

## Preparing for a post-Yanukovich Ukraine

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President Yanukovich may be back to work after sick leave, but that is not going to help. Quite apart from his corrupt and undemocratic leadership, his work has demonstrated total professional incompetence from the beginning to what may now be his end. His presidency began by agreeing a 25-year extension for Russia's lease on the Sevastopol naval base in exchange for a supposed gas price discount, which left Ukraine soon after paying even more than Germany. He has brought the Ukrainian economy to the brink of bankruptcy, and two weeks ago he passed into law sweeping repressive measures against the EuroMaidan, which so infuriated the people that he had to repeal them a week later. He cannot carry on like this.

Regardless of when or how he quits office, his legacy will present huge and urgent problems for his successors, who under a *first hypothesis* would consist of some configuration of the present opposition leadership. The new government will be immediately confronted with the consequences of the financial and economic deals done by Yanukovich with Putin. Ukraine owes a lot of money to both Gazprom and the Russian state, and the current gas-price discount of one-third and continued Russian funding are vulnerable to being discontinued at Moscow's discretion. A chaotic financial, political and diplomatic scenario looms on the not-so-distant horizon, which in today's revolutionary climate could lead to all manner of disasters, not excluding (as ex-President Kravchuk has just told the Rada) the disintegration of the Ukrainian state itself.

The EU, elected by the Ukrainian street as honorary sponsor of the EuroMaidan, has to prepare for this contingency. Emergency situations require emergency measures, which the EU institutions and member states are advised to formulate now. The measures should be strong, immediate and comprehensible to Ukrainian citizens, and based on the steps outlined below.

First the EU should help the Ukrainian economy offset the new punitive Russian trade sanctions, which could well be intensified, with an immediate interim implementation of key elements in the not-yet-signed Association Agreement (incorporating the Deep and Comprehensive Free Trade Agreement). The latter would notably consist of the suppression of EU import duties on Ukrainian products on day 1, whereas Ukrainian duties would only be gradually phased out. This would give an immediate stimulus for Ukrainian industries to

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make a new push to export to European markets. The new Ukrainian leaders would sign the Association Agreement without delay, since it is already provided there that the tariff measures are among the 'interim agreement' measures that do not have wait for ratification. There would be also an understanding that the two parties would negotiate over those provisions in the Agreement that most worry the Ukrainian side with a view to working out remedial or compensatory implementation measures where justified.

Second, the EU should signal to the IMF its willingness to increase its co-financing for a bail-out operation to the extent of 50%, rather than the token sum of some \$600 million offered so far; or to contribute comparable sums to an international coalition including the US (which press reports now say is under consideration). This will necessarily at some stage link to the question of repayment of debts to Russia. This problem could be addressed by a combination of rescheduling Russia's short-term loans to Ukraine, irresponsibility granted without macroeconomic conditions, and recuperating funds embezzled by the Yanukovich regime (estimated by Anders Åslund to have amounted to \$8 to 10 billion per year<sup>1</sup>). Screening for assets of Yanukovich and his 'family' in Western financial institutions should be coordinated between the EU, US, Switzerland and cooperative offshore financial centres, if they have not already begun this process.

Serious efforts at visa facilitation would also be greatly appreciated in Ukraine, for example by making multi-year, multi-entry visas easily available to all Ukrainian nationals who have already been granted short-term visas without breaking the rules by overstaying (the member states can do this on their own initiative, since multi-year visas are not part of EU or Schengen competence).

Finally the EU should signal to Russia its interest in pursuing without further delay the proposition of free trade with the customs union of Russia, Belarus and Kazakhstan, to which Putin expressed openness at the EU-Russia summit in Brussels on January 28<sup>th</sup>. This would be accompanied by the understanding that Ukraine would be free to enter into an excellent free trade agreement with the EU and as well as the Russia-led customs union. The legal/technical problems due to Belarus and Kazakhstan not yet being members of the WTO can be sorted out in due course, since the negotiations would take, in any case, considerable time. Nevertheless, the start of these negotiations would be a strategically important political opening towards Russia, picking up on Putin's slogan of 'Lisbon to Vladivostok'. Perhaps the Kremlin is becoming sufficiently worried about Ukraine spinning out of control that it would welcome a move from confrontation to cooperation in its relations with the EU over their common neighbourhood.

These steps are of an order that could help the new leadership in Kyiv both survive its tumultuous first weeks and prepare for sound governance, with a crucial contribution to come from the Association Agreement with the EU.

There are many alternative political scenarios implicit in the speculations swirling among Ukraine's distressed and bewildered population. Our first hypothesis offered a scenario of hope. The alternatives include scenarios of disaster of huge proportions and unpredictable consequences for Ukraine and the strategic stability and security of all of Europe. Various factions within Yanukovich's Party of the Regions are showing unhappiness with their leader. Some in Kharkhiv advocate greater use of force, which would head further down the road towards a dreaded civil war. Others talk of adding federalisation to the menu for constitutional reform, which could slide into separatism. Radicalisation could deepen on

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<sup>1</sup> Anders Åslund, "Payback time for the Yanukovich 'family'", Petersen International Institute for Economics, Washington, D.C., 13 December 2013.

both sides, from the Right Sector and neo-fascist elements concentrated in the West against militant pro-Russians concentrated in the East.

Preparing mentally for the worst, a *second hypothesis* combining such elements could lead to what might be called the 'Transnistrialisation' of Ukraine, involving a separatist movement in Eastern and Southern Ukraine, including Crimea, which would mean *de facto* a break-away from being governed by Kyiv. This scenario may be what ex-President Kravchuk had in mind in talking about a break-up of the state. It is difficult at this time to envisage with any precision how this would develop, with the possibilities ranging from sporadic, minor violence to a full-blown civil war, with or without establishment of border controls, etc. Maybe in a first stage there would be a creeping disintegration of the state with disobedience of regional leaders, just as there is already occupation by opposition movements of many regional administrative infrastructures in the West.

The critical factor then would be the response of Russia, which has presumably already given up on Yanukovich being able to resume effective control. He would thus go in any case at some point. The crucial question for the Kremlin would be whether they prefer to see the emergence of 'Transnistrialisation' more than a single democratic Ukrainian state. The former model of Russian foreign policy has already been on display throughout the last two decades in the relatively small examples of Georgia and Moldova. But the case of Ukraine is at least ten times more important. It has also the special Crimea and Sevastopol factors: the Russian naval presence in Sevastopol, and the association in the Russian mind-set of Crimea as the part of historical Russia that Khrushchev stupidly gave away to Ukraine a few decades ago, but where the current simmering tensions between Russians and Tartars could easily ignite into local conflict. And then if the Odessa region to the South were part of the separatist bloc, there would be territorial contiguity with the original Transnistria, and so on to a change of government in Chisinau, which would also withdraw from the Association Agreement with the EU. What a triumph!

But would it be so? What if such developments led to real civil war? Where would the political dynamics lead, for Ukraine, Europe, Russia, and especially for Russia's place in the world, with the 'law of unintended consequences' set to have a field-day?

The overwhelming lesson from the history of revolutionary situations, from Paris 1789 to Cairo 2011, via Russia 1917, China 1911 and Iran 1979, is that unless strong and sound fresh governance structures are immediately put into place, the political dynamics lead to catastrophic radicalisation, chaos and conflict. This model of revolution is already on the move in Ukraine, but still at an early and reversible stage. To paraphrase George Santayana, European leaders from Brussels to Moscow must now 'remember history before seeing it repeated'.