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## The Crisis in Ukraine: An Insider's View

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Oleg Grytsaienko

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## Abstract

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By the end of 2013 the numerous miscalculations of the Yanukovich regime had deepened the systemic crisis in Ukraine, the crux of which was the tension between the people's hopes of independence and the inefficiency of the country's post-Soviet political and social system. The 2013-2014 revolution in Kiev paved the way for systemic reforms, but at the same time exposed the weaknesses of Ukrainian statehood. Russia's leadership perceived this overthrow as the failure of Yanukovich's policies and resorted to measures including the annexation of Ukraine's territory, as well as encouraging and supporting armed separatist movements Ukraine's Russian-speaking regions. Together, this has spawned the biggest crisis in Ukraine's history and threatens its integrity, sovereignty and civil peace. At the same time and under these semiwarlike conditions, a process of consolidation of the country's population has started to develop around the question of Ukrainian identity.

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# Introduction

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The events in and around Ukraine in the last six months have led to serious changes in the post-Soviet space. For over two decades, the West has combined two conflicting approaches in its relations towards the former Soviet states. On the one hand, Western governments have strongly welcomed their assimilation of Western values, standards of democracy and business standards. On the other hand, the West has grown accustomed to the similarity of the region's authoritarian governments which stay in power year in, year out, and whose economies are riddled with corruption and shady connections. On this basis, Western governments have developed a flexible and pragmatic approach in their interaction with the elites of post-Soviet countries for their own current, primarily economic interests.

In recent years, the West has put an emphasis on the pragmatic side of this approach after realizing that the quick adoption of Western values in former Soviet space is but an illusion. This pragmatism was based on the recognition of Russia's leading role in the region, and that consequently any foreign policy initiatives made by the region's governments would be inevitably seen through the prism of Russia's reactions, which in most cases is predictably negative. This has included, among many other aspects, the expansion of NATO, the European Union's "Eastern Partnership" initiative, and an Association Agreement with the EU.

The November 2013-May 2014 events in Kiev's Maidan Square saw the overthrow of the Yanukovich administration, Russia's annexation of Crimea and armed separatism in the eastern regions of the country. These events have troubled many politicians and experts. On the one hand, the Maidan Square protests have clearly not repeated the outcome of past coups such as the Orange Revolution or the 2005 events in Kyrgyzstan which led to a rotation of elites without any actual social change. On the other hand, Russia's response to the events in Ukraine has not only violated international law, but also the basic principles of stability and security in Europe. This led the West to urgently and frantically search for new ways to approach the Russian regime. One can presume that the 2013-2014 revolution in Ukraine is the first stage of an Arab Spring-style

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Translated from Russian by Joe Carter.

societal shift in the former Soviet space, which will however, take much more time.

To grasp the main drivers of future transformations in the post-Soviet space, it is essential to analyze the lessons learned in Ukraine in recent months. This paper attempts to provide a brief analysis of the events in Ukraine, as well as a forecast of the country's development in the coming months. This analysis serves as a starting point for a broad discussion about the new policy of the European Union and the West in general in relation to countries which for more than two decades were in a long post-Soviet transition period, and which only now gradually begin to acquire their own identities.

# Maidan: Causes, Features and Consequences

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In order to understand the causes of the 2013-2014 Ukrainian revolution and subsequent events, it is essential to remember that in 2014 the building of the post-Soviet Ukrainian state apparatus had stalled. The actual Ukrainian state was a glaring discrepancy with the hopes and aspirations of Ukrainians, particularly of the younger generation who grew up in the era of post-Soviet independence.

Inefficient management has led to a profound gap in Ukraine's development, not only in comparison with European and neighboring ex-Soviet countries, but also many third world states. Since its independence, Ukraine has shifted dramatically down the list of countries in terms of gross national income per capita which in 1992 was higher than Latvia and Romania and slightly lower than in Poland.<sup>1</sup> Today however, according to the World Bank, its neighbors in the rankings are Iraq and El Salvador.<sup>2</sup> Moreover, in 2012, Ukraine, with 45 millions inhabitants, exports \$63.3 billion of goods per year<sup>3</sup>, while neighboring Slovakia (5.4 million population) exports \$88.3 billions.<sup>4</sup> Even Belarus recorded \$36.6 billion worth of exports in 2013, albeit its population represents about one-fifth of Ukraine's population.<sup>5</sup>

While each successive government has had a hand in Ukraine's disastrous current state, the Yanukovich regime has in some aspects differed for the worse from its predecessors and similar regimes in neighboring countries. The difference is obvious when considering other post-Soviet countries, whose political regimes are based on a tacit social contract: the population receives tangible benefits in exchange for the limitation of their rights. In Russia for example, this is seen through the growth of welfare and income, the

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<sup>1</sup> The World Bank data. GDP per capita, PPP (current international \$), <[http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?page=4&order=wbapi\\_data\\_value\\_2012%20wbapi\\_data\\_value%20wbapi\\_data\\_value-last&sort=desc](http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?page=4&order=wbapi_data_value_2012%20wbapi_data_value%20wbapi_data_value-last&sort=desc)>.

