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**A New Russian Ukraine Policy
and the Future of Russian-Ukrainian Interdependency**

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A New Russian Ukraine Policy and the Future of Russian-Ukrainian Interdependency

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Ukraine is an especially significant country for Russia and will remain so in the foreseeable future. The two countries are connected not only by the common history and religion, but also by much more tangible, inherited, structural, social and economic ties that can be measured by a double-digit percentage of the shares of each other's GDP. Owing to the choices of the Ukrainian elites and the constant political instability that started in 2004, Russian-Ukrainian interdependence is weakening. Russia has chosen to remove its vitally important interests - the Black Sea Fleet naval base, energy transport infrastructure, defense contracts and Russian population - from Ukrainian influence. Under normal conditions, this process might have unfolded over decades, but it was accelerated in 2014 by the forcible seizure of power in Ukraine by supporters of the Maidan. This made Moscow 'unbracket', in its relations with Kyiv, the issues of the Black Sea Fleet base and Crimea. Russia also clearly stated that resolving the situation in the Donbass was possible only by political means. Moscow assumes that an unfriendly regime will remain in power in Ukraine for an extended period, and so it will proceed with the policy of limiting its dependence on Ukraine. It is in the interests of both countries to act in such a way that the lowering of interdependence is gradual and well prepared.

Although the collapse of the USSR in 1991 took place peacefully, it was badly prepared and proceeded in a hurried way. Soviet citizens, often against their will, suddenly became citizens of other countries. The collapse of the Union did not entail resolution of the problem of jurisdiction over previously common property. Strategic assets of Russia remained on the territory of post-Soviet countries; the economies of the newly formed countries continued to operate as a single organism; and problems of borders and population exchange were not resolved. Lastly, the collapse of the Soviet Union was not accompanied by a comprehensive settlement among its previous components analogous to the international regime following the Second World War: occupation, redrawing of borders, population exchange and the reinforcement of the new "status quo" by treaties. The countries of the Union continued for a few years to live like parts of a single state: they used the Soviet ruble, they paid for energy at the internal Russian prices, and citizens crossed the borders on their internal passports.

With the collapse of political unity of the post-Soviet countries, the integration of their economies was also disrupted. A sharp drop in the populations' standard of living inevitably followed, which most of the countries tried to cushion. The dispersal of interconnected production facilities over the entire space of the former USSR and the fragility of the post-Soviet industrial networks forced Russia to avoid any sharp changes in relations with those neighbors with whom contacts possessed a strategic character for the Russian economy: Belarus, Kazakhstan, Ukraine, Azerbaijan and Turkmenistan. A series of countries shared an interest in common with Russia of preserving durable relations to further stability and economic growth: Belarus, Kazakhstan, Armenia, Azerbaijan and Turkmenistan. Connections between Russia and these countries is deep and sophisticated: trade, finance and FDI data show that joint enterprises

with Russia in energy, industry, telecommunications and agriculture sectors comprise double digit in a GDP of each of these countries. Each of them in their own way, long ago set out upon the path of extracting profits from the “Soviet inheritance” and since that time have not changed course.

In the 1990s Moscow realized that sharp reform and simple solutions to complex problems constitute a highly risky strategy. Based on this experience, at the beginning of the 2000s Russia chose a course of slow but steady growth and avoiding involvement in expensive conflicts. For precisely this reason Moscow never initiated a reconsideration of the status quo along its borders. Rather, it was last to join in the destruction of this status quo, and then only when its vital interests were suffering. So it was in Georgia in 2008, and likewise in Ukraine in 2014. Russia does not force changes in places where “a bad peace is better than a good fight” (Transnistria, Nagornyy Karabakh, Kyrgyzstan). It lets violations of its secondary interests (Yugoslavia, Iraq, Libya, Syria) go by without consequences. But it does not remain passive if its vital interests are affected.

Russia and Ukraine: Strong Together, Weak Apart

Even if a regime remains in Kyiv that is unfriendly to Russia, the objective of progressive economic growth leads Russia to remain interested in the stability and integrity of Ukraine. These two states are connected to one another more than any other states in the post-Soviet space. Before the referendum in Crimea, Moscow’s vital interest lay in the basing of the Black Sea Fleet on the peninsula, and likewise in the military neutrality of Ukraine. 50% of Russia’s gas exports to the EU pass through Ukraine, and therefore the transit of energy resources through the latter’s territory is likewise a vital interest, at least until an alternative pipeline under the Black Sea begins to operate. Another highly important interest is the security of over 10 million Russians living on Ukrainian territory, a significant portion of whom consider Russia the defender of their rights.

Ukraine ensures the transit of goods not only between Russia and the EU, but also with Asian countries. Russian capital invested in Ukrainian facilities represents a double-digit share of the overall economy. Yearly labor migration from Ukraine to Russia amounts to up to 6 million people. The human connections between the two countries are far stronger, reinforced by mixed families and a shared culture and religion. According to Russian figures, every year Moscow donates around \$10-12 billion to the Ukrainian economy in support of these interests in discounts on gas, loans, contracts and a preferential trade regime that is to the disadvantage of Russian producers.¹ Without exaggeration, Russia has been and remains the chief external guarantor of Ukraine’s stability; and this is a vital interest.

Critics of Russia’s Ukraine policy believe that Moscow is trying to undermine Ukraine’s economy by plunging the latter into war. This would curtail revenues into the budget, and Kyiv would be forced to increase expenditures on defense. Likewise, Russia is supposedly provoking

¹ Medvedev, D.A. “Rossiya i Ukraina: zhizn’ po novym pravilam,” *Nezavisimaya Gazeta*, 15 December 2014.
URL: http://www.ng.ru/ideas/2014-12-15/1_medvedev.html

capital flight from Ukraine through pressure on its banking system.² Such might be the case, if not for the fundamental economic interdependence that leads Russia to have an interest in the stability of Ukraine. These connections are so essential that even the war in the Donbass has had only a limited effect on them.

Banking sector: Russian banks play an important role in Ukraine's financial system and occupy the fifth (Prominvest Bank), eighth (Sberbank) and Ninth (Alfa-Bank) places among Ukrainian banks in aggregate assets (amounting in 2014 to \$6 billion).

Investment: Direct investment from Russia in 2013 constituted 6.8% of the total flow into Ukraine, but a significant portion of Russian funds pass through Cyprus, which represents 33.4% (Ukrainian oligarchs also use Cyprus as a financial hub). In 2014 these indicators fell to 5.9% and 29.9% respectively.

Contracts: In the spring of 2014 Russia's Ministry of Industrial Trade valued the general portfolio of Russian contracts placed with Ukrainian facilities at \$15 billion (8.2% of Ukraine's GDP). These contracts were advantageous to hundreds of industrial enterprises participating in high-tech co-production with Russian factories (production of space rockets, ships, airplanes, helicopters, turbines, etc.).

