

**POLITICAL TRENDS
IN THE NEW EASTERN EUROPE:
UKRAINE AND BELARUS**

**BELARUS AND RUSSIA:
COMRADESHIP-IN-ARMS
IN PREEMPTING DEMOCRACY**

Vitali Silitski

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DOMESTIC CHANGES AND FOREIGN
POLICY RECONFIGURATION**

Arkady Moshes

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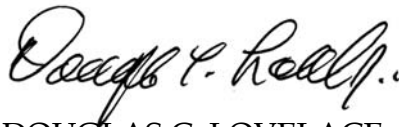
FOREWORD

Belarus remains the last true dictatorship in Europe. As such, its internal and external security agenda is an abiding matter of concern to the European and Western communities. But its trajectory is of equal concern to Moscow, which has been the prime external supporter and subsidizer of the Belarussian government under President Alyaksandr Lukashenka. So while Europe seeks to induce democratic change and democratic forces are trying to establish themselves in the face of withering oppression, Russia has hitherto been the main external prop for Lukashenka's policies. But despite this support—most pronounced until 2007 in terms of defense cooperation which is continuing, and in energy subsidies which are being terminated—tensions between Moscow and Minsk are growing. The brief energy cutoffs imposed by Moscow at the start of the year and Belarus' retaliation shows that not all is well in that relationship. Not surprisingly, Lukashenka has now turned back to the West for foreign support, but it will not be forthcoming without significant domestic reform which is quite unlikely.

Ukraine presents a different series of puzzles and challenges to Western leaders and audiences. It too has suffered from Russian energy coercion, but its political system is utterly different from Belarus and in a state of profound turmoil. Therefore, precise analysis of what has occurred and what is currently happening in Ukraine is essential to a correct understanding of trends there that can then inform sound policymaking.

These two papers, presented at the Strategic Studies Institute (SSI)-Ellison Center conference on Russia

in 2006, open the way to this kind of informed understanding of important issues in European security and enable readers to begin to make sense of the complex issues involved in each country. In both cases, the interplay of domestic and foreign factors of security is critical to any grasp of the issues in Belarus and Ukraine and thus to sound policy analysis and policymaking in regard to them. This interplay is one of the defining features of the international security agenda that the U.S. Army, U.S. Government, and to a lesser degree, SSI grapple with on a daily basis and which SSI seeks to present to its audiences.

A handwritten signature in black ink, reading "Douglas C. Lovelace, Jr." in a cursive script.

DOUGLAS C. LOVELACE, JR.
Director
Strategic Studies Institute

BELARUS AND RUSSIA: COMRADESHIP-IN-ARMS IN PREEMPTING DEMOCRACY

Vitali Silitski

Overview.

For most of its existence as a newly-independent state in Eastern Europe, Belarus enjoyed a dubious reputation of being the continent's last dictatorship. The regime established by the country's president, Alyaksandr Lukashenka, has a solid domestic base. Nevertheless, the continuous political, economic, and diplomatic support provided to Lukashenka's Belarus by its Eastern neighbor, the Russian Federation, greatly contributed to the overall stability and smoothness with which the Belarus leader accumulated power, institutionalized his autocratic rule, and fended off both internal and external challenges.

Belarus-Russia relations are often seen as the alliance dominated primarily by ideological rather than pragmatic reasons. This point of view is not completely adequate, though. Incumbents and political elites in both countries have considerations far broader than immediate material benefits for themselves, their budgets, and national economies. They constantly calculate and weigh a variety of political, social, economic, and cultural factors that ensure or threaten their political survival and stability of power. In this sense, the Belarus-Russia union has served the Kremlin under both Boris Yeltsin and Vladimir Putin and the official Minsk throughout the last decade. By pursuing an al-

liance with its Eastern neighbor, Lukashenka guaranteed economic advantages crucial for his unorthodox policy experiments and a cover-up on the international arena. By engaging with Lukashenka, the Yeltsin regime was able to minimize somewhat the political pressure exerted by Communists and ultranationalists, and to reestablish some credibility with military and bureaucratic elites who loathed disintegration of the Soviet Union. In spite of several highly-publicized brawls with Lukashenka, Putin's administration generally continued this line, although more for geostrategic than purely political reasons.

In the last few years, pragmatism and ideology converged in Belarus-Russia relations under the influence of the wave of democratic revolutions that swept through the former Soviet Union in 2003-05. Paraphrasing the words of President George W. Bush, autocratic incumbents throughout the region came to understand that the survival of their own regimes greatly depended upon the preservation of autocracies beyond their borders. Ukraine's Orange revolution in 2004, in particular, hastened the formation of an informal "authoritarian international" of former Soviet leaders who are eager to provide each other political, intellectual, and information support to reverse the wave of the democratic change. The Belarus-Russia union is rapidly becoming a core of this newly-emerging authoritarian international.

Belarus-Russia Relations: A Review of the Decade.

Belarus-Russia relations underwent several transformations before coming to their current stage, but their depth and context was always determined by the internal political realities in both countries. The

first stage, spanning from the arrival of Lukashenka to power in 1994 until resignation of Russia's President Boris Yeltsin, was characterized by a seemingly ambiguous condition: Russia, arguably a more democratic and definitely more pro-Western and market-oriented country at the time, chose to support an openly anti-democratic, antimarket, and anti-Western regime in Belarus.

But there was no paradox in the Yeltsin-Lukashenka alliance. The political instability and economic upheaval in the Russian political arena nurtured ultranationalist and Communist forces that scored victories in, respectively, the 1993 and 1995 parliamentary elections. Anti-Western sentiments and ideas of restoring the former empire were on the rise when the "romantic" period in Russia's relations with the West was cut short by the invasion into Chechnya and the growth of the North Atlantic Treaty Organization (NATO) against Russia's objections. And while reintegration of former Soviet states proved to be impossible, the availability of Belarus to build a quick and tangible political, economic, and military union gave the elites a chance to prove their commitment to the idea of Great Russia to the domestic audience. Hence, Yeltsin and his entourage had little choice but to engage with and support Lukashenka, even though it was often half-hearted.

Lukashenka masterfully utilized these moods to his advantage by actively interfering in Russia's internal political life on the side of Communist and ultranationalist forces. Setting himself as Russia's best friend in the near abroad, he managed to secure enormous economic benefits that enhanced the stability of his rule. In March 1996, a principal agreement to establish a Community of Russia and Belarus was paid for by

Russia's decision to write off approximately \$1 billion of Belarus's debt. In exchange for forming the Union, Belarus received unlimited access to the Russian markets and maintained the opportunity to purchase oil and gas at the price normally offered to Russian consumers. Since oil and gas accounted for almost half of Russian imports to Belarus, this was the most important source of Russian subsidies to Belarus, amounting to over one billion U.S. dollars per year, according to independent analysts.¹ The customs union between the two states placed Belarus in control of most of Russian exports and imports to the West, as they crossed the Belarusian border. The tolerance of Belarus' energy debt by Russia allowed Belarus to save up to 2-3 percent of its gross domestic product (GDP) per year.²

Yet, Russia's backing for Lukashenka was not merely an act of philanthropy. As early as February 1995, when the Friendship and Cooperation Treaty was signed, Russia was permitted to retain its military presence in Belarus until 2010 and would secure free-of-charge use of the air defense facilities. The two countries established a customs union: the Northwestern frontier of Belarus was to be de-facto transferred to the military and customs border of the Russian Federation, as joint border patrols and customs offices were to be established. Belarus offered Russia a corridor to the Baltic enclave of Kaliningrad, while it abstained from levying fees on the transit of Russian goods, oil, and gas. Last, but not least, Belarus emerged as an active arms trader, and while most of the arms it sold were produced in Russia (and often modernized in Belarus), some of the sales were apparently conducted to countries with which Russia preferred not to deal in order to avoid blemishing its international image.