<sup>2</sup> The World Bank data. GDP per capita, PPP (current international \$), <[http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?order=wbapi\\_data\\_value\\_2012+wbapi\\_data\\_value+wbapi\\_data\\_value-last&sort=desc](http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD?order=wbapi_data_value_2012+wbapi_data_value+wbapi_data_value-last&sort=desc)>.

<sup>3</sup> State Statistics Service of Ukraine. Geographical structure of foreign trade in 2013, <[www.ukrstat.gov.ua/](http://www.ukrstat.gov.ua/)>.

<sup>4</sup> Ivan Kushnir's Research Center. Export of Slovakia in 1990-2012, <[http://kushnirs.org/macroeconomics/export/export\\_slovakia.html](http://kushnirs.org/macroeconomics/export/export_slovakia.html)>.

<sup>5</sup> M. Ravski, "Belarus' Foreign Trade in 2013", *Delovaya Gazeta*, 13 February 2014, <<http://bdg.by/analytics/731.html>>.

relative stability of business and the government's relative non-interference in people's private lives. Belarus is clean with low unemployment, stable albeit low salaries and a low crime rate. In Kazakhstan the government has embarked on a number of modernization projects, attracting foreign investment and has provided a number of higher education programs abroad. In Ukraine however, authoritarianism, corruption and embezzlement have reached fantastic proportions and the rising prosperity of those in power and the difficulty of doing business have not been offset by any clear benefits for the population. Therefore, the Yanukovich government was the "weak link" in the chain of similar post-Soviet regimes.

This has been reinforced by the degradation of Ukraine's law enforcement, which was the main and almost the only support of Yanukovich after the cancellation of political reforms aimed at European integration. During the Maidan protests antipathy to the law enforcement officials reached its climax.

Therefore, an important conclusion is that the moral state of law enforcement may be a trigger for protests in other post-Soviet countries. The poorest and most corrupt police forces are the most loathed by the population and can be used by oligarchs and counter-elites as flammable material for a violent change of regime.

Yanukovich's complete refusal to enter into dialogue with opposition members and Maidan protesters has led to a sharp increase in the activities of ultra-right wing forces. Initially, Ukrainian nationalist parties such as the Right Sector were only meant to be the paramilitary "protectors" of the Maidan protesters, who expected large but overall peaceful protests. However, the longer the confrontation continued, an increasingly significant segment of society seemed ready to temporarily turn a blind eye to ultranationalist views, providing that during the course of street fighting and violence, they freed the country from an increasingly hated regime.

Nevertheless, the popularity of the ultra-right wing in Ukraine has proved to be very short. This can be seen in the extremely low ratings of the two nationalist Presidential candidates: 1.3% for Svoboda's Oleg Tyagnybok and 0.7% for Dmytro Yarosh of the Right Sector.

## Analysis of the Post-Revolutionary Situation in Ukraine

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The situation in Ukraine after the Maidan protests remains extremely complex and is characterized by several key aspects. The Maidan was meant as a complete reset for the country. Nevertheless, the new government is a diffuse political compromise between the three parliamentary opposition parties, the “United Opposition,” the Svoboda party and UDAR, which has received a number of influential positions as a result of informal arrangements despite announcing its formal absence in government. Furthermore, the government has been diluted to some extent by Maidan activists.

Thus, there was an immediate conflict between the stated goal of ‘resetting’ the country and the coming to power of politicians who formally were part of the old political system, a situation that highlights all the contradictions in the present development of Ukraine. The Russian annexation of Crimea and the avalanche-like growth of separatist movements in the Donetsk and Lugansk regions have become a litmus test which has displayed the depth of this crisis.

The disintegration of the state apparatus has reached alarming proportions, especially in the Army and the Interior Ministry. During the Russian occupation of Crimea the Ukrainian Navy was made up of only 10 combat ships, boats and supply vessels. Russia, mostly without much resistance, captured 51 Ukrainian ships.<sup>6</sup> In other cases the police forces of the Donetsk, Luhansk, Kharkiv and Odessa regions have not prevented separatist actions, and in some cases have even sided with them.