Debt: In April 2015 the gross external debt of Ukraine amounted to \$126 billion, of which about \$50 billion was government debt. Of that portfolio, \$25 billion represented the investment of Russian state and private banks in Ukrainian sovereign bonds.³ In addition, \$4 billion represents Ukrainian state debt to Russia, of which \$3 billion are in Russian bonds payable by the end of 2015. As a key creditor, Russia could already at this stage provoke a default in Ukraine, inasmuch as the conditions under which the last loan was granted in 2013 included a requirement for early repayment in case Ukraine's external debt exceeded 60% of GDP (in mid-2015 it stood at 96.5%). In May 2015 Russian President V. Putin noted that "in accordance with the request of our Ukrainian partners and the request of the IMF, we are not exercising this right, not wishing to exacerbate an economic situation which, is even without this, difficult for our partners and neighbors."⁴

Energy: The VS Energy International company, which represents Russian capital investment in the electricity distribution networks of Ukraine, runs 27 regional distributors of electricity. In addition, since 2014 Ukraine has been purchasing electricity from Russia in the amount of 1500 megawatts (the overall volume of usage is 26,000 megawatts).

In December 2014 Russia began to deliver coal to Ukraine, without prepayment, at the domestic Russian price, in quantities of 50,000 tons per day. This allowed Ukraine to escape an energy crisis during the winter of 2014-15. To all appearances, the deal was part of the unspoken

² Bentzen, N. "Ukraine's Economic Challenges: From Ailing to Failing?" European Parliamentary Research Service, Members' Research Service, June 2015.

³ Panchenikova, M., Smirnov, S., and Overchenko, M. "Putin: Rossiya uzhe mozhet trebovat' dolg s Ukrainy" *Vedomosti*, 20 May 2015. URL: <http://www.vedomosti.ru/economics/articles/2015/05/20/siluanov-ukraina-po-suti-obyavlyaet-defolt>

⁴ Meeting with members of the government. Site of the President of Russia, 20 May 2015. URL: <http://kremlin.ru/events/president/news/49495>

agreement on the delivery of Ukrainian electricity to Crimea (in 2014-15, 70% of the electricity on the peninsula came from Ukraine). After the beginning of Russian coal deliveries, Ukraine stopped cutting off electricity to Crimea.

In the field of atomic energy Russia and Ukraine had over decades developed a strategic partnership. Ukraine inherited four nuclear plants for the generation of electricity with 15 reactors (including at Zaporizhzhya, the most powerful in Europe), fuel for which was delivered from Russia. With the assistance of Russia Ukraine was planning to construct a fuel factory in the Kirovograd region, but after the beginning of the crisis work was never renewed. Rather, Ukraine began to experiment with the use of American fuel in the Soviet-constructed nuclear reactors at the Ukrainian nuclear plants. Previously in both Ukraine and the Czech Republic there had been attempts to replace Russian fuel with American, and these experiments turned out to be technologically unsafe. This led Ukraine to seek an agreement with Russia on deliveries of nuclear fuel for 2015 and 2016.

Gas transit and delivery: In 2014 the Ukrainian gas market demanded 42.6 billion cubic meters (BCM) of gas and was fourth in size in Europe after Germany (86.2 BCM), Great Britain (78.7) and Italy (68.7). In 2015 demand is predicted to fall to 34 BCM.⁵ In 2013 the share of gas from Russia used in Ukraine reached 85%; however, in 2014 Kyiv cut its share of purchases from Russia (by 43.8% in 2014)⁶ and began to transition to reverse deliveries of the same Russian gas from Slovakia, Poland and Hungary. In mid-2015 the price of gas for Ukraine was \$247 per thousand cubic meters (TCM), which was less than the price of Russian gas for the majority of consumers in the EU. However, Kyiv demanded further discounts to \$200 per TCM. The unresolved dispute led in mid-2015 to the cessation of deliveries of gas from Russia.⁷

Negotiations with Russia over the price of gas for Ukraine always bore a non-market character. Ukraine was the last republic of the former USSR with which Gazprom transitioned to market relations in the gas sphere. Until 2006 the price for Russian gas for Ukraine was extremely low: \$40-50 per TCM; and the volume of the raw material delivered exceeded that of Gazprom's deliveries to Germany and Italy combined. In addition, until 2009 there were no separate contracts for gas transit, and Kyiv lifted from the pipeline more gas than Russia owed it for transit. From this, Ukraine's indebtedness to Gazprom grew steadily, preparing the way for the 2006 and 2009 crises in gas transit to the EU. By Russian estimates, between 1991 and 2013 Ukraine saved over \$82.7 billion owing to the reduced prices of gas.⁸

Transit to the EU: 50% of Russian gas deliveries to EU countries pass through Ukrainian territory, which makes transit through Ukraine a vital interest for Russia, at least until an alternative pipeline under the Black Sea goes into operation. The agreement with Ukraine on gas deliveries for the 2014 heating season was reached only thanks to direct cooperation between

⁵ "Potrebleniye gaza v Ukraine snizitsya do 34 kubov v etom godu – Ukrtransgaz" *RIA Novosti Ukraina*, 25 June 2015. URL: <http://rian.com.ua/economy/20150625/369551891.html>

⁶ Usov, I. "Ukraina v 2014 godu sokratila potrebleniye gaza, ego dobychu i import iz Rossii" *Vedomosti*, 15 January 2015. URL: <http://www.vedomosti.ru/politics/articles/2015/01/15/ukraina-sokratila-potreblenie-gaza>

⁷ "Postavki gaza iz Rossii na Ukrainu prekratilis" Russian Service of the BBC, 1 July 2015. URL: http://www.bbc.com/russian/business/2015/07/150701_ukraine_naftogas_russia_gas_purchases

⁸ Medvedev, D.A. "Rossiya i Ukraina: zhizn' po novym pravilam" *Nezavisimaya Gazeta*, 15 December 2014. URL: http://www.ng.ru/ideas/2014-12-15/1_medvedev.html

representatives of Russia and the EU. The European Union reacted constructively to the threat on the part of Ukraine to the transit of Russian gas.

In the same way, transit risk is growing in Ukraine and this affects not only pipelines. The security of automobile and train passage and of cargo transport through Ukrainian ports has been called into question. Russia has been forced to change the routes of the deliveries of its cargoes to Central and Southern Europe. In 2015 construction will begin on a railroad that will obviate the need to transit Ukraine to deliver cargoes passing between Belgorod, Voronezh and Rostov-on-Don.⁹

Industrial Co-Production: Industrial production remained an important sphere of Russian-Ukrainian interdependence, especially in the military-industrial field. 186 types of weapons and military equipment of Russian manufacture utilize components made in Ukraine. In the circumstances of the crisis all military-industrial cooperation between the countries was halted, and Russia was forced into an unscheduled review of its rearmament program through 2020. Moscow's plans now call for overcoming the technical dependence on Ukrainian components by 2018.¹⁰

Trade: In 2013 Russia was Ukraine's leading trade partner (27.3%), trailing by only a few percentage points the combined trade with EU countries. In 2014 two-way trade suffered a serious collapse. The volume of two-way external trade amounted to \$26.9 billion, \$18 billion (40.2%) less than in 2013.¹¹ In contrast, Ukraine's trade with the EU grew by 12%, which did not compensate for the losses in the Russian market.

