

## Could Russia and EU jointly rescue Ukraine?

1. Recent tragic developments in Ukraine, which have brought East-West relations to the edge of the Second Cold War could hardly be understood if we look only three months back. Recent developments have effectively put an end to the period of partnership and cooperation between the West and Russia which generally prevailed during the quarter-century after Cold War I. The rosier period of this cooperation lasted for 10 years (1989-1999) and ended after NATO intervention in Yugoslavia with heavy bombing that lasted for two months and a half. The famous U-turn over Atlantic by then Prime-minister Primakov was a clear indication of this end.
2. But over next 15 years relations were more or less correct and friendly. After 9/11 Putin was the first among world leaders who called Bush. Not the US marines, but Northern Alliance tanks fueled with Russian gasoline and equipped with Russian artillery ammunition stormed Kabul two months later. Putin called NATO Secretary wondering about the possibility of Russia's NATO membership. In response, he received sort of a cold shower – something like 'you have to line for it'. But despite that Northern supply chain of ISAF worked like a Swiss watch and provided 60% of all cargo.
3. But of course a kind of 'historical fatigue' has accumulated on both sides. It is not big news that the historical 'windows' for a major political breakthrough do not last forever. Let me mention just three developments which were most scaring for Russia. First, massive expansion of NATO and EU. Second. US policy in the so-called 'wider Middle East', which resulted

in bloody civil wars in Iraq, Syria, Libya and Afghanistan. Those who pretended to be security providers in the region turned into providers of insecurity. Finally, a plan for BMD system deployment in Eastern Europe, with dubious explanations comparable to those for the invasion of Iraq. My guess is that if we could only have had a new CPA with the EU and have torn down Schengen Visas Wall, just like Russia had demolished the Berlin Wall, perhaps now we could witness a totally different situation. Shortage of trust, mental inertia, vested interests on both sides have brought us to the point of where we are now. Let me only mention a banal fact that secession issues are mainly dominated by interests and threat assessments.

(Slide 1)

4. Let's talk about the events which took place this February and March. Kremlin perception is that Western-supported coup d'état, or revolution in Kiev undermined a delicate balance in the country which is key to Russia culturally, historically, geographically and economically. In response Moscow comes back into the European stage, for the first time since 1989. Geopolitically it means the end of massive reduction of Russian power and influence in Europe. If this time Putin chooses the Gorbachev way of handling things he will meet a much stronger domestic resistance than the one that President of the former USSR faced in his times. Moreover, Mr. Putin's behavior is motivated by standard geopolitical considerations. Mr. Obama responded to that saying that the Russian leader "seems to have different set of lawyers, making a different set of interpretations". However, Putin sees this conflict in existential, geopolitical, not legal terms. He finds himself in John Kennedy's shoes, when Nikita Khrushchev bluntly moved nuclear missiles to Cuba.
5. Meanwhile, I believe that Moscow's recent stand towards Ukraine-EU relations was a mistake. We just followed EU into a wrong zero-sum game.

Such policies have actually turned Ukraine into a kind of both cherished prize and “waste material” in mutual relations. Washington also played a key role in precipitating this trend. While the White House lacked understanding that Putin would view these developments as a direct threat to Russia’s core strategic interests, it meant serious lack of expertise on the US side. A wild competition between two unequal parties carries additional risk of underestimating the other side or – what is more dangerous – overreacting to its actions. The correct attitude towards Ukraine supposes not a definite choice between EU or RF, but choosing both. Trade issues, which could result from signing a cooperation agreement, should be solved by trilateral (EU, Ukraine, Russia) Commission. This approach has been suggested by Moscow but rejected by Brussels. So, my point is that we have to look on this situation in a much broader perspective, to have a more stereoscopic view than a Professor of law from the Pennsylvania avenue would have. May be in the chemically clean world which could happen only after the “End of History” he would be right. However, against the reality of the demise of the last European Empire of the last century we are still pretty far from this end.

**Now about Ukraine itself.** Last decades for this country were lost completely. There were no structural reforms, or a noteworthy building of institutions. Changing political groups in Kiev considered state power more as a commercial undertaking. The outcome is rather gloomy. By 1990 per capita GDP of the Ukrainian Soviet Republic was 6% higher than that of socialist Poland. Last year, Poland’s GDP per capita was three times, I am emphasizing three times larger than Ukraine’s. **Ukraine is the only post-Soviet nation that has not returned to the standard of living of the Soviet period.** In the beginning of post-Soviet transition Ukrainian GDP was 3 times higher than that of Kazakhstan – today it is lower, while the population of the Ukraine is 3 times bigger than that of

Kazakhstan. **(Slide 2)** Naturally, its per capita GDP today is much less lower than that of Kazakhstan and Belarus, while the numbers were approximately equal in 1990 **(Slide 3)** .

Similar picture is characteristic of labor productivity **(Slide 4)**. Ukraine turns into one of the poorest European countries. With the population of 46 mln the country's GDP is smaller than that of Greece or Portugal **(Slide 5)**. On a per capita basis it is 5-7 time less than that of Southern Europe. **(Slide 6)** Ukraine needs USD 15 bln this year to meet scheduled payments. So the country is on the verge of default. **(Slide 7)**

The facts prove a transit-rent-seeking behavior of the Ukrainian elite. Currently this elite finds support in the far-right extremists. Moreover, those well organized, ideologically motivated and trained gangs currently took the lead. Ethnically they are western Ukrainians hatefully opposing not just Russian influence, real or imagined, but eastern parts of the country as well. During the II World War their predecessors was most motivated allies of Hitler and SS, exterminating not just "commissars", but dozens of thousands of Jews and Poles (Volyn massacre) **(Slide 8)**

They forced Ukranian politicians to throw away the agreement of February 21 on the Government of National Unity and set up 'the Government of the Winners, as Mr. Yacenuk put it. Their next step was adopting a law against the use of the Russian language (later it was called back) , which violated the European Charter of regional languages. That caused social and political unrest in Southeast part of the country. Currently those neo-Nazi dominate law enforcement agencies, education and sport (which mean training facilities). Instead of disarming as stipulated in the agreement signed by foreign ministers of France, Germany and Poland, those ultras become the basis for a new National Guard, they occupied

Kiev downtown hotel for their headquarters and look somewhat like Hezbollah in Beirut.

So Ukraine is in a deep trouble, close to default and becoming a failed state.

My second point is that positive solution could be a joint EU-Russia rescue road map for the Ukraine. What are we to rescue Ukraine from?

First and foremost, from the danger of civil strife and possibly a civil war.

Secondly, from the threat of humanitarian disaster.

Should they happen, each of them is bound to grow into a major problem not only for the Ukraine but also for Russia and the EU. It will gulp financial and other resources from both. It is also highly likely that it may seriously affect security in Europe.

Considering all that, we thus will be rescuing not only Ukraine and her people. We shall be rescuing ourselves from threats and losses, which could be expected should the situation in the Ukraine move along the lines of the worst-case scenario.