The second fracture line clearly manifested itself during various secessionist acts, associated with different perceptions of the Maidan in different regions of the country. Opinion polls conducted in late 2013 / early 2014 showed that approximately half the country supported the protests.<sup>7</sup> At the same time pro-Maidan supporters in the south and east of the country did not receive any active support from the acting authorities in Kiev while at the same time disillusionment of the Yanukovich regime was widespread throughout

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<sup>6</sup> “Russia Seized Control Over More than 50 Ukrainian Ships”, *Vesti*, 26 March 2014, <<http://vesti.ua/krym/44382-bolee-50-ukrainskih-korablej-pereshli-pod-kontrol-rossii>>

<sup>7</sup> Research and Branding Group. “Euromaidan 2013», 10 December 2013 <<http://rb.com.ua/rus/projects/omnibus/8836/>>.

the country. For the entire duration of the revolution no voluntary ideological movement in support of Yanukovich has arisen and “anti-Maidan” rallies in Kiev and elsewhere have clearly been orchestrated by paid protesters. This instilled the Maidan supporters after their victory with an unjustified euphoria about the ease of establishing control over the country. It also largely explained the lack of preventive measures against separatism in Crimea and later in the Donbass region.

Another error were the unconsidered steps the new government has taken after the Maidan victory, in particular the attempt to revoke the Law on the status of regional languages. This was immediately hailed by residents of the southeast as the deprivation of their linguistic rights and the beginning of compulsory Ukrainianization.

The third factor related to the crisis is that the new government failed to immediately include paramilitary groups—of which the most infamous was the ultranationalist Right Sector—into the legal mainstream. Thanks to Russian media, Right Sector has quickly become a source of anxiety for a large number of residents in Eastern Ukraine. According to April data from the Donetsk Institute for Social Research and Policy Analysis, 60% of Donetsk residents feared “Bandera supporters” and 50% dreaded the Kiev authorities.<sup>8</sup> This irrational terror has become the main source of the renewal of separatist sentiments in the Donbass region throughout April-May 2014.

One of the fundamental consequences of the Maidan events has been the blurring of the “South-East” notion, which for many years has defined the boundaries of support for leftist parties and the Party of Regions. For many years, analysts divided Ukraine into roughly two equal parts, embodying two different visions of the country: the “nationalistic” West and the moderately patriotic Center contrasted with the “pro-Russian” South-East.

Today the pattern of regional opinions has become much more complicated. An research carried out in South-East regions (excluding Crimea) by the Kyiv International Institute of Sociology showed that 71% and 60% of respondents in Donetsk and Lugansk respectively believe that the 2013-2014 winter events are an armed coup, organized by the opposition and the West. Those in other areas of the South-East believe that the Maidan events were “the protests of the citizens against the corruption and tyranny of the Yanukovich dictatorship.” This assessment received maximum support in the Kherson and Mykolaiv oblasts, 62 and 60% respectively. On the other hand, support in Odessa and Dnepropetrovsk and in the Kharkov and

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<sup>8</sup> A. Goncharov, “According to Sociologist, 70-85% of Donetsk Residents Condemn Pro-Russian Activity in the Region”, *Ukrainski Nacionalny Novini*, 11 April 2014, <[www.unn.com.ua/uk/news/1330148-70-85-donechchan-zasudzhuyut-prorosysku-aktivnist-v-regioni-sotsiolog](http://www.unn.com.ua/uk/news/1330148-70-85-donechchan-zasudzhuyut-prorosysku-aktivnist-v-regioni-sotsiolog)>.

Zaporozhye for the Maidan protests was minimal.<sup>9</sup> Of all the surveyed regions, only residents of the Donbass region would have liked Yanukovych to forcibly disperse the Maidan protesters and only in the Donbas do people believe that Russia rightfully protects Russian speakers in Ukraine. This is the only region where a more or less significant part of the population (25-30%) recognizes President Yanukovych and wishes to join Russia.

From the above it can be concluded that no matter how the views of the Donbass residents evolve further, the era of a clear political split between Eastern and Western Ukraine is over. In the future, presenting the picture of Ukrainian sentiments will be much more diverse and complex than it was before the Maidan protests.

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<sup>9</sup> “Opinions and Views of Residents of South-Eastern Ukraine”, *Zerkalo Nedeli*, 18 April 2014, <[http://zn.ua/UKRAINE/mneniya-i-vzglyady-zhiteley-yugo-vostoka-ukrainy-aprel-2014-143598\\_.html](http://zn.ua/UKRAINE/mneniya-i-vzglyady-zhiteley-yugo-vostoka-ukrainy-aprel-2014-143598_.html)>.