Conditions exist for a further drop in trade between Russia and Ukraine. Since a preferential trade regime is in force between Russia and Ukraine, the Ukrainian Deep and Comprehensive Free Trade Agreement with the EU will lead Moscow to introduce trade duties on Ukrainian goods. This would inevitably lead to their loss in competition with the Eurasian Economic Union. In the estimation of Russian specialists, as a result of limitations on access to the EEU market, the Ukrainian economy may lose a minimum of \$33 billion annually.¹² To avoid these consequences, Russia proposed that the EU and Ukraine come to an agreement with Russia on the rules of economic cooperation in the current triangle. Consultations on this began only in May 2015 and their outcome offers little hope of success.¹³

Visa-Free Regime: As part of the conception of constructing a "wall" on the border with Russia, the new Ukrainian authorities proposed canceling the current visa-free regime with Russia. This would lead to a reduction in money transfers home from Ukrainian workers in Russia and would

⁹ "RZhD i Minoborony podpisali dogovor o stroitel'stve dorogi v obkhod Ukrainy," *Lenta.ru*, 30 June 2015. URL: <http://lenta.ru/news/2015/07/01/oboronka/>

¹⁰ "Rogozin poobeshchal zameshcheniye ukrainских komplektuyushchikh v oboronke k 2018 godu," *Lenta.ru*, 1 July 2015. URL: <http://lenta.ru/news/2015/07/01/oboronka>

¹¹ "Trade and Economic Cooperation between Ukraine and Russia." Embassy of Ukraine in Russia. URL: <http://russia.mfa.gov.ua/ru/ukraine-ru/trade>

¹² Medvedev, D.A. "Rossiya i Ukraina: zhizn' po novym pravilam" *Nezavisimaya Gazeta*, 15 December 2014. URL: http://www.ng.ru/ideas/2014-12-15/1_medvedev.html

¹³ Meeting with members of the Government. Site of the President of Russia, 20 May 2015. URL: <http://kremlin.ru/events/president/news/49495>

doubtless result in a significant economic loss for Ukraine, especially for the personal consumption of its citizens. The exit of Ukraine from the market it shares with Russia would cause difficulties for 6 million seasonal workers and almost 400 thousand highly qualified specialists. By Russian estimates, in case of a loss of jobs in Russia, the loss to Ukrainians would amount annually to \$11-13 billion (7% of GDP).

The numbers indicated above show how deep the economic interdependence between Russia and Ukraine is. In addition to the shared Soviet industrial inheritance and economic ties, the economy of independent Ukraine has developed from the beginning with significant Russian participation. The disruption of this interdependence would lead to a systemic fall in GDP: by 20-30% in Ukraine, and by 3-5% in Russia.

Consequences of the Unexpected Rupture in Relations in 2014

The close interdependence which had developed had previously forced Russia and Ukraine to “compartmentalize” politics and economics. However, under crisis conditions the two sides fused them to the point of a rupture in mutual connections. In the new national security strategy of Ukraine Russia is called a “long-term strategic threat,” and Ukraine is identified as a forward outpost of the West in a war with Russia.¹⁴

In turn, Russia has also taken affairs to the point of a rupture in interdependence. In the words of Russian Prime Minister D. Medvedev, “Russia intends to follow strictly its own national interests. In forming our relations under new conditions, we will leave aside emotion and ‘family feelings.’ And we will no longer support the economy of Ukraine. It is disadvantageous to us. And, honestly speaking, we are fed up.”¹⁵

In the past, relations between Russia and Ukraine were multi-faceted –part cooperation, part conflict. Three strategies came into existence for Moscow in relation to Kyiv, which were applied in accordance with Ukraine’s readiness to cooperate.

In the first version of the strategy, Russia was dealing with a friendly Ukraine, which aimed at integrating into the common economic space of the CIS and jointly develop on the basis of the Soviet economic inheritance.

In the second version of the strategy – which was applied most frequently of all – Russia was dealing with a vacillating Ukraine, which was inclined towards neutrality. In this scenario Russia aimed at the formation of a tripartite economic regime with Ukraine and the EU for the creation of a future “bridge” over the territory of Ukraine.

¹⁴ Ukaz of the President of Ukraine No. 287/2015, 26 May 2015. “Pro pishennya Rady natsional’noi bezpeky i oborony Ukrainy vyd 6 travnya 2015 roku ‘Pro Strategiyu natsional’noi bezpeky Ukrainy’.” URL: <http://www.rnbo.gov.ua/documents/396.html>

¹⁵ Medvedev, D.A. “Rossiya i Ukraina: zhizn’ po novym pravilam” *Nezavisimaya Gazeta*, 15 December 2014. URL: http://www.ng.ru/ideas/2014-12-15/1_medvedev.html

Finally, in the third version of the strategy – which was in operation from 2004-2008 and now – Russia came up against a hostile Ukraine, on which Moscow remained dependent in many ways. The goal of Russia’s policy in this case is the gradual weakening of interdependence, the removal of its interests out from under vulnerability to Kyiv, and the creation of conditions for this through support for the stability of Ukraine. The chief interest remains likewise the preservation of the military neutrality of its western neighbor. After the Maidan of 2004, Russia began to construct an alternate base for the Black Sea Fleet in Novorossiysk, to build the North Stream gas pipeline beneath the Baltic Sea and to transfer defense contracts from Ukrainian enterprises to Russian ones.

25 years of Russian attempts to establish friendly relations with Ukraine produced no results. Today in Moscow it is assumed that any achievements on the basis of the Ukrainian political class that emerged in the years following independence will be transitory. This has led to lowering the bar for Russian goals in Ukraine: the priority has passed from integration to preserving the stability and neutrality of Ukraine. The contemporary Ukraine strategy of Russia consists of non-intervention to the extent possible and limiting the losses that Ukrainian processes might impose on Russia.

Sources of Ukraine’s Instability: Struggle among Elites and the Involvement of External Forces

As opposed to Russia, Belarus or Kazakhstan – where strong central authorities took shape, along with effective consolidation and distribution of resources by the center, a developed administrative apparatus and, most importantly, a consensus among the elites and society on the issue of national interests – the political trajectory of Ukraine led to other results.

