

Ukraine – A Brief Overview of the Current Situation

By S of Beyond the Sippy Cup, 21 December 2013

Current Events

In the Ukrainian capital of Kiev, demonstrations are estimated to have drawn crowds of up to a million protesters (Ukraine's entire population is 46 million). The anti-government/pro-European protests have gained momentum since November after President Victor Yanukovich tabled a plan to sign trade accords with the European Union (EU). Russia supposedly threatened trade sanctions if Ukraine signed the pact. The opposition sees the EU agreement as a move towards freedom and prosperity versus a slide towards more corruption and the Russian model of 'controlled democracy'.

Many hoped Yanukovich would soften his stance after meeting with opposition leaders during roundtable talks on Dec 13 and public support of protesters and governmental change by powerful Ukrainian oligarchs (many of whom control large segments of Parliament). Any remaining hope of a near-term EU agreement was dashed Friday when Yanukovich accepted a \$15 billion bailout (bond purchase) loan and fuel concessions worth as much as \$3 billion from Russian President Vladimir Putin.

Context and Background

Ukraine has a legacy of struggling for independence amidst (geographically and politically) Russian and European efforts to control the region. The pain of a devastating famine under Stalin's industrialization, massive death tolls in WWII and the dissolution of the USSR still resonates with many Ukrainians. These memories, combined with differing industry and ancestral ties foster a deep divide between Eastern and Western populations. Corruption has plagued the country even after the Soviet fall, and the Orange Revolution in 2004 seems to have fallen well short of its goal of clean government.

Today the country faces a declining population¹ with steadily mounting debt. In 2010 the IMF approved a \$15 billion loan to be distributed over 29 months conditional on economic reform. Failure to implement reforms resulted in freezing of those funds just a year later. This leaves Ukraine in dire need of cash to cover what is expected to be a \$17 billion external funding gap (despite being the world's third largest grain exporter in 2011² and significant increases in meat exports this year³). President Yanukovich attributes much of the current economic situation to high fuel prices which the government subsidizes extensively.

Protesters and opposition leaders are primarily affiliated with the West while the Eastern population of Ukraine publicly supports President Yanukovich. Interviews with Easterners who staged counter-protests last week showed many subscribe to a popular rhetoric "the East feeds the West". They consider protesters young, rich idealists who (in the President's own words) "are covering up their actual helplessness, lack of professionalism and responsibility".⁴ These claims are not evidenced in the well-spoken interviews of opposition leaders. The credibility and enthusiasm of pro-government demonstrators is questionable as most were transported there by the government and paid cash to participate.

Effects on world politics, commerce, etc...

"Western Europe is emerging from a five-year fiscal malaise and is intent on renewing the eastward export of Western values; Russia seems intent on blocking that advance and guarding its sphere of influence".⁵ Other countries who have heavy trade with Russia may face similar pressure as they work towards similar EU agreements. Recent attention seems to have countries scrambling to choose sides like they're setting up a game of Risk.

The EU has gained a much-needed boost to their image (or maybe just their self-esteem) from the fiasco crediting protesters with "giving Europe one of the greatest contributions that can be given"⁶...confidence. In the short-term, the EU may have gained more from losing Ukraine than it would from taking on such a tremendous risk while recovering from the debt crisis.

The Russian-Ukrainian agreement has earned a range of criticism both worldwide and within Ukraine based on suspicions of back-door deals. Both leaders publicly avow there are no strings attached. There is no denying the move keeps Ukraine, often referred to

¹ N.a. (2013). ForUm. *Ukraine's Population Keeps Decreasing*. Retrieved 20Dec13 from <http://en.for-ua.com/news/2013/11/15/144336.html>

² N.a. (2012). *Ukraine becomes world's third biggest grain exporter in 2011 - minister*. Retrieved 20Dec13 from <http://www.blackseagrains.net/data/news/ukraine-becomes-worlds-third-biggest-grain-exporter-in-2011-minister>

³ N.a. (2013). *Ukraine Sees Big Jump in Poultry and Meat Expenses*. Retrieved 20Dec13 from <http://www.blackseagrains.net/novosti/ukraine-sees-big-jump-in-poultry-and-meat-exports>

⁴ Danilova, M. and Karmalau, Y. (2013) Canadian Press. *Ukraine Leader Tilts Toward Russia, Speaks Out Against What he Calls Western Interference*. Retrieved 19Dec13 from <http://www.globalpost.com/dispatch/news/the-canadian-press/131219/ukraine-leader-tilts-toward-russia-speaks-out-against-what-h>

⁵ http://www.nytimes.com/2013/12/15/world/europe/struggle-in-ukraine-reflects-a-larger-battle-between-europe-and-russia.html?_r=0

⁶ Ridgwell, H. (2013). *Voice of America. Ukraine Protesters Give EU Much Needed Image Boost*. Retrieved 20 Dec 13 from <http://www.voanews.com/content/ukraine-protesters-give-eu-much-needed-image-boost/1814627.html>

as the cradle of Russia, firmly in Moscow's sphere of influence. The most extreme opposition has characterized the agreement as a treasonous betrayal of Ukrainian independence, especially former (jailed) President Tymonshenko. As one opposition leader stated in an interview, "the only free cheese is in the mousetrap" (CNN interview).