Throughout the Yeltsin era, Lukashenka was a dominant force in determining the speed and character

of Belarus-Russia relations as he turned the integration process into an extension of his strategy of establishing a system of unlimited authority at home and providing it with a life support mechanism from abroad.³ However, this project could only be implemented in the framework of a confederal state. Hence, Lukashenka ended up restraining the process of a Russia-Belarus merger when demands for a higher degree of integration were issued from the Kremlin.

The second stage of the Belarus-Russia relationship spans from Putin's accession to power in 2000 until the end of 2004, a landmark spotted by two events: the constitutional referendum that allowed Lukashenka to remove term limits on the presidency and arrange for infinite rule, and the Orange revolution in Ukraine. During this stage, the ideological aspects of integration that dominated the first stage were somewhat downplayed, and Russia's impact on Belarus politics became more ambiguous, making observers wonder whether the new Putin government had second thoughts about whether Lukashenka had to be supported in the future.

Unlike his predecessor, Putin was free from the sense of guilt for the break-up of the Soviet Union. Enjoying a broad public support in his own country, Putin lacked a political need to engage in the integration game with Belarus to accumulate political capital inside Russia. On the international front, the brief re-orientation of Russia's foreign policy towards a greater degree of cooperation and even a potential alliance with the West in the aftermath of the September 11, 2001, attacks on the United States undermined the rationale for adoption of Lukashenka's regime as a bulwark against the eastward expansion of NATO's political, economic, and military influence.

Putin's push for economic liberalization produced a formidable challenge for the "Belarus economic model" that had to be adjusted in the face of Russia's increasing reluctance to subsidize Belarus. Even though Putin's implicit support helped Lukashenka in his reelection campaign in 2001, Russian political and business circles intensified pressure on Lukashenka to allow privatization of Belarus' most lucrative assets by Russian oligarchs. Moreover, Putin himself crushed Lukashenka's hopes of prolonging his political existence at Russia's expense by suggesting in August 2002 that Belarus should join Russia in forming six regions, effectively burying the confederal project that had been nurtured by the Belarusian president for almost a decade. While Lukashenka rejected the offer, he faced a tough time ahead, as the political pressure was followed by the economic attack. In the upcoming 2 years, Russia heavily pressed for granting access to privatization of Belarus' petrochemical sector and gas transit facilities, threatening to hike gas prices if Lukashenka chose to keep these companies state-owned. The confrontation peaked in February 2004, when Russia's gas monopoly, Gazprom, cut off supplies to Belarus for a day. Months later, Belarus finally acquiesced to hikes in gas prices that were increased from 27 to 46 dollars per thousand cubic meters.

Yet, the "gas war" failed to undermine Lukashenka, who even managed to extract political benefits from it by portraying himself to the public as a guarantor of Belarus's independence and social stability against the intrusion of Russia's oligarchs. Moreover, gas hikes were partly compensated by the loans provided by the Russian government. Last but not least, the hike's damage to the Belarus economy was more than compensated by the rapid economic growth in Russia and

the increasing purchasing power of its consumers due to the world oil price hikes, which greatly expanded the opportunities for Belarusian exporters and allowed its economy to grow by 9-10 percent per year, according to official estimates, in 2004-05.

But most importantly, rumors about Putin's changing opinion of Lukashenka and even his opposition to his plans to arrange for infinite rule turned out to be greatly exaggerated. Actions against Lukashenka, first, carried certain domestic political costs and risks of antagonizing both the society and elites, where the idea of union with Belarus and support for its leader remained popular. Second, by establishing a system of absolute authority and neutralizing the opposition, Lukashenka left little, if any, room for outsiders to act on Belarus' political scene. Third, the domestic clientele for Russia's encroachment was almost nonexistent: for the opposition, any cooperation with the Kremlin carried a risk of surrendering independence, and attempts to engage in it were immediately attacked from within; for the ruling elite, Russia was hardly attractive, given that the potential arrival of its big business to Belarus' territory would deprive the Belarusian bureaucrats of ubiquitous opportunities for material enrichment by ripping bureaucratic rents. Fourth, and most important, the strengthening authoritarian tendencies in Russia itself left its leadership with little rationale for undermining Lukashenka.⁴

The period of uncertainty in Belarus-Russia relations ended in September 2004, when the third stage began. Following the bloodbath in the North-Ossetian city of Beslan, Lukashenka announced on September 7, 2004, a constitutional referendum on removing term limits for presidency. By doing so, he cynically exploited Russia's tragedy, using it for propaganda purposes

to contrast Russia's chaos with tranquility in Belarus. Nevertheless, Russian officialdom did not react to this gesture, and, moreover, criticism of Lukashenka on its official TV was silenced. When referendum results were announced among widespread allegations of fraud and even possible defeat of Lukashenka had the vote been counted in a fair way, put forward by domestic and international observers, the Kremlin congratulated Lukashenka and endorsed the results, accusing the West of using double standards when criticizing Belarus. The economic issues were also resolved, as following the referendum, Russia agreed to supply Belarus with gas at a continued discounted price for at least a year.

The rationale for once again shifting to undisputable support for Lukashenka became understandable a few weeks later during the events now known as Ukraine's Orange Revolution. The Kremlin's unequivocal support for former Prime Minister Viktor Yanukovich and its de-facto endorsement of the vote fraud in Ukraine signaled Russia's determination to prevent the spread of the wave of democratization in the former Soviet area, as it allegedly threatened to undermine Russia's hegemony in the region. While Russia's attempts to impose its own version of "managed democracy" (or, more exactly, bureaucratic authoritarianism) in Ukraine failed, the determination remained in place, and transformed into the policy of boosting autocratic leaders wherever democracy still failed to take hold. The renewed synergy in Russia-Belarus relations makes the parties a perfect fit for joining forces in preempting democracy; moreover, these relations can become a model for the entire "authoritarian international" in the post-Soviet space.

Joining Forces in Preemption.

Before reviewing this new stage of Russia-Belarus relations, let me define what preemptive authoritarianism is. This strategy to combat the democratic contagion is becoming commonplace in the political practices of nondemocratic governments throughout Eurasia. Preemption is pursued in anticipation of challenge, even when there is no immediate danger of a regime change.⁵ The accumulated knowledge from the downfall of former authoritarians makes the incumbents increasingly hesitant to play with the facade elements of democracy that they tolerated for a while, such as competitive elections, independent media, civil society, and external democracy promotion efforts. These regimes survived the wave of democratic revolutions exactly because these factors of uncontrolled or only partially controlled political and civic life had not yet fully developed to generate a strong impulse for a political change. Now, with knowledge on their side, authoritarian incumbents have tools and motivation to carry out preemptive strikes against pro-democracy movements and civil society, criminalize opposition activities, and instigate public fear against the prospect of regime change as well as internal protagonists of democracy and democracy promotion.

The external dimension of preemptive authoritarianism is defined by the importance of mutual assistance between the regimes in helping to combat democratic challenges, which in turn grows from the increasingly internationalized character of the democratic movement and civil society. Moreover, there is a logic that Russia (given its geopolitical importance and economic, military, and intelligence resources) is emerging, after its own recent retreat from democratic

experiments at home, in the new “authoritarian international.” As the most far-reaching integration project in the post-Soviet space, the Russia-Belarus alliance logically becomes a cornerstone of this “authoritarian international.”