In the years of its independence a consolidated political class never emerged in Ukraine; and politics were characterized by the priority of private over state interests. The political structure of Ukraine presupposes that whoever wins elections will receive the entirety of power in the country – for that reason, a new elite always changed not only the staff of the upper ranks in Kyiv, but also the leaderships in all 24 regions of Ukraine in favor of loyal people. Thus a political system emerged in the country in which operated the logic not of “checks and balances” but of “winner take all.” In the majority of cases the new elite that came to power represented the interests of a specific regional group (Donetsk, Dniepropetrovsk, etc.), which extended its influence to other parts of the country, displacing local ruling forces.¹⁶ Since the stakes were so high, any national election turned into a crisis. Of five presidents of Ukraine, one (V. Yushchenko) was elected with the support of the “Maidan” and one (V. Yanukovich) was overthrown with its assistance; one prime minister was imprisoned in her country (Yu.

¹⁶ By admission of the leaders of Crimea in the period of the referendum, especially R. Temirgaliyev, one reason the local elites aimed to extract themselves from Ukrainian jurisdiction was that the Donetsk group of V. Yanukovich, which was closest to Crimea, did not fulfill their expectations and had begun expanding into Crimea. See Kozlov, P., “Esli eto imelo opredilennuyu rezhissuru, rezhisseru nuzhno postavit’ pyat’ s plyusom,” *Vedomosti*, 16 March 2015. URL: <http://www.vedomosti.ru/politics/characters/2015/03/16/esli-eto-imelo-opredilennuyu-rezhissuru---rezhisseru-nuzhno-postavit-pyat-s-plyusom>

Tymoshenko, who was freed thanks to the Euromaidan), and another was imprisoned in the U.S. on charges of corruption (P. Lazarenko).¹⁷

The weakness and instability of the circumstances of every successive ruling group pushed the Ukrainian elites to use all possible resources in the struggle against one another – including appeals to populism and ethnic nationalism. In addition, the political class of Ukraine actually stimulated the interference of external forces in Ukrainian affairs. Local political actors aimed to receive dividends from the constant involvement of global power centers in Ukrainian politics.

Taken as a whole, these particularities did not permit the political class of Ukraine to achieve a consensus on identifying the national interests of the country. In the absence of this fundamental conclusion, it proved impossible to elaborate a long-term development strategy on the basis of defense of sovereignty from external interference. The Ukrainian elites began to feel that Ukraine would forever be a victim of the confrontations of external forces on its territory. In time, Kyiv stopped perceiving itself as an equal participant in the situation bearing responsibility for its decisions; and began to use external interference in Ukrainian affairs to further its own interests.

Such a situation exacerbated the instability in the political system of Ukraine and led to the failure of attempts by Russia to establish a stable and close partnership with Kyiv. The question remains open as to how durable the pro-Western course of the current leadership of Ukraine will be and whether Kyiv will be able to construct a long-term partnership with western countries.

The West Expands to the East: Ukraine Caught in a Vise

Convinced of the impossibility of a constructive partnership with Ukraine, the Russian leadership refused to try to integrate it into the Eurasian Economic Union, not least because for a country as fragile as Ukraine a definitive choice between Russia and the EU would have been fatal. However, the EU never ceased its attempts to include Ukraine in its zone of influence, as it never realized the potential negative effects of such a policy. The economic and normative eastward expansion of the EU required the countries of Eastern Europe to make a definitive choice between the West and Russia, and in recent years the Western demands that Ukraine make such a choice became more insistent. In the words of Ukrainian former Prime Minister N. Azarov:

*“I never heard from either Putin or Medvedev that, ‘If you don’t sign this agreement another government or another president will.’ But I heard it from Füle [European Commissioner for Enlargement and European Neighborhood Policy]. ‘It’s useless to refuse [to sign the EU Association Agreement], as others will sign in place of you.’ Is that normal?”*¹⁸

In 2013 Moscow put forward an initiative for tripartite consultations with Brussels and Kyiv regarding the Ukraine EU Association Agreement. But instead of turning Ukraine into a

¹⁷ “Vtoroy start transformatsii ukrainskoy ekonomiki?” L.M. Grigoryev, E.V. Buryak, and A.V. Golyashev, in *Voprosy Ekonomiki*, 2014 No. 9 pp. 30-52.

¹⁸ E. Chinkova, “Eks-prem’er Ukrainy Nikolay Azarov: Yanukovicha zhdala sud’ba Kaddafi,” *Komsomol’skaya Pravda* 5 February 2015. URL: <http://www.kp.ru/daily/26337/3220691/>

“bridge” between Russia and the EU, in the crisis situation of 2014 the Western countries declined Russia’s offer of a dialogue and supported those Ukrainian political forces which aimed at making Ukraine a forward outpost of the confrontation between the West and Russia. As a result of disturbances in Kyiv and external pressure, the legally elected president, V. Yanukovich, was overthrown, and a “government of the victors” was formed in Ukraine. This unleashed a chain reaction in the South and East of Ukraine that took the country to the brink of civil war.

Public Opinion Disagreements on NATO Accession

Western interference in the internal affairs of Ukraine during the Euromaidan forced many in Moscow to think that the goal of these actions was to strike a blow against Russian interests through the expansion of NATO to Ukraine and the removal of Russia’s fleet from Crimea.

Despite the American leadership’s declaration that the actions of Russia in Crimea and the Donbass took it by surprise, few in Moscow believed this. In reality, the interests of Russia in Crimea and Ukraine were explicitly reiterated many times to the American and European elites. There is reason to believe that the Russian signals were read correctly by the U.S. Government. The *Wikileaks* publication of documents of February and May 2008 from the U.S. Embassy in Moscow include a detailed analysis of the Russian position on Ukraine:

*“[Government of Russia] officials publicly and privately do not hide that their endgame is the status quo. Russia has accepted Ukraine’s westward orientation, including its possible accession to the EU and closer ties with NATO, but NATO membership and the establishment of a US or NATO base in Ukraine remain clear redlines. Ideally, Russia aims to secure a written neutrality pledge from Ukraine.”*¹⁹

Another cable predicts the possible actions of Russia:

*“Experts tell us that Russia is particularly worried that the strong divisions in Ukraine over NATO membership, with much of the ethnic-Russian community against membership, could lead to a major split, involving violence or at worst, civil war. In that eventuality, Russia would have to decide whether to intervene; a decision Russia does not want to have to face.”*²⁰

On the basis of this data, the likelihood that the U.S. did not recognize the consequences of its policy in support of the Euromaidan is rejected in Moscow. The opinion in Russia, frequently expressed by the most senior figures and the president of the country,²¹ is that the U.S. consciously aimed at forcing Russia to defend its interests in Ukraine and thereby dragging it into an exhausting conflict.

¹⁹ *Wikileaks*, “Russian-Ukrainian Relations Monopolized by Ukraine’s NATO Bid,” Embassy Moscow #001517, 30 May 2008. URL: <https://cablegatesearch.wikileaks.org/cable.php?id=08MOSCOW1517>

²⁰ *Wikileaks*, “Nyet Means Nyet: Russia’s NATO Enlargement Redlines,” Moscow Embassy #000265, 1 February 2008. URL: <https://cablegatesearch.wikileaks.org/cable.php?id=08MOSCOW265>

²¹ Meeting on military planning questions, Site of the President of Russia, 26 November 2014. URL: <http://kremlin.ru/events/president/news/47098>

One may object that the question of Ukrainian accession to NATO was not on the agenda. However, it is more important how it was perceived by the Ukrainians themselves in 2014: supporters of the Euromaidan advocated a “European future,” which they saw precisely as membership in NATO and the EU; while their opponents advocated against western influence and defended Ukraine’s ties with Russia.

