enacting the inertial scenario, which implies spreading the alleged success of the Maidan across

the country. By the logic of inertia, Ukraine is heading either toward catastrophe or into a dead-end, which would only prolong uncertainty.

The primary reason behind this is the “winner fixation” of one side and the “revenge fixation” of the other. Kiev is trying to force the eastern regions to toe the line, but they have been working to create an environment in which to mount a counteroffensive. Prior to the conflict, people in eastern Ukraine seemed

BY THE LOGIC OF INERTIA, UKRAINE IS HEADING INTO A DEAD-END, WHICH WOULD ONLY PROLONG UNCERTAINTY

Views of mountains in Balaklava, Crimea





Participants in the flashmob «Prayer for peace and unity in Ukraine and the rest of the world» in Kiev

THE SOCIAL DIVIDE IS SO DEEP, AND THE DIVIDING LINE IS SO WELL MARKED THAT THE TRADITIONAL RECIPES FOR SUCH AILMENTS HAVE PROVED INEFFECTIVE IN UKRAINE

to accept paternalism (“Yanukovich and the oligarchs will work everything out for us”). Now they have risen in defense of their interests and world outlook.

The second reason is that there are radicals in eastern and western Ukraine, as well as Kiev, who are not interested in reconciliation, but intend to “fight to the bitter end.” Kiev is obviously wary of hawks within the Maidan ultranationalist self-defense forces and Pravy Sektor, who tend to be mutinous, uncompromising and excessively revolutionary. Some moderate Ukrainian politicians have recently accused them of staging provocations, but this will not settle the issue. There are also radical groups in eastern Ukraine, such as the Kharkov-based Oplot or the Crimean self-defense groups that support Prime Minister Sergei Aksyonov.²⁰

The third important reason is the dependence of both Kiev and eastern Ukraine on external forces, or at least a desire to take political and foreign economic guidance from them. Kiev is constantly looking over its shoulder at Washington and Brussels, while politicians in eastern

Ukraine have been trying to recruit Russia’s assistance. Both these factors have made Ukraine a hostage in major geopolitical conflicts.

The fourth reason is the mutual suspicion on the part of the leaders of both camps, which prevented a compromise between the opposition and President Yanukovich during their negotiations in January and February 2014: neither side believed that the other side would honor any agreements. There are many examples of broken agreements in the last two decades of Ukraine’s history, which is a distinguishing feature of societies with a speculative political mentality.

The attempt of the new government in Kiev to employ the time-tested method of uniting the country under the threat of an enemy from without and within has so far failed. Neither the menace of an economic default nor the menace of foreign military aggression has proved strong enough to unify Ukraine. The social divide is so deep, and the dividing line is so well marked that the traditional recipes for such ailments have proved ineffective in Ukraine.

An optimal reconciliation scenario, which was possible before the May 2 massacre in Odessa and the May 11 referendums, became hopeless once Kiev launched military operations in eastern Ukraine.

Such a scenario could be implemented given: a) goodwill on all sides; b) a concrete roadmap; c) common goals (clearly formulated priority goals); and d) a group of respected intermediaries who could guarantee that a compromise is reached.

The unitary state system, which the Kiev government is upholding, offers no positive future for the southeastern regions. This is a conceptual problem, one which Kiev has not yet accepted. An economic collapse would hit the southeastern regions most of all. Ukraine's association with the EU, which Kiev wanted so dearly and which it eventually attained, will prevent any positive changes in this respect. After what has happened, the southeastern regions will be discriminated against politically anyway. Aggressive domination of the

far-right national democratic ideology in culture and language will inevitably provoke depressive or aggressive sentiments in southeast Ukraine. A unified voice expressing orientation toward Europe and NATO in foreign policy issues will not ensure major benefits that could redress the negative effect of separation from Russia.

The current developments will destroy Ukraine as we knew it. The new Ukraine is turning at least four regions – Kharkov, Donetsk, Lugansk and Odessa – into outcasts. But some time later, the other industrial regions of southeast Ukraine – Zaporozhye, Dnepropetrovsk, Kherson and Nikolayev – will start to move closer toward these four outcasts.

As for the other Ukrainian regions, their future will not be as bright as Kiev is attempting to paint it. The nationalist slogans of Stepan Bandera will eventually prove to be insufficient compensation for economic problems, even in Galicia, a border region between Poland and Ukraine.

SCENARIO 1. THE MILITARY OPERATION IN SOUTHEAST UKRAINE TURNS INTO A CIVIL WAR

This scenario is being played out.