The first example is Russia’s efforts of boosting international legitimacy of post-Soviet autocratic regimes exhibited in Belarus, the only CIS autocracy located in Europe and thus most severely scrutinized and criticized by its observers. The team of CIS election observers, usually led by Russia’s former head of national security Vladimir Rushailo, rubber-stamps approving reports of any elections within the “authoritarian international.” Moreover, Russia actively lobbies to undermine international election monitors that it can control, first of all the OSCE observer missions. For the last 2 years, the Kremlin actively lobbied to downsize this dimension of Organization for Security and Cooperation in Europe (OSCE) activities, threatening to block financing of the organization along the way. When it failed to block international efforts, official Moscow recently began to engage in diplomatic counterattacks: thus, after the harsh statement on nonrecognition of the March 19 presidential election in Belarus was issued by OSCE, Russia’s foreign minister Sergei Lavrov accused the observers of “instigating mass disorders” in Minsk.⁶

The second example is propaganda and spin of the Kremlin-controlled media that spills over Russia’s geographical borders. Here it should be mentioned that much of the democracy-bashing in the former Soviet Union (and given the position of the Russian language, Kremlin-controlled media have a huge impact in forming public attitudes even outside Russia’s borders) is going on under the slogan of combating international

terrorism. This message is still credible with the audiences in the former Soviet Union, and is not always understood as a vehicle of anti-Western propaganda, given that Russia joined the tactical alliance with the West in 2001 exactly under this slogan. While the abuse of anti-terrorist rhetoric for the sake of covering up antidemocratic politics in Russia itself is well-known, its security agencies began helping other regimes establish a link in public consciousness between democracy and terrorism. Thus, almost a year before the Belarusian KGB chief Sciapan Sukharenka declared that the opposition planned explosions during the elections and even poisoning the water supplies with rotten rats, Russia's FSB director Nikolai Patrushev "unmasked," in May 2005, a plot by the West to use unspecified terrorist organizations to finance the Belarusian opposition in the run-up to presidential elections.⁷ It should be mentioned that similar terrorist allegations have been issued against the opposition in other post-Soviet countries as well, and, more generally, Russian official media spare no effort in discrediting the newly democratized states of Eurasia not only for Russia's domestic, but also for broader CIS audiences. Another form in assisting cultural preemption is the work of Russian spin doctors (who notoriously failed during the Orange Revolution in Ukraine) to assist in internal propaganda campaigns. It is not surprising, for example, that the Kremlin's principal spin doctor, Gleb Pavlovsky, who currently hosts a propaganda program on one of Russia's nationwide TV networks, has become a frequent visitor to Belarus. He was offered a lavish opportunity to interview Lukashenka, praised him on his program, and was possibly involved, alongside Russia's image-making agencies, in framing the official propaganda line during and after the elections.⁸ During the March presidential election campaigns, the Russian media,

and in part even the Russian-language version of the Euronews channel, replicated the claims of official Belarusian TV networks in the aftermath of the vote that described the failed protest effort in Minsk as an action driven by a bunch of extremists.⁹

The third example is assisting in “retail” repression against opposition activists from other CIS countries. While the most notorious case in this respect was arresting and deporting Uzbek opposition activists from Russia after the Andijon events, a similar pattern, although with less grave consequences, emerged in Russia-Belarus relations as well. For most of the last decade, Russia was a relatively safe heaven for Lukashenka’s opponents and his former officials who fell out of favor with the regime. This, however, seems to be coming to an end. According to some reports, Russian FSB officers helped their Belarusian colleagues with leads on the opposition activists who smuggled the banned literature to Belarus during the last election campaign. In another episode, Russian printing houses located in Smolensk refused publication of the Belarus independent press before the election, forcing some to suspend publication altogether. Interesting as well, the Russian embassy in Belarus made little effort to assist in the release of Russian citizens arrested in Minsk following the post-election protests.

The last example is the “fraternal” economic assistance to help survive political storms. Thus, before the March 2006 presidential elections, Russia froze natural gas prices for Belarus at 46 U.S. dollars per thousand cubic meters, only a fraction of the price paid by Ukraine. This subsidy for Lukashenka’s “economic miracle” helped him to maintain impressive rates of economic growth in general and wage hikes in particular, boosting his propaganda of stability as the main theme of the official election campaign. At the same

time, such benevolence was meant to send a signal to the less compliant regimes, particularly in Ukraine, Moldova, and Georgia.

This fraternal help is not infinitely charitable, though. Immediately following the elections, Russia's gas monopoly, Gazprom, declared the upcoming three-time hike in gas prices for Belarus, which left observers wondering once again whether there is a change of attitude in relations between two partners. It is not clear, though, whether or not the Gazprom decision came unexpectedly for official Minsk. The new gas conflict may well have been planned in advance as a tactical step to distract attention from the presidential elections and their violent aftermath, as well as Russia's role in supporting Lukashenka in the run-up to the G-8 summit in St. Petersburg in June (at the end of the day, the price hike may be more modest, and, as was the case before, be compensated with new loans extended by Russia to Belarus). On the other hand, if it turns out that the conflict is genuine, this will mean that Russia finally decided to secure benefits for its long-time political and economic support for Lukashenka. The question is whether Russia needs just property or much more: the conclusion of a long-promised and effectively blocked by Lukashenka political union, in which Belarus dissolves into Russia and its leader takes a ceremonial role of vice president.

"Comradeship in arms" in preempting democracy does not depict all the aspects of the Belarus-Russia relations. However, this aspect is indispensable in understanding the essence of the political agenda pursued by both regimes in internal politics and bilateral and broader international relations. In a larger sense, preemptive authoritarianism is also becoming a key element in the interactions between ruling elites across

the former USSR. For Belarus in particular, Russia's assistance to Lukashenka in preemption may turn into the long-term factor impeding its democratization, enhancing its international isolation, minimizing the impact of external efforts to promote democracy, and permanently threatening its status as an independent state.

Policy recommendations for the U.S. Government include:

- Reaffirm U.S. support for democracy promotion in Belarus and in the entire former Soviet Union as a principal stance of U.S. foreign policy.
- Reaffirm support for Belarus independence on the basis of the security guarantees offered to the Republic of Belarus by the United States, Russia, and the United Kingdom in 1994. Declare strong opposition to any change of the political status of the country under the current government.
- Achieve a consensus with the European Union on democracy promotion policies in Belarus; condition key aspects of political and economic cooperation with Belarus (such as trade preferences or travel of major protagonists of Lukashenka's regime to Europe or the United States), by a strict adherence of the official Minsk to democratic norms and its respect for basic human rights; and condition certain aspects of political and economic cooperation with Russia by requiring the Kremlin's withdrawal of support from Lukashenka's regime.
- In the event of the continuing use of force against opposition activists, leaders, peaceful protesters, independent journalists, etc., the United States and the European Union should lay the

legal groundwork for holding guilty officials accountable for any orders to harm citizens exercising their rights under European and international law, as well as any individuals who execute those orders.

- The United States and its allies in the region should scale down those forms of cooperation with security and police institutions of the countries of “authoritarian international” to limit their capabilities of using international treaties and cooperation agreements in the area to monitor activities of the opposition groups. Apply visa and economic sanctions similar to what are currently applied against Belarus officials to those individuals directly involved in assisting repressive actions from abroad.

ENDNOTES - BELARUS AND RUSSIA

1. Kirk Mildner, “Pochemu Belarus’ Nie Uchitsia?” (Why Doesn’t Belarus Learn?), *Ecovest*, 2000, No. 1, p. 15, available online at research.by/pdf/2000n1r04.pdf.

2. For an overview of Belarus-Russia integration, see Vitali Silitski, “The Deadlock of Brotherhood: Politics of Belarus-Russia Integration,” *Ab Imperio*, Vol. 3, 2003. Internet version available at abimperio.net/scgi-bin/aishow.pl?state=showa&idart=79&idlang=1&Code=. See also Andres Aslund, “The Advantages of Radical Reform,” *Journal of Democracy*, Vol. 12, No. 4, 2001, pp. 42-48.

3. For this, see Silitski, “The Deadlock of Brotherhood.”

4. See detailed analysis in Vitali Silitski, “Battling in an Impasse,” *Transitions Online*, August 22, 2003.

5. For more on this concept, see Vitali Silitski, “Preempting Democracy: The Case of Belarus,” *Journal of Democracy*, Vol. 16, No. 4, 2005, pp. 83-97.

6. “Russian Foreign Minister Accuses OSCE of Instigating Protests,” *Belapan News Line*, March 24, 2006, available at elections.belapan.com/president2006/eng/show.php?show=49325.