Meanwhile, the question of NATO accession remains a subject of deep discord in Ukraine, even after the secession of Crimea and the beginning of war in the Donbass. According to the Kyiv International Institute of Sociology, in June 2015 37% of Ukrainians expressed themselves in favor of NATO accession, and 36% against. If a referendum were held with full turnout, these figures would result in 51% for and 49% against.²²

Leading Social Groups in Ukraine: Nationalists, Russians and Étatists

The current Ukrainian government threw out the strategy of balancing between Russia and the West. In so doing it also rejected the conception of Ukraine as a fragile and diverse state, perched at the juncture of two centers of power. The logic of the actions of the “Government of Victors” lies in utilizing a historic chance to “turn the country to the West,” despite all the likely costs, including the fracturing and collapse of the country.

One may assume that the situation as it has developed is not definitive. The current authorities in Ukraine are trying to avoid an internal crisis as exemplified by the collapse of the “orange coalition” of 2004-2006, inasmuch as they perceive the possibility of such a scenario. Several systemic conflicts are occurring, involving the central authorities, regional groupings, powerful oligarchs and non-systemic militarized detachments. Among the population, massive social dissatisfaction is growing with the effectiveness of the policy of the authorities. For now, this is reflected in extremely low poll numbers for the authorities, and in sporadic protest demonstrations. Exacerbating the situation is that public discussion in the country flows in three basic vectors, two of which are radical.

The representatives of the mainstream – the group most numerous, best organized and best represented in the media – advocate a civil nationalist program of “Ukraine for the Ukrainians” and see Ukraine as the advance guard in a Western struggle with Russia. Representatives of this group give highest priority to a Ukrainian identity based on a Ukrainophone civic nationalism. However, among them are Russophones who do not know Ukrainian (for example, Counselor to the Minister of Internal Affairs A. Gerashchenko). This movement has no underlying basis either in ethnic, cultural or religious terms: this group is united by a common political identity. At the same time, the Uniates and the Ukrainian Orthodox Church of the Kyiv Patriarchate played a big role in mobilizing people in Western Ukraine and in blessing the use of force on the Maidan.

The goal of this group is the creation in Ukraine of a national state composed of people of Ukrainian identity. Public opinion polls reveal indirectly how numerous they are: 47% support

²² “Kakim integratsiyonnym putem dolzhna idti Ukraina: referendum po vystupleniyu v Tamozhennyi soyuz, EC, NATO (may 2015g.),” Kiyevskiy mezhdunarodnyy institute sociologii, 19 June 2015. URL: <http://www.kiis.com.ua/?lang=rus&cat=reports&id=530&page=1>

the Anti-Terrorist Operation in the Donbass and 24% advocate a scenario involving the use of force to resolve the conflict in the east of the country.²³

Meanwhile, the nationalists are prepared for radical steps: the expulsion of disloyal populations and even the exclusion from Ukraine of territories with “alien” values (first and foremost, Donetsk and Luhansk). Thus they are prepared to sacrifice the territorial integrity of the country in order to consolidate a homogeneous society on the remaining lands. In other words, the nationalists are prepared to keep the Donbass within Ukraine only on condition of the complete loyalty of the local population.

The second group consists of people of Russian identity: Ukrainians, Russians and other ethnic groups that do not share the goals and values of the Maidan and consider Russia to be an important force in Ukrainian politics. Many of them are desperate to find a defender of their interests among the participants in Ukrainian politics and cannot quite understand why Moscow does not defend their interests as it did in Crimea; and why the Russian special services allowed the coup in Kyiv. This group is not as numerous as the first; at least, it is much less represented in the media. This is not surprising, as its representatives are subjected to political pressure, in some instances to persecution. Their numbers are indirectly attested by poll answers to questions on the vector of the foreign policy associations of Ukraine: 19% of those polled openly advocated the country’s accession to the Eurasian Customs Union.²⁴ Similarly indicative are the responses to polls on the Anti-Terrorist Operation: 39% of those polled came out against it.²⁵

“Vatniki” [quilted jackets] or “collaborationists,” as they are called, were the first to feel restrictions on freedom of speech and assembly. Among many of them an underground mentality is forming, and the trend might radicalize with time. Previously, people of Russian identity were loyal to the Ukrainian project; however, that is changing – now they all the more frequently come out against it and have entirely stopped associating themselves with Ukraine.

Many people of Russian identity are adherents of the Ukrainian Orthodox Church of the Moscow Patriarchate. The Kyiv Metropolitanate is pursuing a conciliatory course and has not taken sides in the civil opposition.

The fate of these people cannot fail to worry Russia. It is possible to assert that the turning point in the attitude of Russians to the situation in Ukraine was not the events of the Maidan and the overthrow of V. Yanukovich, but the immolation of over 40 “anti-maidan” activists in Odessa on 2 May 2014. Public pressure on the authorities of Russia in connection with this tragedy was huge – citizens demanded action in defense of those close to them in Ukraine.

The third group of the Ukrainian elite consists of supporters of an inclusive statehood as a condition for the territorial integrity of Ukraine. The étatists consider the top priority to be the

²³ “Politicheskaya situatsiya v Ukraine. Reytingi partiy i politikov,” R&B Group, 19 March 2015. URL: <http://rb.com.ua/rus/projects/omnibus/9018>

²⁴ “Kakim integratsionnym putem dolzhna idti Ukraina: referendum po vystupleniyu v Tamozhennyi soyuz, EC, NATO (may 2015g.),” Kiyevskiy mezhdunarodnyy institute sociologii, 19 June 2015. URL: <http://www.kiis.com.ua/?lang=rus&cat=reports&id=530&page=1>

²⁵ “Politicheskaya situatsiya v Ukraine. Reytingi partiy i politikov,” R&B Group, 19 March 2015. URL: <http://rb.com.ua/rus/projects/omnibus/9018>

preservation of the huge Soviet inheritance of Ukraine – beginning with territory and ending with geo-economic ties and a diverse population. They recognize that Ukraine must choose the course of neutrality and sovereignty in order to preserve the unity of the state. After the victory of the Euromaidan, this was the camp advocating the necessity of avoiding radicalism in order to prevent the loss of Crimea.²⁶ Étatists likewise advocate concessions on ethnic issues, reject radicalism and advocate the ideology of state interest. They are mostly to be found in the Opposition Bloc, and there are also representatives of this point of view in the Bloc of Petro Poroshenko. Unfortunately, this group finds itself in a clear minority. Paradoxically, supporters of the mainstream often treat representatives of this group the same as they do the “vatniki.” The staff of the newspaper Vesti, which advocates an étatist platform, are subjected to persecution by supporters of the authorities. Another eloquent example is the sacking of Yu. Shukhevich from his post as chair of the party of founders of the OUN-UPA for signing a letter from the Lviv intelligentsia demanding “not to impose upon people from Donbass or Crimea a Galician way of life” and “following a measured cultural and linguistic policy.”²⁷

Russia’s Force Majeure Policy in Relation to Ukraine

For 25 years after the end of the “cold war” Russia never initiated changes, either fundamental or by force, along its borders, even when the status quo was not advantageous. Why, then, did the Russian leadership decide to violate this principle in Ukraine in 2014?