# Evolution of the Political System

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The political system in Ukraine is experiencing one of its biggest transformations in the last 10-15 years. Firstly, the country's constitution has changed for the third time in ten years. The 2004 Constitution, abolished in 2010 by the Constitutional Court, has been restored and re-enacted. This model of basic law is returning the country to a parliamentary-presidential form of government, comparable to that of Viktor Yushchenko's presidency. Nevertheless key forces in the country are willing to make further changes to the basic law, aiming at an even greater reduction of presidential powers and the provision of additional powers to the parliament and government.

The Party of Regions (PR) in particular was the first political party to officially introduce initiatives including the abolition of excessive Presidential powers and the liquidation of regional and district administrations (their leaders are appointed directly by the President). Instead would be established prefectures with limited control over the implementation of the constitution and laws.<sup>10</sup>

Prime Minister Arseniy Yatsenyuk and presidential candidate Yulia Tymoshenko demonstrated similar positions on executive power. On 29 April at the parliamentary hearings on the amendments to the Constitution, Yatsenyuk expressed a viewpoint largely close to that of the Party of Regions and called upon the President to deny the appointment of two government ministers—the Minister of Defense and Minister of Foreign Affairs—and to eliminate the provincial and district administrations as “vestiges of the Soviet regime.”<sup>11</sup>

Secondly, with Yanukovich's departure has also disappeared the imaginary “pro-Western / pro-Russian” split that existed for years dividing the Ukrainian political space into two large political camps. Immediately after the Maidan protests, the Party of Regions underwent major changes, freeing itself from some regional governors. This included PR's official candidate in the presidential election and most popular member at the time, Sergei Tigipko, who was expelled from the party along with a number of prominent regional leaders. Mikhail Dobkin, the former governor of the Kharkiv

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<sup>10</sup> The concept of change in the Constitution of Ukraine, by the presidential candidate from the Party of Regions Mikhail Dobkin, <[http://static.partyofregions.ua/uploads/constitution\\_1\\_1\\_gs.pdf](http://static.partyofregions.ua/uploads/constitution_1_1_gs.pdf)>.

<sup>11</sup> “Yatseniuk Suggests Significant Limitations of Presidential Powers”, *Ukrainskaya Pravda*, 29 April 2014, <[www.pravda.com.ua/rus/news/2014/04/29/7023921/](http://www.pravda.com.ua/rus/news/2014/04/29/7023921/)>.

region and the official Party of Regions candidate in the presidential election. His ratings do not exceed 4% and are mainly provided by his positions in the Kharkiv region.

There has been a significant reduction in the regional support for the Party of of Regions. A very painful blow to its electoral prospects came with the Russian annexation of Crimea and its two million inhabitants. At the same time, PR representatives think that its stable electoral core still exists and will remain at 12-13% of voters.

Thirdly, very serious shifts are taking place in the pro-government parties. They are associated with rise of multimillionaire Petro Poroshenko in the presidential race, who until the Maidan events had not been a force in parliamentary politics. Since the statements issued by UDAR leader Vitali Klitschko regarding support for Poroshenko, the party operates as his support and, quite likely, will be the basis of future support for Poroshenko in parliament.

At the same time, according to unofficial information, the United Opposition, the largest opposition force is also undergoing a leadership transition under Poroshenko's banner. This has been due to the low ratings of the "United Opposition" candidate Yulia Tymoshenko in the election campaign. Yatsenyuk has allegedly expressed his readiness to form his own breakaway political party Front of Changes from the "United Opposition". Considering these facts, Yulia Timoshenko is likely to join the opposition to the new Ukrainian government after the probable victory of Petro Poroshenko in the presidential election.

Finally, the prospect of early parliamentary elections, often discussed by various political forces, remains a significant factor in the overall political uncertainty. Sudden changes in the domestic situation in Ukraine, as well as its geopolitical environment, give reason to say that the parliamentary elections will bring a lot of extra surprises and even more colors to the country's political palette.

# Socio-Economic Situation

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During March and April, the depreciation of the hryvnia (by one-third) has significantly affected Ukraine's economic activity. The uncontrolled fluctuations of the currency's exchange rate caused panic among import-export businesses. On 30 April 2014 the International Monetary Fund's approval of a \$17 billion two-year Stand-By Arrangement for Ukraine has calmed the foreign exchange markets and led to stabilization of the hryvnia.