Kiev attempted to resolve the problem of the southeast using military force before the May 11 referendums in the southeastern regions, and before and after the May 25 presidential election. Poroshenko said during the election campaign: “There is no alternative to continuing the antiterrorist operation, because the government is obliged to protect peaceful civilians from bandits and murderers in the eastern regions.”²¹

The unavoidable side effects of such an operation are numerous victims and widespread destruction.

from other regions would eventually pull out, while local law enforcement would be unable to effectively police the rebellious regions. It would be impossible to hold elections in these regions, as the example of the May 25 presidential election showed, and eventually Kiev would have to start, or pretend to start, a legitimate political process there. At this point, the southeastern regions would demand political representation.

2. Potential suppression of several key regions would only increase the internal divide and the “Russian” regions’ loathing of Kiev and western Ukraine. Considering the proximity of

THE SUPPRESSION OF SOUTHEASTERN UKRAINE WOULD NOT RESOLVE

THE COUNTRY’S PROBLEMS

However, Ukrainian law enforcement agencies seem unable to coordinate their actions. The army is unwilling to use weapons against the people, while the hastily formed National Guard, which is currently the only combat-ready force, is kept on a short leash by the Kiev authorities, who order it to go ahead one day and halt it the next. Meanwhile, the oligarchs, including Kolomoisky, are creating private armies. The central authorities in Kiev have no hand in, and no control over, these processes.

1. In the long term, the suppression of southeastern Ukraine would not resolve the country’s problems – neither domestic, nor external, nor economic. On the contrary, Kiev, if it wins, would have to establish an occupation regime in these regions, which would only create new problems, lead to major expenditures, increase public discontent and encourage separatism, potentially even in the form of a guerilla war. Furthermore, occupation troops

Russia, this would create the preconditions for the revival of separatism in the near future.

In short, the use of military force will not settle the issue, but will only increase tensions and postpone a settlement, in part because Kiev’s Association Agreement with the EU cannot resolve the problems in southeastern Ukraine. Moreover, it will eventually have a negative effect on the southeastern industrial regions, further increasing social tensions. In the conditions of an occupation regime, this would lead to an even bigger social explosion than the current one.

There is no point in considering the possibility of Russia’s involvement in the civil war in Ukraine, because this would lead to an all-out catastrophe for Kiev under any scenario. Ukraine in its current borders would certainly disappear from the political map of the world, irrespective of what this would mean for Russia and of what the West might do.

Local residents escape from a fire in the house destroyed in the Ukrainian armed forces' air attack on the village of Luganskaya





SCENARIO 2. FEDERALIZATION, OR A DAYTON FOR UKRAINE

The Ukrainian media refer to advocates of federalization as separatists. However, if the events in Kiev had not taken place and had not become overtly nationalistic, Crimea would not have separated and there would have been no centrifugal trends.

The existence of deep contradictions between Ukraine's different regions and the widening gap between the two visions of the state may require the involvement of international arbitration, which has used stereotypical approaches to the settlement of conflicts in the past few decades. The conflict in Bosnia and Herzegovina

This particular variant of a two-entity state with two administrations but a single parliament, a single government and a collective presidium instead of a president may become a way out for Ukraine in its current conflict. At any rate, in Bosnia and Herzegovina this arrangement led to a peaceful settlement of the conflict and considerably enhanced its role in international cooperation (but did not save Bosnians from an appalling economic crisis and social disaster).

A possibility for Ukraine would be to change the official name of the state, the component

A TWO-ENTITY STATE WITH TWO ADMINISTRATIONS BUT A SINGLE PARLIAMENT, A SINGLE GOVERNMENT AND A COLLECTIVE PRESIDUM INSTEAD OF A PRESIDENT MAY BECOME A WAY OUT FOR UKRAINE IN ITS CURRENT CONFLICT

in 1992–1995 most resembles the Ukrainian crisis (but without its acute military phase). This conflict was settled by the signing of the Dayton Agreement in 1995.

This agreement divided Bosnia and Herzegovina into two entities: the Federation of Bosnia and Herzegovina with its administrative center in Sarajevo, and the Republika Srpska, with its administrative center in Banja Luka. The Brčko District in the north of the country received a temporary special status (which it still has). In effect, this district divides the Republika Srpska into two isolated parts.