Russia was last to join the disruption of the status quo, and then only when it recognized that others were not playing by the rules. The first to intervene in Ukraine’s internal affairs were the EU and the U.S., which supported one of two political parties, one that had set as its goal regime change by force. The coup in Kyiv fundamentally altered the status quo, and the West did not attempt to integrate the new Ukrainian opposition into the developing system or take account of the interests of Russia. Instead of showing sensitivity to Russian interests, The U.S. advanced an extremely simplistic approach: the overthrow of Yanukovich rendered Ukraine “stable, peaceful and democratic.”²⁸

Events of 2014 differed from the Maidan of 2004 in that the issue decided not only who would be in authority, but also the physical survival of supporters of the Yanukovich regime. In 2014, to a degree unprecedented for Ukraine, the opposition used force, primarily anonymously.²⁹ Coming to power on a wave of violence, the new authorities continued to use violence against their opponents. In February 2014 the office of the Party of Regions in Kyiv was burned (some of the employees were burned alive); fighters in the Berkut unit and participants in the Anti-

²⁶ Chalyy, O., “Vidlik chasu pishov: Plan dii iz vregulyubannya krymskoi krizi,” Radio Free Europe, 11 March 2014. URL: <http://www.radiosvoboda.org/content/article/25293153.html>

²⁷ “Intelligentsiya L’vova vyskazalas’ protiv travli ruskoyazychnykh ukraintsev,” *Unian*, 25 February 2014. URL: <http://www.unian.net/politics/889778-intelligentsiya-lvova-vyskazalas-protiv-travli-ruskoyazychnikh-ukraintsev.html>

²⁸ Assistant Secretary of State for European and Eurasian Affairs Victoria Nuland, Press conference. Embassy of the United States in Kyiv, 7 February 2014. URL: <http://ukraine.usembassy.gov/statements/nuland-pressconf-2072015.html>

²⁹ According to the BBC, snipers on the Maidan affiliated with A. Parubiy opened fire on police, provoking them to respond. See: “Snipers at Maidan: the Untold Ukraine Story,” BBC Film, 12 February 2015 URL: <http://youtube.com/watch?v=mJhJ6hksOJg>

maidan in southwestern Ukraine, along with their families, were subjected to persecution. An attack on a bus carrying Anti-maidan protesters from Crimea, the immolation of Anti-maidan activists in Odessa on 2 May 2014,³⁰ a series of murders and suspicious suicides of opposition politicians and journalists,³¹ and finally the beginning of the Anti-Terrorist Operation in the Donbass in April 2014, which the local inhabitants perceived as a punitive operation, demonstrate the readiness of the new authorities of Ukraine to eliminate their opposition physically. It is worth noting that none of the aforementioned events called forth energetic protests from the U.S. or EU countries, which in practice sanctioned the actions of the government in Kyiv.

The situation that developed in Crimea after the overthrow of Yanukovich left Moscow little room for maneuver. The population of the peninsula had historically aimed at extracting itself from the sovereignty of Ukraine and uniting with Russia; however, throughout the 1990s and 2000s Moscow resisted this, aiming instead to establish friendly relations with Ukraine.³² The base of the Russian Black Sea Fleet was located in Sevastopol and the total number of Russian service personnel on the peninsula reached 13,000 (of a permitted 25,000). Simultaneously, Sevastopol was also the base of the Ukrainian Navy, which numbered up to 11,000 personnel.

The comparability of the potentials of these two groupings made the situation in Crimea especially tense. However, it was important that both the Russian and Ukrainian fleets were staffed primarily by service personnel from Crimea, whose sympathies lay with Russia.³³ At the same time, this circumstance would not have prevented bloodshed, had not Moscow taken the initiative in its own hands. The calculation was based on not allowing violence: as soon as the Crimean elites, with the support of the populace, came out in favor of passing to Russian jurisdiction, Moscow undertook actions to ensure the security of the referendum in Crimea.

In Moscow elites saw this situation as a choice of the lesser of two evils. They thought that if Russia had not intervened, there would have been no outlet for the pro-Russian sentiment of the Crimeans. Moscow's thinking proceeded this way: Kyiv would not have reconciled itself to the intention of the peninsula to leave and would have utilized force, as it did in Donbass. Since Russian service personnel were located in Crimea, they would have been subject to accusations of supporting separatism. Ukrainian forces would have blockaded Russian bases and hindered the movement of personnel. However, this would not have stopped those of the local Russian military personnel who wanted to defend the independence of the peninsula. The start of resistance actions would have been unavoidable, with the participation of local militias and individual Crimeans who were Russian service personnel. Volunteers would have come from Russia. It is highly likely that Russian bases would have come under intentional or unintentional

³⁰ P. Poroshenko asserts that this act averted the destabilization of Odessa. See "Vlast' ne pozvolit povtorit' 2 maya v Odesse, zavavlyayet Prezident," Site of the President of Ukraine, 10 April 2015. URL:

<http://www.president.gov.ua/ru/news/vlada-ne-dozvolit-povtoriti-2-travnja-v-odesi-zavavlyaye-pre-35116>

³¹ The murders of Oleg Kalashnikov, a party organizer of the Party of Regions; and journalist Oles' Buzina. The suicides of ex-parliamentarians of the Party of Regions Mikhail Chechetov, Aleksandr Peklushenko, Stanislac Mel'nik, and city chief of Melitopol Sergey Val'ter were not investigated.

³² It was especially difficult to resist Crimean irredentism in 1994-95, when the Russia parliamentary bloc of Yu. Meshkov scored a victory in parliamentary elections with a platform advocating reunion of the peninsula with Russia.

³³ Subsequently, 75% of the Ukrainian service personnel in Crimea joined the Russian armed forces.

fire. It is hard to conceive that Russia would have permitted its service personnel to become hostages. Under these conditions Moscow would have unavoidably faced accusations of intervention in Ukraine's affairs, followed by demands for the removal of the base and the Fleet.