7. Information of the Belarus news agencies, available at www.pravo.by/showtext.asp?1115912591081.

8. See a brief transcript of the interview at www.afn.by/news/view.asp?newsid=71486. Official Belarus media welcomed and praised Pavlovsky's work. See, for example, www.sb.by/article.php?articleID=49872.

9. Russia is currently the largest shareholder in Belarus. The Euronews Russian version coverage and great discrepancies between this and other language versions was pointed to by several internet blogs.

UKRAINE: DOMESTIC CHANGES AND FOREIGN POLICY RECONFIGURATION

Arkady Moshes

Overview.

In the first year and a half after the Orange revolution, Ukraine made noticeable progress in its internal transformation and attempted to change its foreign policy in the way that should eventually make Euro-Atlantic integration of the country possible. Yet, further transition does not promise to be problem free.

On the one hand, it would be wrong not to see numerous achievements of the new administration. Ukraine remained stable. Contradictions between its eastern and western regions, particularly visible in the aftermath of the presidential elections of 2004, did not grow into an antagonism. Oligarchic omnipotence of the Kuchma era was weakened, and a new compromise was established between the authorities and big business, which was more in line with principles of the rule of law. A constitutional reform entered into force, which rearranged the balance of powers in favor of the parliament and thus put the Ukrainian political system closer to Central European models. Political pluralism became the norm, whereas competing media strove to gain large influence. Some positive results of the fight against corruption could be observed. In the foreign policy sphere, Ukraine-European Union (EU) cooperation intensified, and the government received increased backing from North Atlantic Treaty Organization (NATO) countries for its aspirations to join the

Alliance. Ukraine overcame the status of Russia's "little brother" with regard to Russia's potential to critically affect Ukraine's domestic processes as well as its foreign policy choices. Altogether, these developments resulted in majority support for combined Orange forces in the parliamentary elections in March 2006.

On the other hand, however, there are reasons for concern in practically all areas. Economic performance worsened dramatically. The quality of governance is very far from being up to the challenges it faces. The Orange team is split and lacking internal cohesion and mutual confidence. Political reform has led to a stand-off between the branches of power and may at times make cooperative cohabitation between them impossible. The country is still highly corrupt, which opens the way for some questionable lobbying and opaque deals. It is not totally clear to what extent the EU will engage into promotion of the reforms in Ukraine as it remains extremely reluctant to discuss even a hypothetical possibility of Ukraine's membership. Bringing Ukraine into NATO is a difficult task as long as the majority of the Ukrainian population is against this option, and it is uncertain that the government will be able to change the public attitudes within a short period of time. Conflict issues may dominate the Russian-Ukrainian agenda, but ending the privileged economic relationship will be very painful for Ukraine's economy.

Taking into account that the systemic change in Ukraine will take a long time, the strategy to promote country's transformation and Euro-Atlantic integration should prioritize the consistency of the vector over the speed of the movement. The key to success is inside the country. Therefore, it is essential to closely monitor internal developments and expect compliance from Ukraine with the highest standards of democ-

racy, rule of law, and economic transparency. In the event of Western inability to treat the imperative of transformation higher than geopolitics, emergence of the “Kuchma-2” model inside Ukraine will be a realistic possibility.

Although Russian influence in Ukraine has decreased drastically, Ukraine’s energy dependence on Russia remains critical. The United States, together with its European allies, could help the country address this problem by means of introducing energy-saving technologies and rearranging the system of direct energy transit between Europe and western Caspian areas.

NATO’s door should be kept open for Ukraine, and practical work should proceed without delay. However, sending Ukraine a formal invitation to join the alliance before the presidential elections of 2009 would now seem premature. Finally, the United States should promote the opening of an EU perspective for Ukraine. The country’s population is more likely to accept the double enlargement as it instinctively strives to get into the European prosperity zone more than into the Western security system. In turn, an EU perspective creates much stronger incentives for systemic internal transformation than does NATO membership.

Introduction.

One year after the Orange revolution, the level of popular frustration with the quality of governance in Ukraine should have looked frightening for the administration of President Viktor Yushchenko. Post-revolutionary euphoria disappeared, and very critical attitudes toward the government emerged in its stead. According to public opinion surveys conducted by the respected Ukrainian Center for Economic and Political

Studies (Razumkov Center) in October-December 2005, 55 to 59 percent of respondents believed that the country was moving in the wrong direction. In December 2005, 46.2 percent of people expressed the opinion that the overall situation had deteriorated, whereas only 12.6 percent were of the opposite opinion. In southern and eastern regions, the former stance was shared by 64 to 67 percent of people; and even in the west of the country, the share of optimists, 29 percent, was smaller than the number of those who saw no change at all – 45 percent. The full approval of the president's actions plunged to a mere 17 percent, and that of the cabinet of ministers fell even further, to 8 percent. Of the population, 44 percent disapproved of the foreign policy of the leadership, and less than 30 percent approved it.¹

Yet, in the parliamentary elections held in March 2006, the majority of Ukrainian citizens confirmed the mandate that they had given to the Orange coalition 15 months earlier. Although the proper presidential bloc, "Our Ukraine," not surprisingly received less than 14 percent of the vote, altogether the Orange forces gained enough to have a majority of seats in the new Verkhovna Rada, mostly thanks to the success of the bloc of the former Prime Minister Yulia Tymoshenko (Bloc of Yulia Tymoshenko [BYT]), which won more than 22 percent of the vote. If all were put together, the votes cast for "Our Ukraine," BYT, the Socialist party – the allies in the 2004 coalition "Power of the People" – and several smaller groupings that shared the main principles of the Orange platform, but chose to run independently and did not pass the threshold required to make it to the parliament, the overall result was only a bit short of the 52 percent that Viktor Yushchenko received in the final round of the presidential elections. For the future of Ukraine, it was essential that when looking for

alternatives, the majority of the Orange electorate did not lose confidence in the pro-reform choice and did not want to return to the past. Yushchenko's rival in the presidential run-off, former Prime Minister Viktor Yanukovich, with his "Party of Regions" in the 2006 elections, finished with 32 percent of the votes, whereas in 2004 he received 44 percent.

This monograph will look in some detail at what has happened in Ukraine since the Orange revolution, which could help one understand the on-going developments. Whether the choice made is sustainable domestically and what is the likely mid-term future of Ukraine in the system of international relations in Europe and Eurasia will be explored. Most important challenges, both traditional and new, will be examined. The author argues that noticeable progress has been made in Ukraine as regards its readiness for systemic change and Euro-Atlantic integration, although the impediments remain strong and the general climate is not as favorable for the reforms as it was in the beginning of 2005.

Domestic Scenery Rearranged.

The key words to describe the political situation in Ukraine are pluralism and compromise. No single force can dominate in the country and impose its will upon all. Thus follows the need to take into account the interests of other actors and to negotiate. A peculiar political culture that emerges as a result forces decisionmakers to avoid radical moves, which may be bad for reforms but guarantees stability. The existing multilayer system of compromises cannot be dismantled; it can at best be rearranged to become more compatible with the goal of reforms. Positive developments were observed in Ukraine in this regard in 2005.

To start with, the interrelationship between Ukraine’s eastern and western regions did not become antagonistic, as was feared immediately after the presidential elections, when one-half of the country had voted against the other. Naturally, deep differences in electoral patterns and foreign policy orientations were preserved (although, it should be noted, the “East-West split” is rather a journalist cliché, and in reality it makes sense to speak at a minimum about four parts of the country). Furthermore, when in November 2005 the Kiev International Institute of Sociology asked people whether they considered that Ukraine’s division into east and west was adversarial, 35 percent of respondents country-wide agreed (49 percent disagreed). In eastern Ukraine, this indicator reached an appalling height of 54 percent. In the western part, on the contrary, 60 percent disagreed.²

	West	Center	South	East	Whole Country
European Union	60.7	43.5	21.9	16.8	34.6
Russia	7.9	29.5	48.7	56.7	37.1
Other CIS countries	6.6	12.5	10.9	16.2	12.4
United States	3.4	3.1	3.6	0.9	2.5

Source: “Ukraine’s European Integration in Popular Perceptions,” *National Security & Defence*, No. 7, 2005, pp. 43-44.