At the same time, the macroeconomic situation in Ukraine continues to carry a number of long-term risks. According to the authors of a report in the quarterly *Investment Capital Ukraine*, during 2014 the key factors of the economic crisis will be as follows:

- Losses from foreign aggression. The annexation of Crimea and the Russian military threat has forced businesses and the public to suspend investing and actively start a policy of saving. According to *Investment Capital Ukraine*, this would mean a loss of about of 4.3% of GDP in 2014. Added to the further loss of 3.7% due to the annexation of Crimea (the Autonomous Republic of Crimea's total gross regional product as a share of Ukraine's GDP in 2011-2012), the country's total GDP will contract by 8% during the year only owing to the aggressive actions of the Russian Federation.<sup>12</sup>
- The rising costs of servicing the public debt. This year, Ukraine will need to spend 41.5 billion hryvnias or 2.8% of GDP on servicing its debt.
- The increase in the number government funded banks and State Owned Enterprises. Additional budgetary costs are estimated at 30-40 billion hryvnias, to which needs to be added a shortfall in income from privatization due to deterioration of the political and investment climate. According to analysts, Ukraine's budget deficit will increase to 6.1% of GDP in 2014.
- The price of Russian gas which will determine the level of deficit for the state oil and gas company Naftogaz Ukraine.

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<sup>12</sup> A. Poludenko, "Putin is the Main Challenge for Ukraine's Economy", *Levy Bereg*, 29 April 2014, <[http://economics.lb.ua/state/2014/04/29/264785\\_naybilshiy\\_viklik\\_ekonomiki.html](http://economics.lb.ua/state/2014/04/29/264785_naybilshiy_viklik_ekonomiki.html)>.

Even under the most optimistic forecast envisaging the absence of a sharp rise in gas prices, Naftogaz will not reach a surplus of \$1.3 billion until 2016.<sup>13</sup>

- An extremely important factor has been the reduction of traditional Russian markets for Ukrainian heavy industry goods. This is due to three main reasons: political and military conflict between the two countries; imposed trade restrictions by the Russian side and Moscow switching to other suppliers of imported goods. According to the State Statistics Service of Ukraine, Ukraine's decline in industrial output in March 2014 accelerated to 6.8% compared with the same period in 2013. The sharpest decline is represented by a 11.1% drop in metallurgy and a 17.4% drop in engineering.<sup>14</sup> Experts cite that the main reasons for low production among Ukrainian businesses are due to the lowering of Russian demand for Ukrainian products.

In addition to the negative macroeconomic factors mentioned above one must add the real fall in incomes due to the government's "shock therapy" under IMF supervision. In this context it appears that the deterioration in people's living conditions may become an additional destabilizing factor during the course of the year. At the same time the eventual citizen protests will be mainly local and not likely to lead to a serious political crisis, as it was the case during previous downturns.

Nevertheless one interesting political consequence of the current government's economic course can and probably will be the formation in one or two years of a new social-democratic political party. It would adopt better balanced social policies and promote the protection of citizens' social interests as one its basic tenets. Eastern Europe's experience shows that strong social-democratic parties form exactly during shock therapy policies imposed by the right-wing. In Ukraine, this process has been seriously delayed. The niche for a social-democratic party has been long filled by parties built on nostalgia for the Soviet Union, and partly by Yanukovich's Party of Regions, which, being the party of big business was supported largely by workers in the developed industrial regions in the east.

But now after the restructuring of Ukraine's political landscape we can expect throughout 2015-2016 the formation of a European-style social-democratic party based on traditional left-wing political forces and the part of the Party of Regions that is not funded with oligarch capital.

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<sup>13</sup> *Ibid.*

<sup>14</sup> Ukraine's State Statistical Service. Indicators of industrial production, January-March 2014.

# The Foreign Policy Dimension: Expectations in Relationships with Key Partners

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The Maidan events, the annexation of Crimea by Russia and its support for separatists in the Donbas have introduced radical changes into Ukraine's foreign policy. Among them the termination of a multi-vector policy, the end of the strategic partnership with Russia and the launch of an actively pro-Western foreign policy.

The Russian government's choice of political confrontation with Ukraine, the annexation of its territory and the non-recognition of the legitimacy of Kiev authorities have caused a shock among the Ukrainian population. To understand and analyze this sharp turn in Russian politics it is necessary, among other things, to consider a factor only seldom taken into account: the defeat of Russia's "soft power" in the struggle for Ukraine.

Ukraine's public opinion, despite the fluctuations of official policies, has slowly but steadily drifted toward rapprochement with the West thanks to Russia's clumsiness and inexperience in "soft power" and the skillful use of soft power by the US and Europe (support for non-governmental organizations, working with all parties regardless of their political stance, as well as the expert sphere, the promotion of youth exchanges; with special emphasis on working with the public in the south-east of Ukraine).