In contrast to Crimea, where the direct military involvement of Russia was obvious from the beginning, in the Donbass Moscow began to support the insurgent movement only towards the end of the summer of 2014. In Crimea Kyiv did not resort to force, as that would have led to a direct military confrontation with Russia. The situation in the Donbass, however, was different, and President Poroshenko preferred to launch a military operation. It is noteworthy that the U.S. gave Kyiv credit for its "restraint" in Crimea,³⁴ while in this case supporting the Ukrainian authorities in their actions in the Donbass, calling them the "reestablishment of sovereignty" and "defense against Russian aggression."³⁵ Moscow many times called on Kyiv not to use force against protestors, who in the beginning were trying to stop Ukrainian tanks literally with their bare hands.³⁶ Three months of military clashes passed by, costing hundreds of lives and sending a flood of refugees into Russia before Moscow took the decision to support the militias. Based on the words of the latest and independent observers, that decision was forced.³⁷

The domination of nationalists in the Ukrainian mainstream is an obstacle to the preservation of Ukraine's territorial integrity. Judging by the fact that Kyiv has no intention of implementing the political part of the Minsk Agreements of 12 February 2015, the Ukrainian authorities are prepared to sacrifice the "pro-Russian" Donbass for the sake of consolidating their rule over the remaining territories.

The main content of the Minsk Agreement consists of the re-establishment of Ukraine's sovereignty over the Donbass through peaceful reintegration and the inclusion of its representatives in the Ukrainian elite.³⁸ Despite all suspicions, Russia actually aims at a resolution in the Donbass. Meanwhile, the platform for this remains unchanged: despite the second defeat of the Ukrainian armed forces in the space of half a year, Moscow and the militias have not put forward new conditions. The goal of Russia is not the defeat of Ukraine and the victory of Donbass, but an equitable political settlement between them.

Russia insists on a comprehensive resolution and for that reason aims at guaranteeing in the renewed Ukrainian constitution the rights of the Donbass and potentially unstable regions of Ukraine. The West is guarded in its perception of these initiatives, seeing in them a Russian intention to interfere in Ukraine's affairs. However, the West will not be interested in the

³⁴ "Remarks with EU High Representative Lady Catherine Ashton after their Meeting," U.S. Department of State, 6 May 2014. URL: <http://www.state.gov/secretary/remarks/2014/05/225698.html>

³⁵ "Statements to the Press by Vice President Biden and Ukrainian President Poroshenko," The White House. Office of the Vice President, 21 November 2014. URL: <https://www.whitehouse.gov/the-press-office/2014/11/21/statements-vice-president-biden-and-ukrainian-president-petro-poro>

³⁶ "Zhiteli golymi rukami ostanavlivayut bronetekniku pod Slavyanskom," YouTube 2 May 2014. URL: <http://www.youtube.com/watch?v=wOIWpb1FAfQ>, http://www.youtube.com/watch?v=RdP3xcO_NpY

³⁷ Especially important is the testimony of two commentators leading the observation from Donetsk: the coordinator of militias Aleksandr Zhukovskiy, who criticizes the "indecisiveness" of Russia; and a pro-Ukrainian activist from the Donbass, Enrique Menendes, who calls the conflict in the Donbass a civil war and lays 90% of the blame on Kyiv.

³⁸ "Kompleks mer po bypolneniyu Minskikh soglasheniy," Website of the President of Russia, 12 February 2015. URL: <http://kremlin.ru/supplement/4804>

internal fragmentation of Ukraine until they become obvious. Russia wants them not to become more obvious.

It is a paradox that Russia, coming to the defense of the rights of the Russian community of Ukraine, is a bigger supporter of the integrity of Ukraine within its current borders than the current authorities in Kyiv. It stands to reason that this interest is not unselfish: Moscow wants in this way to balance the anti-Russian forces in the Kyiv government with more moderate ones and ensure the military neutrality of Ukraine.

The onset of reconciliation and the signing of agreements in Minsk do not signify the prospect of a quick political settlement. Kyiv is not prepared to compromise with Donbass. The course of unilateral resolution of the crisis continues. But if earlier President Poroshenko planned to achieve his goals through military means, now he counts on reducing dependence on Donetsk and Luhansk.

Ukrainian politicians and experts raise the question of rejecting Donetsk and Luhansk and excluding them from Ukraine. Kyiv is outraged by the demands of the Donetsk People's Republic and Luhansk People's Republic that they be allotted a special status including autonomy and the choice of economic vector of development. Kyiv sees this condition as so unacceptable that it is prepared to put off until a more advantageous moment the question of the fate of Donetsk. The conception is beginning to dominate Kyiv that Ukraine must first implement successful reforms and become attractive to Donbass, in order to take the latter back – but without additional conditions. A similar thesis guided the elites of Georgia with regard to Abkhazia in the 1990s, but so far such an approach has not had positive results.

The course of reducing dependence on Donetsk and Luhansk will be expressed in their physical isolation from the rest of Ukraine. At this stage President Poroshenko is proposing an economic blockade and surrounding the territory controlled by the militias with a line of fortified strongholds.³⁹ The execution of this plan will render impossible a political solution in the Donbass. With the passage of time Donetsk and Luhansk will reinforce themselves as autonomous entities and de facto states. By all indications, Kyiv is prepared to pay such a price to retain undisputed control over the rest of the territory of the country.

Kyiv views the Crimean question in the same terms. However, in contrast to the Donbass, the prospect of reintegrating Crimea into Ukraine is not in view, which allows Ukraine to assert that Ukraine is prepared to grant Crimea every possible preference in the event of its return. In actuality, however, the chief interest of the authorities is the consolidation, at any price, of a nationalist state on the territory controlled by Kyiv.

A frozen conflict in the Donbass harms Russia's interests, which aim at normalizing relations with Ukraine in the new circumstances. The main consequence of the unresolved divergence of opinion regarding the Donbass will be the further deterioration of Russian-Ukrainian economic interdependence.

³⁹ “Vystupleniye Prezidenta Ukrainy na zasedanii Kabinetu Ministrov,” Website of the President of Ukraine, 10 September 2014. URL: <http://www.president.gov.ua/ru/news/vistup-prezidenta-ukraini-na-zasidanni-kabinetu-ministriv-33663>

Russia's New Ukraine Policy: Gradual Curtailment of Interdependence

Having counted on its own growth, ten years ago Moscow initiated a new Ukraine policy: based not on the conception of “brotherhood at any price” but on the logic of reducing the impact of Ukraine on the vital interests of Russia. It was in the context of this policy that the North Stream gas pipeline was constructed, that a South Stream was planned, that work began on the creation of a new base for the Black Sea Fleet in Novorossiysk, and that the transfer of military contracts from Ukrainian to Russian enterprises took place. The time-frame for the realization of these projects was lengthy, but Moscow was preparing itself to “let go” of Ukraine peacefully over the next 20 years, if the latter decided to “go.” Moscow’s aim was to prevent this exit from inflicting irreparable harm on Russia itself, but it did not veto the foreign policy choice of Kyiv – nor could it have.