Table 1. Popular Perceptions of the Direction of Ukraine’s Foreign Policy that Should Be a Priority.

But the parliamentary elections of 2006 revealed more nuanced political changes. The success of Yulia Timoshenko was achieved primarily in the center of Ukraine (she came in first in 14 administrative regions out of the country’s 27, whereas Yanukovich won in 10 and Yushchenko in 3 regions), which possibly

points to the emergence of a new, “central,” political entity and identity. This may open a new chapter in Ukraine’s political history, when the direct mutual opposition of southern-eastern and central-western areas will no longer be a primary political collision in the country. In addition, Timoshenko came in second in nine regions – i.e., she did relatively well everywhere across the country except Yanukovich’s strongholds in Donetsk and Luhansk, as well as Crimea and the city of Sevastopol; this may be interpreted as a sign of request for a unifying message, although, admittedly, her personal charisma and populist promises apparently have played their role, too.³

Whether these interpretations are correct or premature remains to be seen. What seems more evident is that the differences in political orientations between their respective power bases do not prevent close political interaction between factions of political elite that represent these differences. The intra-elite compromise is traditional for Ukraine. The eastern groupings long ago realized that the independence and sovereignty of the country could be for them an extremely helpful tool to promote their economic interests, not least vis-à-vis Russia. But they were hardly able, especially in the early years of independence, to develop the ideology of a new state and to explain to their own electorate the need to carry out a multivector policy and keep a distance from Russia. To do this, eastern “red directors” and new oligarchs alike needed the assistance of national democrats. In turn, the latter could not be sure that the economy would function well.

Immediately after the Orange revolution, the compromise was in jeopardy. However, the nonviolent character of events, change of political leadership without violation of the existing legal system, multiple

personal and business connections between the opposing camps, as well as the general climate of pluralism and tolerance of opposition, allowed the gradual reestablishment of the *modus vivendi* between the “orange” and the “white-blue” forces. East Ukrainian opposition dropped the slogans of federalization and southern-eastern autonomy, which it had tried to use for some time in the fall of 2004 to exert pressure upon its opponents. In turn, the winners stopped the campaign of prosecution of some eastern politicians, who were suspected of manipulating votes, and did not undertake any steps to bring the Ukrainian language into the sphere of public life in the east, which was a concern of the people there. A symbol of the new compromise was displayed when the once seemingly irreconcilable rivals Yushchenko and Yanukovich signed a Memorandum of Understanding in September 2005, making it possible for the “Our Ukraine” cabinet of Prime Minister Yuri Yekhanurov to receive a vote of confidence. When “Party of Regions” withdrew its support in January 2006 and the cabinet was dismissed by the parliament, Yushchenko also withdrew his signature under the document. But in general, this gesture did not change anything. The parliamentary alliance between “Our Ukraine” and “Party of Regions,” unthinkable in 2004, was discussed before and even after elections as a likely composition of the governmental coalition. This remains a realistic scenario for the future, although for Yushchenko it will now be politically difficult, if he thinks of reelection in 2009, because the majority support of Timoshenko within the Orange camp should be interpreted as a signal of popular protest against this potential deal.

Second, the system of oligarchic omnipotence was seriously weakened. During the epoch of President

Leonid Kuchma, who unwisely relied on the support of economic and political clans, all decisions involved an agreement between oligarchic groupings, and the “state” often cared only about the interests of those personally close to top officials. Yushchenko administration is much more independent, although not necessarily seeking a conflict with big business. Within a year of taking office, groups that had earlier extensively used administrative levers to maintain their influence were politically marginalized. The once influential “Labor Ukraine,” a political project of the Dnepropetrovsk clan, practically had disappeared from the scene before the parliamentary elections, and the United Social-Democratic Party, led by the former Head of Kuchma’s staff and a leader of the Kiev clan, Viktor Medvedchuk, received only 1 percent of the vote. Kuchma’s son-in-law, Viktor Pinchuk, as well as some other important figures of previous regimes, could not obtain parliamentary seats, as their presence on party lists would be now a liability, not an asset.

Instead, a new formula of relations between elected power and business is emerging which can facilitate acceptance of the new realities by the latter. Within this formula, massive reprivatization is not taking place. This happens as an exception, like it was in the case of *Krivorizhstal* steel enterprise. Its ownership by Kuchma’s cronies was seen by the people as outrageously illegitimate. When reprivatization takes place, the property is not simply transferred into the hands of friends of the new authorities, but benefits the state and the society. *Krivorizhstal* was sold to an Indian investor for a price that was six times higher than the one paid by the previous owners. Finally, the pro-Western image of the new administration positively affects business prospects of companies operating in European mar-

kets. For example, *Industrial Union of Donbass*, one of the leading Ukrainian corporations, purchased a steel enterprise in Poland in 2005, which it had been unsuccessful in doing under Kuchma.

However, the risk of relations between elected power and business again taking a wrong turn cannot be ruled out. On the one hand, not facing people's judgment any longer, the leadership as a whole and individually may be tempted to promote interests of close businesses. As a gas deal with Russia (discussed below) has demonstrated, Ukraine was still far from standards of transparency. Big business is largely represented in the new parliament, which reopens a well-known way towards lobbying and corruption. On the other hand, Yulia Timoshenko can try to relaunch the reprivatization process, which would considerably complicate the situation.

Third, on January 1, 2006, a constitutional reform entered into force in Ukraine. The president kept significant powers. He has the right to dissolve the parliament in case the latter is not able to form the government within 60 days after it convenes. Also, the president is entitled to appoint foreign and defense ministers in the cabinet and otherwise guide the foreign policy. Yet, with the right to appoint the prime minister going to the parliament, the balance in relations between the branches of power shifts towards the legislative. Also, the role of parties in the political system should grow as not only the parliament, but also local representative assemblies, will be now elected on party lists. Yushchenko has not abandoned plans to revise the reform and amend the constitution again, but these plans can hardly be implemented. The political reform was one of the conditions on which the "white-blue" coalition agreed to rerun the second round of

presidential elections, so its revision would retroactively delegitimize Yushchenko's presidency. The new parliament can hardly be expected to produce enough support for the proposal, against which are both BYT and the socialists.

In general, the political reform can be assessed positively, as it introduces new checks against potential voluntarism of the executive branch, including the president. The new balance of powers corresponds better to the pluralist political system of Ukraine and brings the country closer to Central European models. At the same time, the new system bears risks of political destabilization. A constitutional crisis broke out in January 2006, when the parliament dismissed the cabinet of Yuri Yekhanurov; however, the parliament was not yet legally entitled to appoint his successor. The legal crisis did not grow into a political one as Yekhanurov agreed to stay in power as an acting prime minister, but in principle the consequences of such behavior could have been worse. Structural standoff and the struggle for further redistribution of powers between the parliament and the president are likely. Cooperation between the president and the prime minister may at times be impossible. Ruling coalitions can be formed with just one purpose, namely, to avoid the dissolution and new elections and not to carry out certain policies. Some members of parliament may find governmental jobs unattractive as long as they will not be able to return to the legislature in case of a cabinet's dismissal. Factions may try to dictate government's behavior, particularly if strong politicians remain in Verkhovna Rada. This list of concerns can be prolonged, but all together, the quality and the continuity of governance, at least in the short-to-medium term, look more problematic than in 2005.

Fourth, some positive changes in the fight against corruption can be observed. In the Corruption Perception Index published by Transparency International, within a year Ukraine improved its ratings from 122nd to 107th position. This is noteworthy, but these developments have yet to become a trend. Hopefully, the process will continue in the right direction. In the country, there is a popular mandate to fight corruption, whereas the media rather consistently report cases of misbehavior of the top officials and their entourage. But it would be too early to take the eventual success for granted, since insufficient professionalism of the law-enforcement system, corruption within its own ranks, and close relations between business figures and nearly all political leaders still exist.