Each entity of Bosnia and Herzegovina has its own president, administration and legislative specificities, but they have a common government, a common parliament and a “collective president” – the presidium of three (one each from the Serbs, Croats and Muslims). The country is permanently monitored and controlled by an OSCE special envoy.

parts of which – Ukraine (west) and Novorossia (southeast) – would continue developing as entities of a single state.

Another option could be a federative arrangement. Opponents of federalization talk about the potential disintegration of the state and aggravation of separatist attitudes in society, but federative states (Russia, India, Germany and Brazil, to name a few) are fairly sound and effective. Separatist attitudes in these countries, if they exist at all, are not very pronounced.

At the same time, a federative arrangement requires a) a stronger central government; b) a bicameral parliament; and c) a change in budgetary policy. Ukrainian society is hardly ready for this.

The process of federalization is a separate issue. There are three different ways of conducting administrative and territorial reforms, and a transition to a federative arrangement.

Option One would require: recognition of the status of lands for each of Ukraine's current ad-



Head of the Ukrainian Choice Social Organization Viktor Medvedchuk, former president of Ukraine Leonid Kuchma, special representative of the acting OSCE chairman Heidi Tagliavini and Ambassador of the Russian Federation to Ukraine Mikhail Zurabov, from left, during the second round of consultations on peaceful settlement of the conflict between the Kiev and Donbass representatives on June 27, 2014

FEDERALIZATION IS A FAIRLY CUMBERSOME AND LENGTHY PROCESS THAT REQUIRES POLITICAL WILL AND CONSENSUS AMONG THE ELITE

ministrative and territorial units, endorsement of new budgetary and personnel policy, and special agreements to determine new relations between the lands and the center. In this case Ukraine would turn into a territory with 24 autonomous entities and a city with a special status – Kiev. A system of agreements within this state would provide for two levels of relations: vertical (agreements between the lands and the center) and horizontal (agreements between the lands). Incidentally, a similar system was considered ideal in the early 20th century by the founding fathers of the Ukrainian People's Republic, including Mikhail Grushevsky.

Option Two was proposed by Vyacheslav Chernovol in 1991: division of the country into nine historically and ethnographically shaped lands: Transcarpathia and Bukovina, Volyn (Volhyn), Galicia (Halych), Podolia, Kiev, Hetman, Sloboda, Tavia and Donbass (Crimea is excluded from this list). Otherwise the system of relations would be similar to the one described above.

Option Three suggests more federates within a single state, i.e. the formation of several autonomous entities in a single Ukraine. In particu-

lar, autonomy could be granted to Galicia (the Lvov, Ternopol and Ivano-Frankovsk regions), Transcarpathia, Sloboda (the Kharkov and Sumy regions) and Donbass (the Donetsk and Lugansk regions). Odessa could receive the status of a free city (Freie Stadt). All these federates could be linked with the center by a system of intra-state treaties and form parts of the Ukrainian state. Relations between the center and federates would follow a pattern similar to that of the Russian Federation, Uzbekistan, Spain and Azerbaijan, to name a few. This option takes into account the historical and cultural particularities of various regions and makes it possible to channel inward extreme ambitions and passionarity of regional elites.

Importantly, federalization is a fairly cumbersome and lengthy process that requires political will and consensus among the elite. For this reason it may be considered a remote prospect. Moreover, it would be hugely expensive and therefore could take even more time. Being unable to resolve the accumulated problems, it runs the risk of becoming quietly buried in the offices of bureaucrats.

SCENARIO 3. UKRAINE'S DISINTEGRATION

The division of Ukraine means the formation of new entities. In the last few decades we have witnessed the division of Serbia and Montenegro, Serbia and Kosovo, Sudan and South Sudan, Ethiopia and Eritrea, Indonesia and East Timor. The plans to divide Libya into Tripolitania and Cyrenaica, and Iraq into Iraq and Kurdistan, are still on the agenda. In this respect, Ukraine's division into Ukraine itself and Novorossia would be a dramatic, but understandable process, according to historical logic.

The division line, if it must be drawn, would pass along the Kharkov-Odessa tentative axis. The east (Novorossia) would receive industrial facilities and the raw material base. The west would get the agro-industrial complex and the tourist infrastructure. Ukraine, in its truncated form, would actively move toward the European

Union and NATO (the EU bureaucracy thus far has not been able to figure out what to do with Ukraine, with its population of 45 million, because its industrial potential, in the event of its EU integration, would require major compensation mechanisms. In the case of a split, this issue would resolve by itself).