The acceleration of changes resulting from the February coup in Kyiv in 2014 struck a blow against Russia’s vital interests. The threat of the expulsion of the Russian Black Sea Fleet from Crimea and Ukraine’s accession to NATO led to the decision of Moscow to encourage the separation of Crimea and Sevastopol from Ukraine. Thus Russia demonstrated that in defense of its vital interests it is prepared to act decisively and warned of the consequences of further attacks on them by the new authorities in Kyiv.

In addition, Moscow had tired of the constant blackmail of every new government in Kyiv (including V. Yanukovich) on the question of Crimea. After the latest infringement on this Russian interest Russia took the decision to remove Crimea from under the question marks hanging over relations with Kyiv.

However, in all remaining aspects Moscow remains a supporter of the preservation of the status quo in the very fullest sense of the word. It was for that reason that Russia recognized the new authorities in Kyiv, ignoring the demands of the leaders of the resistance in eastern Ukraine to intervene; continued to grant discounts on the price of gas in the range of 25-40%; did not instrumentalize the problem of Ukraine’s debt; and bore with unusual patience the June 2014 attack on the Russian embassy in Kyiv. Russia does not wish to deepen the damage to its interests and proposes measures for the preservation of the integrity of Ukraine in its current borders through the decentralization of power.

The condition for Russia’s continuing its course of supporting the stability of Ukraine is reaching an understanding with the new authorities in Kyiv on the price of gas; on unhindered energy transit to the EU; on the rules of the tripartite trade regime involving Russia, Ukraine and the EU; and the inviolability of the property of Russian enterprises. The transition from the logic of cooperation to the logic of war is undesirable for Moscow. But it is prepared for such an eventuality.

If adventurist and aggressive forces prevail in Kyiv, Russia will be forced to transition to the containment of the threat emanating from Ukraine. In so doing, Russia will not embark on an open use of force to resolve its differences with Kyiv – that is too expensive and unreliable. A significant portion of the populace of Ukraine will take a hostile view of the interventionists,

while over the last 20 years Moscow has elaborated a rule: to send troops only to those places where the local populace will welcome them.

The escalation of civil resistance in eastern Ukraine is also disadvantageous, inasmuch as it will create a threat to security: the disruption of cross-border trade, the growth of the flow of refugees, the infiltration of combatant units between the two countries, accidental or intentional military damage to Russian assets, and threats to rail and air connections. Therefore, Russian support for the Donbass militias pursues a single goal: to show Kyiv that it is impossible to resolve the conflict by military means, and to push it to sit at the negotiating table with the Donbass.

A negative scenario for Russia's policy would look different. The search for alternate routes to deliver energy to the EU would receive an impulse; Russian investment in the Ukrainian economy would be blocked; preferential trade and visa regimes would be reconsidered; and labor migration would be restricted. And – more importantly – Russia would cease to subsidize the price of gas to Ukraine. In their entirety, these measures would provoke an economic crisis in Ukraine and would doubtless harm Russian interests as well, braking the annual growth of Russia's GDP by a percentage point.

Moscow will aim to avoid such an eventuality, but would not shy away from it if Kyiv leaves it no choice. Russia would invest in its national industry the resources it previously used to support its neighbor. In proportion to the widening gap in the level of development, Russia will attract migrants from among the Russophone population of Ukraine. The course of reducing the influence of Ukraine on the vital interests of Russia will be accelerated.

The goal of the new Ukraine policy of Russia will be to “normalize” ties with Kyiv through cessation of politically motivated economic aid and placing trade and industrial relations on a non-preferential basis. After a substantial decline, bilateral relations will achieve a “new normal” on the basis of a new economic equilibrium. The single common framework for mutual action by Russia and Ukraine will be the WTO regime. The prospective pragmatization of ties will lead to their recovery and will open the way to a trilateral Russia-Ukraine-EU trade regime.

Ukraine: Common Problem or Battlefield between Russia and the EU?

Instability leads to changes everywhere, and Ukraine is no exception. In the past it was Russia, not the EU, that granted the strategic conditions for the growth of the Ukrainian economy. With the exit of Ukraine from the zone of free trade with Russia and the strain in bilateral relations, Moscow will stop guaranteeing the stability of Ukraine on its own – since Kyiv itself aims at this. The cessation of the conflict, the stabilization of Ukraine and its future growth will demand the joint efforts of Russia and the EU, which are ever more closely united by a single interest: to localize the damage caused by the crisis in Ukraine. Brussels recognizes that the next stage in the Ukrainian drama might become an energy crisis in the EU, and it aims not to permit that to happen.

Ukraine is a country with an unpredictable past. It is impossible to guess how the Ukrainian elites will evaluate today's events tomorrow. We can try to imagine an eventuality in which the

structural problems of Ukraine will begin to be resolved. What is necessary for that is in the first instance the strengthening of the system of state governance and the elimination of oligarchic groups from the authorities. In terms of geo-economics and geopolitics, Ukraine must aim to become a bridge between Russia and the EU, and not an anti-Russian outpost in Eastern Europe. In being such a bridge, Ukraine would guarantee its neutrality and support normal trade ties in the Russia-EU-Ukraine triangle. This would lead to the return of Russian investment and the renewal of advantageous commercial conditions, which will lead to a new industrialization of Ukraine and will create new jobs. Finally, a neutral and stable Ukraine will recognize the political rights of the minorities living on its territory (in the first instance, Russians) in accordance with OSCE norms.

However, this optimistic scenario is unlikely. The good intentions of both the West and Russia will not materialize into a joint assistance program for Ukraine. Absent that, the country can expect a 20-30% fall in GDP from 2013 levels, deindustrialization of the eastern and southern regions, job losses and mass migration of the able-bodied population to Russia and the EU. In this scenario the task for external forces will be to control the damage that processes in Ukraine might inflict on Europe's security and economy. In the first instance the goal will be to contain the instability within Ukraine's borders and not to allow extremism and violence to spill over to neighboring states. The security of the nuclear plants in Ukraine will be a great priority, as will the inviolability of cargo and energy transport through Ukrainian territory. The migration flow from Ukraine will be an added concern for neighbors.

A long-term solution for the Ukrainian crisis is not yet visible. The EU does not yet recognize the size of the yearly subsidies that the stabilization of Ukraine will require if it comes out from under Russian tutelage, and is not prepared to allocate them. There is reason to doubt the long-term effectiveness of the actions of the Ukrainian leadership. The internal political problems and the debt burden for 2016 and 2017 may force Kyiv to resort to a military provocation in the Donbass. Intra-Ukrainian civil antagonism is growing. The U.S. for now does not play the role of stabilizing force, and Russia is hedging its risk and withdrawing vulnerable assets. The impulse towards striking a deal will appear only when the EU perceives its own severe vulnerability in the field of energy security.

All external players in the Ukraine crisis must consider the possibility that it will take a new turn in the course of the 2018 electoral cycle. A scenario analogous to the Euromaidan might once again occur and threaten to turn the crisis international. It is in the common interest not to turn Ukraine into a battlefield between Russia and the West, but rather to encourage it to become a "bridge" between the two.