Euro-Atlantic Choice.

The Yushchenko administration has unambiguously declared the priority of Euro-Atlantic integration in Ukraine's foreign policy and has taken a number of actions in this direction. The general climate in Ukraine's relations with its partners in the Euro-Atlantic community, no doubt, changed for the better. Still, even sympathetic analysts conclude that Ukraine's Western integration remains uncertain.⁴ Ukraine has to do a great amount of homework, whereas Western organizations have to cope with various challenges of enlargement and transformation.

Ukraine-EU relations have gained in quality. In February 2005 a Joint Action Plan, an element of the European Neighborhood Policy of the Union, was launched. It was followed by Ukraine's own road map of its implementation consisting of 300 points. These documents contain a program for Ukraine's gradual

adaptation to EU norms and standards. Kiev de facto joined the EU Common Foreign and Security Policy in the post-Soviet area. With regard to Belarus, Ukraine is now in solidarity with the approach of Brussels to the regime of the President Alexander Lukashenko, which signifies an important contextual change. In the case of Transnistria, a breakaway entity of Moldova, Ukraine looks as an extremely pro-active player. Yushchenko proposed his own plan for the conflict resolution, which was supported by Brussels. In December 2005, a special EU mission was open on Ukrainian territory to monitor the Transnistrian part of the Ukraine-Moldova border and prevent illegal trafficking to and from Transnistria. In March 2006 Kiev tightened controls of the border to make sure exports from Transnistria would comply with the customs regulations of Kishinev and would be properly registered. At the Ukraine-EU summit in December 2005, Brussels recognized the market status of Ukraine's economy, which was an important step on Ukraine's way to World Trade Organization (WTO) membership. Kiev lifted the visa requirement for EU citizens and negotiations on liberalization of the visa regime for Ukrainian travelers to the EU began.⁵

Inside the country, the idea of becoming a member of the EU remains popular, which is a positive sign, taking into account the lack of clear membership perspective. According to the data of the Razumkov Center from December 2004 to June 2005, an absolute majority of respondents supported entering the EU, and this majority became relative and stabilized at the level of some 40 percent only from September.⁶ No wonder that in the parliamentary campaign even Viktor Yanukovich and his "Party of Regions" adapted a firm pro-European stance and emphasized the need for Ukraine to get the EU membership perspective.⁷ The expert

community also came to the pro-EU consensus. Several surveys revealed that 87 to 97 percent of experts polled believed that EU membership was in Ukraine's national interest, and, when comparing the entry into the EU and participation in the Single Economic Space with Russia, 77.4 percent found the former and only 13.2 percent the latter more beneficial for the country.⁸

At the same time, the Orange revolution and the developments that followed in bilateral relations did little to decrease the skepticism inside the EU as to whether Ukraine should be given membership. In February 2006, Deputy Chairman of the European Commission and former "enlargement commissioner" Gunter Verheugen again repeated that in the coming 20 years Ukraine would not have a chance to enter the EU.⁹ Brussels, as well as the capitals of more robust EU members are concerned that the integration of Ukraine would require too many resources, which the EU currently lacks as it is now challenged from within after the failure of the constitutional referenda in France and the Netherlands, still has to cope with the consequences of 2004 enlargement, and make important decisions regarding the future of the Balkan countries and Turkey. Several EU members are not free from "Russia-first" considerations and would like to avoid complications in relations with Moscow, which will be hard to avoid if Ukraine is to be considered for membership. In capitals like Paris, one can easily sense the unwillingness to take more members from the East since it is assumed that eastern enlargements make the Union more Atlanticist and more open to the influence of the United States. Finally, the group of Ukraine's advocates, that includes Poland, Slovakia, and Baltic States, is not yet powerful and skillful enough in the bureaucratic sense to be able to lobby the Ukrainian cause successfully.

In the coming years, the situation can change. The EU is embarking on a course of diversifying its energy supplies and, in this context, its interests clearly contradict those of Russia, which aims to monopolize access to and transit of Central Asian energy to Europe. Ukraine is a key link in the potential Caspian-Black Sea transit route that would by-pass Russia, which can raise Ukraine on the EU scale of priorities and lead to the revision of today's approaches. If the transformation of Ukraine goes well and it shows the ability to comply with the enlargement criteria, it will be more difficult for Brussels to keep saying no to Ukraine's aspirations. It can be found one day that membership is a more promising way to ensure security and development of the Union's eastern periphery compared to now practiced intermediary forms of cooperation. For the moment, however, Ukraine-EU interaction will develop within the confines of partnership, not the accession paradigm.

This makes the Atlantic integration of Ukraine the only available way to overcome its current "in-between" status. Apparently, many in Kiev hope to repeat the Polish experience and use NATO to promote the EU perspective,¹⁰ but accession to NATO is also an important and independent goal of the leadership. After it acquiesced to two waves of NATO's eastern enlargement, Moscow is not considered able to prevent Ukraine's entry into the organization. As for the Alliance, it can benefit from Ukraine's important geopolitical location adjacent simultaneously to Russia and the Greater Middle East. The United States, Great Britain, and the eastern members are generally positive about Ukraine's NATO future, whereas the countries of "old" continental Europe for reasons, partly similar to those mentioned above, express a more cautious attitude.

But it is possible that they will view Ukraine's NATO membership as a way to anchor the country firmly in the West while not taking it into the EU, and for this reason will not veto its NATO accession.

The joint Ukraine-NATO Commission agreed in December 2005 that the Membership Action Plan (MAP) might be launched for Ukraine to replace the annual target plans that had been guiding bilateral cooperation since the Kuchma period. If MAP is successfully implemented, within several years Ukraine could be invited to join the Alliance. President Yushchenko issued a decree which obliged the cabinet of ministers to set up a special agency that would coordinate the activity of Ukraine's preparation for membership.

There seem to be no economic or security arguments that would be able to make Ukraine's president and present foreign policy leadership change their minds. After a decade of cooperation, the Ukrainian military has reached a certain degree of compatibility with NATO forces and, more importantly, has largely freed itself from post-Soviet anti-NATO complexes in the officer corps. Further modernization and military reform will be costly and painful, but closer cooperation with NATO may, in fact, facilitate the process. The negative effects of decreasing military-technical cooperation with Russia will not be considerable¹¹ and are already taking place.¹²

The main obstacle for Ukraine's NATO membership is the negative attitudes of the population. According to a public opinion poll in December 2005, only 16 percent of respondents would vote in a referendum for accession into NATO, whereas 61.4 percent would vote against it.¹³ In the eastern regions where the population is afraid that Ukraine might get involved in a conflict with Russia alongside NATO, negative attitudes

reach 80 percent. To enter the Alliance without a clear people's mandate is hardly possible for political reasons in general and since 4.7 million signatures were allegedly collected to hold such a referendum.¹⁴ Hopes of the leadership to change people's attitudes simply by means of an information campaign seem too optimistic.

Given the role of the president in determining the foreign policy course of the country, current trends in Ukraine-NATO relations will be maintained. Yet, the constellation of domestic factors may slow down the developments. If the "Our Ukraine-Party of Regions" coalition is created at some point in the near future, it will likely postpone the issue of membership. But even the Orange coalition may not treat it as a number one priority, as "Our Ukraine" is not the coalition's leading participant and both BYT and the socialists include many NATO-skeptics. If the argument develops that Ukraine may be admitted into NATO as a compensation for an eternal status of EU outsider, promoting membership inside the country will be more difficult.