Russia has not adequately used soft influence, which could have given it an advantage over the West in the struggle for Ukraine: intense humanitarian ties, tourism, a significantly better living standards, student exchanges, the propagandistic potential of TV, employment opportunities for highly educated Ukrainian youth.

Russia's subsequent actions could have been influenced by its misinterpretation of the Maidan protests as the fundamental impossibility for Moscow to win the battle for Ukraine by peaceful "soft power" means. Instead of honing and improving its soft power, Russia chose to withdraw from this area where the 'enemy' was stronger and resolved to solve the 'Ukrainian problem' by traditional military and paramilitary operations (i.e. an area in which Russia feels a lot more confident and experienced).

This miscalculation has ultimately resulted in disastrous consequences for Moscow in its relations with Ukraine. In one or two

months, Russia has turned from a neutral and even positive neighbor into an invading enemy and destructive force in the minds of millions of Ukrainians. Under such conditions, adoption of any more or less pro-Russian policies by Ukrainian political parties is impossible.

There is no doubt that, as long as Vladimir Putin holds power, relationship between Russia and Ukrainian will be that of two belligerents. The hypothetical departure of V. Putin from power as a result of successful sanctions by the West would certainly lead to the end of the “hot” phase of the conflict and give hope for a “cold peace” in Russian-Ukrainian relationship.

However, in any case fairly extensive trade and humanitarian relations will remain between the two countries, albeit to a lesser extent. According to Ukrainian statistics, January-February 2014 exports from Ukraine to Russia amounted to only 69.6% of the same period in 2013, whereas imports amounted to 77.4%.<sup>15</sup> The first half of 2014 will possibly record the biggest decline in Russian-Ukrainian trade since the country's independence.

An important factor of Russian-Ukrainian relations during 2014 is the question of pricing and prepayment for Russian natural gas. In the context of Western sanctions against the Kremlin and support to Kiev from international financial organizations, Moscow is in no hurry to open a “second front” concerning gas. The likelihood of a new gas war should decrease, and Gazprom will likely come to a compromise on gas prices for Ukraine. At the same time, if sanctions were to lead to Putin's departure, the unanimous Western support of Kiev would be diluted and Ukraine's bargaining position in the 'gas issue' may, as paradoxically as it may sound, deteriorate.

Because of the confrontation with Russia, Ukraine's priority is to cement its partnership with the United-States. Of course, such a partnership will mean Washington's tangible influence over Ukraine's domestic agenda. One of the key areas of cooperation between Ukraine and the US is the security sphere which includes training for the Ukrainian army and law enforcement agencies, as well as supplying equipment and non-lethal weapons. According to U.S. Vice-President Joe Biden, by April 2014 the amount of aid to Ukraine in the security sector amounted to \$20 millions.<sup>16</sup>

In addition, the U.S. will continue to be Ukraine's main supporter in obtaining macro-financial assistance from international financial institutions. Washington itself has publicly acknowledged its crucial role in the IMF's decision to grant Kiev a \$17 billion credit.<sup>17</sup> Kiev will also undertake a policy of energy supply diversification and

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<sup>15</sup> Ukraine's State Statistical Service. Geographic structure of foreign trade, January-February 2014.

<sup>16</sup> Remarks to the Press by Vice-President Joe Biden and Ukrainian Prime Minister Arseniy Yatsenyuk, 22 April 2014, <<http://ukraine.usembassy.gov/statements/biden-yatsenyuk-04222014.html>>.

<sup>17</sup> *Ibid.*

reduce its energy dependence on Russia in close collaboration with the United States.

Russia's aggression has also increased cooperation between Ukraine and NATO in general or its individual members. On 1 April 2014 the Ukrainian Parliament decided to allow units of foreign armed forces on Ukraine's territory in order to participate in eight international exercises involving U.S. forces, Poland, Romania and other NATO member states in 2014.<sup>18</sup>

However Ukraine's membership in NATO is not currently on the agenda. According to polls in Spring 2014, public support for Ukraine's membership in the Alliance rose to 35.8%, a record figure.<sup>19</sup> However, this growing public support is not enough to make a corresponding political decision. The principle of non-participation in military alliances was approved during the Yanukovich era and is legally enshrined as a key principle of foreign policy. It is not yet subject to revision.

Kiev's relations with the European Union today come after the relations with the United States. This can be explained by Europe's more cautious support for Ukraine in its conflict with Russia. Nevertheless, the realization of Ukraine's path towards European integration is a conscious policy of the new government. The latter wants to use the example of a successful rapprochement with Europe to show the Ukrainian people the positive impact of its new course.