Novorossia would actively integrate into structures initiated by Russia (and the Russian Federation would be only too happy to incorporate the industrial potential of Ukraine's east, primarily its defense enterprises, into its own production cycle).

In principle, this wouldn't be a major problem: a peaceful divorce according to the Czechoslovakian pattern would serve as a safeguard against the bloody Yugoslavian scenario. The main point is not to allow the formation of a Somalian analogy in the heart of Europe.

A local resident in the village of Luganskaya after the Ukrainian armed forces' air attack



BEST-CASE SCENARIO

In discussing a best-case scenario, we will proceed from the abstract position of Ukraine's interests as a state whose elite has a realistic view of its place in the world and cares for its national interests. So, the best-case scenario would be as follows:

- The president of Ukraine should renounce the aggressive dynamics of recent months and engage in a serious search for compromise both at home and abroad.
- Key external players (Russia, the United States and the EU) should consolidate their position on the vision of Ukraine's future.
- The Geneva accords must be implemented, starting with the release of all arrested activists and leaders of the southeast, on the condition of the start of talks on federalization (or confederalization).
- The counter-terrorist operation in the southeast must be stopped; troops must be withdrawn from the contact line; a demilitarized buffer zone must be established and monitored by international civil observers (predominantly from neutral states).
- Talks must commence with all regions of the country including the representatives of the "People's republics" to drastically increase their self-government, on the condition of preserving the common border and a number of basic positions that determine a single state; Ukraine should invite the EU, Russia, the United States, to act as guarantors of the talks.
- All illegal armed units must be disarmed; February 21, 2014 should be a reference point for government national security, defense and law-enforcement bodies; all quasi-public units established after this date (the National Guard, Interior Ministry

A Verkhovna Rada meeting





The delta of the Danube River in Ukraine

battalions such as Dnepr, Donbass and the like) should be declared illegal and disbanded.

- General amnesty should be proclaimed for protesters from both sides.
- Any extremist ideology must be restricted or altogether banned.
- A mission of international observers, including those from Russia and other CIS countries, should monitor developments in Ukraine and verify the information field.
- Participation in any integration projects – western or eastern – should be temporarily suspended; Ukraine should declare its unflagging commitment to its bloc-free status.
- It is essential that an expert economic analysis be conducted of all foreign trade relations, and that a formula be elaborated for agreement with the EU that would be more suitable to Ukraine's national interests, and that would not impair its relations with Russia or damage the relevant branches of the Ukrainian economy.
- Ukraine should steadily normalize its relations with Russia, in particular, in order to alleviate its own economic situation.

These steps should lead to the formation of a new Ukrainian state on the basis of a broad federation or confederation, but that preserves the current borders and the most important common functions. Importantly, the regions would have the right to conduct independently the following functions: elect local executive and legislative authorities, run local law-enforcement bodies, define economic policy and exercise foreign economic ties.

Ukraine would become a non-bloc neutral state that would maintain good neighborly relations both with Russia and the EU. Economic ties would be built on the basis of mutual benefit rather than in the context of some or other political projects and associations. Perhaps it would be advisable for Ukraine to consider demilitarization.

This would be the best possible scenario for Ukraine as an independent state. However its implementation is highly unlikely; it would be opposed both by domestic forces (primarily radical nationalists) and external players (above all, the United States).

Most likely, Ukraine will either witness continued efforts to resolve the southeastern issue by force or fake attempts to search for com-

promise. Regrettably, neither scenario serves Ukraine's long-term interests. Both would only aggravate the chaos and the crisis rather than contribute to restoring order.

The fact that it was Ukraine that triggered the conflict, which drew a line under the era of international development after the Cold War, is entirely possible to explain. A large and complicated country, it is more of a patchwork than a state, reflecting the upheavals of the 20th century and tectonic shifts in European geo-politics.

Close cultural, historical and religious ties with Russia, that Europe and the United States

failed to fully take into account, explain why Moscow interpreted the events in Ukraine as an attempt to encroach on its vital interests, and why it was so tough and adamant in its response. Though spontaneous, its response was determined by contradictions that have remained unresolved for the past quarter century.

The destructive experience of the winter-summer of 2014 shows that the continuing confrontation over Ukraine is likely to be fatal for the country, and that the Ukrainian collision places the world's key players at a crossroads: either resume heavy diplomatic maneuvers in search of a new global balance, or try to consolidate the conflicting forces for the next confrontation. The choice is yet to be made.

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