Projects of regional integration, to which Russia is not a party, can support Ukraine's Euro-Atlantic integration, but cannot substitute for it. The Community of Democratic Choice (CDC), founded in Ukraine in December 2005 and including, along with post-Soviet countries, several EU and NATO member states, has a certain potential to bring Ukraine closer to the West, thanks exactly to its "trans-space" composition. But it would be important for the CDC to take into account the negative experience of such organizations as GUAM (Georgia, Ukraine, Azerbaijan, and Moldova) which was an irritant in Ukraine's relations with Russia. It failed to develop an economic base of existence, proved unable to address security concerns of its mem-

ber states, and generally remained an organization on paper.

Relations with the United States are critical for Ukraine's NATO future and very important for the entire Euro-Atlantic integration. Under the Orange administration, the Ukraine-U.S. relationship progressed greatly as compared with the epoch of Kuchma. Withdrawal of Ukrainian forces from Iraq did not have a major impact on relations. Intensification of top-level contacts culminated in a Yushchenko visit to Washington in April 2005 when, among other things, he addressed a joint session of Congress – rather rare for foreign leaders. In the beginning of 2006 the United States recognized the market status of the Ukrainian economy, signed a protocol with Kiev on mutual market access, thus making Ukraine's WTO entry closer, and repealed the notorious Jackson-Vanick amendment for Ukraine. The U.S.-Ukrainian rapprochement adds to Russian sensitivities and apparently complicates Ukraine's foreign policy in the East, but it would be difficult to distinguish any particular reactions of Russia that Kiev would be preoccupied with in this context and that would not be a result of the general prioritization of the Euro-Atlantic vector over the Russian one.

No Longer "Little Brother."

Ukrainian-Russian relations have undergone dramatic and irreversible changes. The post-Soviet phase of this relationship is over. Ukraine explicitly refused to play a "little brother" role and demonstrate declaratory loyalty as did Kuchma. Kiev attempted to overcome the perceived belonging to the Western newly independent states (NIS) (or, worse, Western CIS) and

to get into a different class of countries, those that have the Euro-Atlantic future. Russia, in turn, started to dismantle the preferential economic relationship and system of subsidies that it had been providing the Ukrainian economy since the collapse of the Union of Soviet Socialist Republics (USSR).

First, Russia lost the role of a systemic player in Ukrainian domestic politics. After Russia's massive and ineffective interference into Ukraine's presidential elections of 2004, Ukrainian political forces no longer consider it critical to seek Russian support or at least neutrality. As a good illustration, one can use the parliamentary campaign of "Party of Regions" in 2006 run by a group of American consultants, which was only natural after the fiasco of the Russian team in 2004. Moreover, for Moscow it is now very difficult to choose favorites. East Ukrainian business and political elites would have nothing against combining cheap Russian energy with the support of the pro-European course of the government, which facilitates their access to European markets, but it is hard to see why this would be in Moscow's interests. Rising gas prices before the elections means that Moscow now takes the impossibility of return to Kuchma days for granted, regardless of the personalities in power. And without the cheap energy, Ukraine's business elites are even less likely to demand revising the foreign policy course from the government. Russia now has to act through individual politicians and business groupings rather than establishing structural alliances with strong forces, which would publicly place orientation on Russia into the center of their political platforms, as was the case before. As a result, Russian presence in the parliamentary campaign was insignificant. It became an external irritant, not a direct and immediate actor.

Second, Kiev took the initiative in bilateral relations. In January 2005, Yushchenko appointed Yulia Tymoshenko, who was then indicted and wanted in Russia, as Ukraine's prime minister, demonstrating that Russia no longer will have a say in Ukraine's cadre policy. In March Yushchenko invited Russian business leaders to Kiev to show that Ukraine did not see the Kremlin as a necessary mediator in arranging economic cooperation. Declaration of the Euro-Atlantic priority was in its own right an unpleasant irritant for Moscow, as were a number of specific steps ranging from the refusal to become a full member of the Single Economic Space to the blockade of Transnistrian goods.¹⁵

Third, the general state of relations has become considerably more conflicted. It is not in the interest of either side to seek the conflict. For Ukraine, worsening relations with Russia are likely to deepen the controversy between its southeastern and central-western parts, to have negative economic implications as Ukraine suffers more from trade wars, and to badly affect its Euro-Atlantic perspectives. Unlike the Baltic States' case, Western governments will not ignore problems with Russia when decisions on the future of Ukraine are to be taken. The only exception at this point would occur under an extreme and unrealistic scenario, i.e., Russia's geopolitical pressure becomes so strong that taking Ukraine into the Euro-Atlantic security system will be, for the West, the most feasible way to guarantee its sovereignty. For Russia, a conflict means the acceleration of Ukraine's drift to the west, where it is most natural for Kiev to seek assistance against Russia's assertiveness. Moscow has to take into account that conflicts and pressure consolidate Ukrainian society and certainly do not make it more sympathetic to the idea of staying together with Russia. In the

international context, the image of Russia will suffer, as its actions will be largely viewed through the prism of resurging post-imperialist instincts.

Ukraine's line in this situation is clear. Kiev aims to combine integration into the west with cooperation with Russia. It tries to preserve as many ties with its eastern neighbor as possible. Both Yushchenko's and Yuri Yekhanurov's first foreign visits were paid to Moscow. Yushchenko also took part in the CIS summit in Kazan in August 2005. Russian business did not lose assets in Ukraine.

Russia's choice is less evident. The Kremlin cannot easily practice a "business as usual" approach vis-à-vis people who came to power clearly against Moscow's preferences. This would in a way legitimize the protest against managed democracy that the current Russian leadership is trying to preempt inside Russia. Therefore, the temptation to "punish" the Orange Ukraine becomes one of the drivers of Russian Ukrainian policy that co-exists with and contradicts more pragmatic considerations. Yet, Vladimir Putin also visited Kiev in March 2005, and two presidents agreed to establish the interstate commission to coordinate bilateral cooperation. Reconciliatory statements are periodically made by the Russian leader to create an impression about his readiness to look for a compromise.¹⁶

But systemic contradictions in the political evolution of the two countries prevail. Ukraine's Euro-Atlantic choice is hardly compatible with Russia's decision to develop as an independent political center of gravity not integrated with the west and prioritization of sovereignty. Russia is interested in maximizing economic gains in relations with other post-Soviet countries and bringing the subsidies to an end, whereas Ukraine would like to continue receiving preferentially priced

energy. Mutual trust between the Russian and Ukrainian political elite and the two presidents personally is totally undermined.

The conflict that attracted most attention broke out in December 2005 when Russia demanded that Ukraine pay a price for natural gas that was nearly five times higher than the one charged before. Ukraine did not agree, and on January 1, 2006, deliveries were cut which affected the energy balance of European consumers. The deal was reached on January 4. The new price was established at the level of \$U.S. 95 for 1,000 cubic meters as compared with \$U.S. 50 previously. In turn, transit fees that are paid to Ukraine were also raised. The viability of the agreement, however, remains in doubt, and a new round of conflict can be expected. The Russian side is not satisfied with the new level of prices and has not abandoned plans to establish control over Ukraine's pipeline system,¹⁷ again, by means of price dictate. The future price of Central Asian gas, which is an important component of the agreement, may grow, which will be reflected in the demands of Russian operators.¹⁸ Ukraine will, of course, resist these attempts. In the short term perspective, a transit country can simply siphon off as much gas from transit pipelines as it needs, and the Russian sources accuse Ukraine in doing this.¹⁹ The producer has to increase the input in order to avoid problems with end consumers. But in the longer run, if Russia successfully builds new pipelines to by-pass Ukraine (the North European pipeline on the Baltic Sea bed is to be operational by 2010 and, as planned, capable of absorbing up to 40 percent of today's Ukrainian transit in one of them), Kiev's situation will become more difficult.