Paradoxically, for Kiev, after the Maidan events, the "added value" of the Association Agreement with the EU diminished. Until the autumn of 2013, the Yanukovich administration has considered the signing of the Agreement as a significant foreign policy victory and a source of serious political advantages. The new government however puts an emphasis on stabilizing the political situation in the country and preventing a large-scale financial and economic crisis. Therefore, the extensive and costly efforts to bring whole sectors of the Ukrainian economy up to EU standards, as required by economic and trade provisions of the Association during the crisis, hardly seem possible.

To date, Kiev and Brussels reconciled their interests by signing the political part of the Association Agreement on 21 March, with the understanding however that full agreement must be signed between the presidential election and the beginning of 2015.

The unilateral decision to reduce, until 1 November 2014, export duties on Ukrainian goods was an important step taken by the

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<sup>18</sup> Text of the act "On Authorizing Foreign Military Units on the Territory of Ukraine in 2014 for Participation in International Maneuvers" on the official website of the Parliament of Ukraine, 1 April 2014, <<http://zakon4.rada.gov.ua/laws/show/1182-18>>

<sup>19</sup> I. Kovalchuk, "Ukrainians Long for EU Membership", *Lvivskaya Gazeta*, 25 April 2014, <[www.gazeta.lviv.ua/politic/2014/04/25/28137](http://www.gazeta.lviv.ua/politic/2014/04/25/28137)>.

EU.<sup>20</sup> Not all sectors of the Ukrainian economy will benefit from this initiative, however for the Ukrainian steel industry for example, the reduction of import duties is a breath of fresh air during the crisis. According to data published, Ukraine sells 43% of its anthracite coal, 42% of its iron, 39% of its ferroalloys and 20% of its rolled steel to Europe. According to experts, the abolition of duties will at least help to align profitability and to accumulate funds for the modernization of its assets, as well as give Ukrainian goods a price advantage over similar products from Russia and China.<sup>21</sup>

Today a key aspect of Ukraine-EU relations is the move towards visa-free travel for Ukrainian citizens to the European Union. This is likely to bring mutual benefits in the near term. In May 2014, Kiev must adopt the latest laws and regulations of the first phase of the respective Action Plan. Brussels and Kiev apparently agree on the fact that the second phase of the Action Plan can be launched in the near future. According to Andrii Olefirov, the Ukrainian Deputy Minister of Foreign Affairs, the best case scenario supposes that the second phase of the Action Plan will be implemented before the end of 2014. Then, by May 2015 the announcement of the beginning of visa free travel could be expected.<sup>22</sup>

For the European Union the visa-free regime for Ukrainian citizens will be a powerful example of its soft power. According to 2012 data, only 17% of Ukrainians have ever visited the EU, the U.S. or Canada.<sup>23</sup> Most of the country creates its own perception of life in the EU from pictures they see in the media, as well as hearsay and misinformation. In addition, visa-free travel for Ukrainians would be a powerful impetus for Russian citizens for further rapprochement with Europe.

China should also be mentioned in this review of Ukraine's future relations with key foreign partners. Considering Ukrainian interests, post-Maidan authorities show little interest in developing relations with Beijing, which is regrettable. Under V. Yanukovych, China was considered as a counterbalance to Russia, as well as a potential investment source for the realization of numerous modernization projects, particularly in agriculture, energy and infrastructure. Given the passiveness of Kiev authorities, the new opposition—especially the Party of Regions, which had already

<sup>20</sup> Press release of the European Commission about the adoption of temporary tariff cuts for Ukrainian exports to the EU, 14 April 2014, <[http://europa.eu/rapid/press-release\\_STATEMENT-14-118\\_en.htm](http://europa.eu/rapid/press-release_STATEMENT-14-118_en.htm)>.

<sup>21</sup> "What Comes After EU Tariff Reductions for Ukrainian Industry", *Delo.ua*, 14 March 2014, <[http://delo.ua/business/chego-ozhidat-ukrainskoj-promyshlennosti-ot-snizhenija-poshlin-e-230087/?supdated\\_new=1399135451](http://delo.ua/business/chego-ozhidat-ukrainskoj-promyshlennosti-ot-snizhenija-poshlin-e-230087/?supdated_new=1399135451)>.

<sup>22</sup> Presentation and answers by Deputy Foreign Minister of Ukraine A. Olefirov at the World Policy Institute during the Media Club meeting on "The Visa-Free Regime with the EU: When Will Ukraine and Moldova Catch up?", 28 April 2014.