The primary backroom deals suspected are a commitment to join Putin's Eurasian Customs Union and to "give Gazprom a stake in the vast Ukrainian pipeline which still pumps the lion's share of its Europe-bound exports"⁷. A deal with the unbundled Gazprom would be incompatible with EU rules under their Energy Charter (Ukraine is a signatory) so there is concern Ukraine may quit the charter.³

Potential threats to US and Allied interests

Ukraine is likely a pawn in all of this and Putin is capitalizing on Yanukovich's resistance to being 'nannied' by the US or Europe. Russia may no longer be a sworn enemy of the US but there is no love or trust lost between these nations (especially in light of recent developments like Snowden and Syria). Whether this poses any threat to the national security of the US, our Allies, or our interests ultimately depends on Russia's true motives. Real global power is gained through a controlling interest in establishments that span all nations. In today's world holding the ground may not be necessary if you can dominate a global sector like trade, energy, information, or religion. Are the Russians playing hardball like any other free-market competitor or is there a more nefarious plot to take over the world?

Some believe Russia's continued integration into the global economy (WTO member and potentially an OECD member soon) will create dependencies that can be exploited as a safety net. This thinking may be seriously flawed because free trade is not unconditional; it requires all parties play fairly to work right. Fair play may be an overly optimistic expectation for a country ranked 127/177 on Transparency International's corruption scale (2011) and led by a former KGB Officer. There is definitely a threshold where dependency becomes mutual. If Russia has sabotage in mind from the beginning it could mean disaster.

Russia has already forged agreements with Belarus and Kazakhstan in efforts to form a Eurasian Customs union. It remains to be seen whether it is just a precursor for political and military alliances. This reunion of former Soviet republics could be an honest effort to bring them all out of the economic flail they have suffered since the USSR's dissolution. It could also be Putin's attempt to play savior while creating dependency and obligation as their economies flounder.

Sevastopol still houses the Russian **Black Sea Fleet** under a **leasing** agreement. It is unlikely but has been suggested that Russia could annex the Eastern portion of Ukraine using troops stationed there to gain access to resources and a pathway for fuel to Europe.

Ukraine continues to maintain the second-largest **military** in Europe, after that of Russia. This is only a consideration if Ukraine were to eventually enter into a military alliance with Russia.

Relevant US Policy

The US supports a secure, democratic Ukraine more closely integrated in the Europe and Euro-Atlantic region. US officials have openly supported the protesters. Senator John McCain even made a trip to the Maidan and made a fiery speech outlining recent incidents of Russian pressure on other post-Soviet republics when he returned⁸. Lobbyists hired by both sides are seeking to influence Congress. The Senate has passed a resolution to release former President (and Yanukovich's rival) Yulia Tymonshenko from prison and are contemplating a proposal to respond with sanctions should the government repeat violent crackdowns on the protesters.

Although regular trade exists and the US provides financial aid to Ukraine, the impact of halting it all would be insignificant compared with the larger issue of an ulterior Russian motive. Some experts warn the true risk here is Russian corruption, and that although supporting the Ukrainian goals of anti-corruption and prosperity, the people who need more encouragement are the Russians.

The people of Ukraine want prosperity and a clean government and this will likely delay it again until they come to an agreement on how to fix the underlying cause of their deficit. Anything the EU or US can do to unite the two sides against corruption will likely yield the best outcome.

⁷ Olearchyk, R. (2013). Financial Times. *Ukraine's Yanukovich: Thanks for the bailout, Russia... want the gas pipeline now?*. Retrieved 19Dec13 from <http://blogs.ft.com/beyond-brics/2013/12/19/ukraines-Yanukovich-thanks-for-the-bailout-russia-want-the-gas-pipeline-now/#axzz2o3PGXtk1>

⁸ McCain, J. (2013). Remarks by Senator John McCain on Ukraine at the Atlantic Council. Retrieved 19Dec13 from <http://www.mccain.senate.gov/public/index.cfm/press-releases/>