Ukraine is not able to respond adequately in the economic sphere due to its dependence on Russian en-

ergy and markets (the latter factor is weakening, but very slowly), so it has to undertake offenses in other areas. In winter 2006, issues of Russian military presence were brought back to the bilateral agenda. The bilateral accords of 1997 that regulate the issue of basing in general leave a number of questions in the gray legal zone. Ukraine has a legitimate right to demand clarity (in particular, the sides had disputes on ownership of the lighthouses in Crimea and whether the Russian Black Sea Fleet has a right to lease the territories that it currently does not use) but the very idea of creating a linkage between these relatively small issues, and a fundamental problem of gas pricing and thus influencing Russia's position on the latter, does not seem justified.

For Ukraine it is necessary to make sure that the Russian troops are withdrawn from Crimea by 2017, as is provided by the 1997 accords. This seems possible, in view of Russian withdrawal from Georgia and the on-going construction of new bases on the Russian part of the Black Sea coasts. But thinking about the withdrawal of troops ahead of that date or the increase of rent payments is so far unrealistic.

Furthermore, all public discussions of the issue would affect the image of Ukraine as a reliable international partner which complies with treaties it signs. It would seem helpful to deprioritize the issue of Russian bases in Crimea. On the one hand, they should not be viewed as a potential obstacle for Ukraine's NATO membership. This will weaken the temptation to use them exactly in this capacity and provoke a conflict around Sevastopol when the time to make decisions comes.

The same applies to the yet not established maritime border between Russia and Ukraine in the Strait

of Kerch. Given the high level of rhetoric on Russia-NATO partnership, this approach is within reach. On the other hand, the Black Sea Fleet should not be treated as a Russian hostage in Ukraine, the pressure against which could influence Russia's position on other unrelated issues.

In the near future, centrifugal trends will prevail between Ukraine and Russia. This could change only if Russia reconsidered its current foreign policy course and returned to the concepts of the own closer integration with the Euro-Atlantic community, which is practically impossible.

Conclusions.

The vector of Ukraine's political evolution is now determined. If earlier, as the famous title of Leonid Kuchma's book suggested, for the Ukrainian elite it was enough to state that Ukraine was not Russia, now the country has a better vision of the destination of its transition. Ukraine declares willingness to integrate into the Euro-Atlantic community, which implies deep internal transformations and reforms. And it has a chance to succeed, although its travel in the chosen direction may be long and full of zigzagging and deviations.

In any case, the systemic change in Ukraine will take years—maybe decades. The strategy to promote its transformation and Euro-Atlantic integration should, therefore, prioritize the direction of the trend over its speed. If the process goes too fast, it can be counterproductive and even destabilizing. The following recommendations could be proposed for those in the West who wish to assist Ukraine to attain the goal.

Internal developments should be closely monitored and assessed against the highest standards of

democracy and the rule of law. If any wrong-doing is found, the criticism should be firm, unambiguous, and transparent both domestically and internationally. It is important to prove wrong the assumptions that the Western policies are driven primarily by Ukraine's geopolitical importance, which results in indulgence given to regimes that publicly lean to the West. In the case of Western inability to treat the imperative of transformation higher than geopolitics, emergence of the "Kuchma-2" model inside Ukraine will be a realistic possibility.

The Russian factor remains considerable in Ukraine, but its impact should not be overestimated. Russian influence in Ukraine has decreased dramatically and is not likely to be restored. In Kiev, Moscow is not seen as having a veto on Ukraine's fundamental choices, although its leverages in certain areas are strong. In this regard, it is essential for the United States, together with its European allies, to help Ukraine address the problem of its energy dependence on Russia. On the one hand, Ukraine should be assisted to relatively quickly introduce energy-saving technologies. On the other hand, Ukraine could benefit from the construction of a new direct system of energy transit between Europe and Transcaspian regions.

The NATO door should be kept open for Ukraine. The MAP can be launched without a major delay. Practical cooperation on the issue of military reform in Ukraine should continue, as well the information campaign on what is NATO today. However, to think of issuing Ukraine a formal invitation to join the Alliance before the presidential elections of 2009 seems premature, taking into account public attitudes about NATO membership and doubts as to the leadership's ability to change them in the short term. Russia-NATO coop-

eration is likely to weaken popular opposition to the membership in Ukraine, but that is not the only factor that affects perceptions.

The issue of Russian military bases in Crimea should not be central for Ukraine's NATO accession. This will weaken the temptation to use them as an obstacle and provoke a conflict around Sevastopol when the time to make decisions comes. At the same time, Russia's commitment to withdraw the Black Sea Fleet by 2017 should not be a subject of any discussion.

Finally, the United States should promote opening of the EU perspective for Ukraine. Doing this will be understandably difficult, but also promising. Ukraine's population is more likely to accept the double enlargement, as it instinctively strives to get into the European prosperity zone more than into the Western security system. In turn, the EU perspective creates much stronger incentives for systemic internal transformation than NATO membership does.

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9. Svetlana Stepanenko, "Gazovyi Spor Mnogomu Nauchil Ukrainskuyu Vlast'" ("The Gas Dispute Taught Ukrainian Authorities a Lot"), *Vremya Novostei*, February 21, 2006.

10. See "Ukraine's European Integration in Popular Perceptions," p. 35.

11. In Russian sources, Ukraine's losses are estimated at 150 million U.S. dollars. See Sergei Zgurets, "Nezalezhnyi Put' v Alians" ("Independent Way Into the Alliance"), *Nezavisimaya Gazeta*, January 30, 2006.

12. For example, Russian Air Force Commander-in-Chief Army General Vladimir Mikhaylov said in April 2006 that Russia was going to withdraw from a joint program of transport aircraft Antonov-70. "Moskva i Kiev Razletelis v Raznye Storony" ("Moscow and Kiev Are Flying in Different Directions"), *Kommersant-daily*, April 10, 2006.

13. "The New Government's Performance in 2005," p. 64.

14. The figure was given at a press conference by the opposition bloc "Ne Tak!" ("Differently," play of words, understandable in connections with the slogan of the Orange revolution "Tak (Yes), Yushchenko") that had collected the signatures. "Kravchuku ne Nravitsya Polozhenie 'Sredi Zdes I Mezhdu Tam'" ("Kravchuk Does Not Like to Be 'In-Between'"), *Ukrainskaya Pravda*, March 1, 2006, www2.pravda.com.ua/ru/news/2006/3/1/38288.htm.

15. Ukraine participates in SES negotiations, but it refuses to sign all prepared documents. In short, it is ready to build a free-trade zone, but not the Customs Union, and does not want to participate in supra-national bodies of the SES.

16. One of these statements was, for example, made in January 2006 when Russia's and Ukraine's leaders met at the inauguration

ceremony of the Kazakhstan's President Nursultan Nazarbaev. Arkady Dubnov, "Kholodnyi Mir" ("The Cold Peace"), *Vremya Novostei*, January 12, 2006.

17. See the interview with the Vice-President of the Russian gas monopoly, *Gazprom*, Alexander Medvedev, "Vse Odno My Priydemo Do Togo, Shcho v Ukraine Budut Evropeiski Tseny na Gaz" ("Anyhow, in Ukraine There Will Be European Gas Prices"), *Ukrainskaya Pravda*, April 13, 2006, www2.pravda.com.ua/ru/news/2006/4/13/39843.htm.

18. There is another factor that threatens the viability of the deal. The two sides agreed to establish an intermediary company, *Rosukrenergo*, that will be responsible for the deliveries of gas to Ukraine. The real beneficiaries of this company are not known, and the whole agreement, therefore, remains completely intransparent. This state of affairs is hardly compatible with modern business norms and standards that the Ukrainian administration says it would like to develop in Ukraine. So, the agreement is vulnerable both internationally and domestically. Opponents of the government will criticize the deal; business groups will question its legitimacy in courts, whereas the new people in the government may try to replace the beneficiaries with their own people.

19. Head of *Gazprom* Alexei Miller said that in January 2006 Ukraine had siphoned off 550 million cubic meters of Russian gas. Alexei Grivach, "Otbornyi Gas" (a play of words in Russian, verbally "Selected Gas," but here used to mean "stolen"), *Vremya Novostei*, February 6, 2006.

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