<sup>23</sup> « 75% of Ukrainians Have Never Been Outside Their Country », *Korrespondent.net*, 1 June 2012, <<http://korrespondent.net/ukraine/events/1355598-korrespondent-tri-chetverti-ukraincev-nikogda-ne-byli-za-granicej>>.

concluded a cooperation agreement with the Chinese Communist Party before—is likely to fill this gap, and become the principal conductor of the Ukrainian-Chinese cooperation.

Finally, in light of the expansionist policy of the Russian leadership, a rapprochement between Ukraine and Belarus has arisen, despite the dissimilarity of their political regimes. It seems that concerns in Minsk about Russia's annexationist intentions has forced Belarusian President Alexander Lukashenko, despite the alliance with Russia and the non-recognition of the Maidan protests, to establish an intense working relationship with Ukrainian President Oleksandr Turchynov, as well as to oppose the Moscow-imposed idea of the federalization of Ukraine. In case of a "cold peace" between Ukraine and Russia, the role of Minsk as a potential ally of Kiev in the CIS is increasing. Ukrainian-Belarusian trade and economic ties could act as a partial alternative to the relations with Russia, for both countries.

## Conclusions and Proposals

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1. Ukraine has entered a rather long period of political and social instability after the Maidan events. The goal of the Maidan protesters—a complete reset of Ukraine's political and economic systems—has not been achieved, therefore we can expect further power changes in Kiev in a short term perspective. At the same time, street protests in Kiev and the regions will gradually decrease. With the reinforcement of political institutions the struggle of various forces and centers of influence in the country will move gradually into the institutional sphere. Full restoration of legitimate authority in the Donbass region after the anti-terrorist operations is yet another problem and a process that will take time. An extremely difficult task will be to build a positive agenda for the region's residents that would convince them that a better life, development and welfare are possible and will be achieved in the united Ukrainian state.
2. In the the economic sphere, Ukraine is expecting a deep economic crisis in 2014. The crisis and the shock therapy policy will seriously affect the living standards of the population. At the same time it is unlikely that protests against deteriorating economic conditions will lead to actual political consequences. The most likely outcome will be the emergence in 2015-2016 of a European-style social-democratic party.
3. The political map of Ukraine will continue to undergo significant changes. The split between a pro-Ukrainian Center and West and a pro-Russian South-East will become a relic of the past. The range of political opinions in the regions will become more complicated. At the same time, the support of independence, territorial integrity and a European model for the country's development growing more objective in nature.
4. The political map of Ukraine is also waiting for a restructuring. The renewal of members will continue in the oppositional Party of Regions. We should also expect to see the emergence of Petro Poroshenko's own party. At the same time the current United Opposition will certainly be split between a pragmatic wing which supports Poroshenko and the populist wing that remains loyal to Yulia Tymoshenko. This split will remain a source of friction and disagreements in the Ukrainian political system for some time, and quite possibly lead to parliamentary and governmental crises.

5. Regarding foreign policy, the country will continue to reassess its priorities and the strategic partnerships with key countries. After the end of separatist unrest in the Donbass region, Ukraine will probably enter a long period of 'cold peace' with Russia during which dialogue will not go beyond the discussion of basic cooperation issues. The U.S. will act as the main sponsor and conductor of Ukrainian interests on the international stage. The EU will focus on helping Kiev in achieving European economic standards, in reforming its institutions along the European example and establishing a free trade zone between them. Kiev's relations with China will probably enter a period of stagnation. In general Ukraine will likely have little interest in regions of the world other than the Euro-Atlantic and the former Soviet Union.
6. European countries will no longer be able to do business with Russia without taking into account Ukraine's interests: this is one of the most important consequences of the Maidan, but few have fully realized it. Some European countries tried to avoid imposing sanctions on Russia and to retain to the greatest possible extent economic relations with Moscow on a "business as usual" basis: they failed. As a result, many lucrative projects for Russia and several European countries projects have been hit, including the construction of the South Stream gas pipeline, as well as military and technical cooperation projects.

Perhaps for the first time in its 23 years of independence, Ukraine has received sovereignty in international affairs. The question now is whether Kiev will be able to use this opportunity reasonably and effectively. In any case, Ukraine will never be the passive playing field of stronger geopolitical players again. Today, Ukraine has got the chance to implement its own policies, even if on the regional scale for the time being. The near future will show whether Ukraine will be able to raise its status to that of a regional player, or whether it will turn out to be another missed chance. The answer to this question will depend primarily on the ability of the Ukrainians themselves to modernize key aspects of their society in a short period of time and thereby increase the attractiveness of the Ukrainian model for neighboring countries.