

Ukraine on the edge

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During the past six months Ukraine has been through a revolution, its Crimean peninsula has been annexed by Russia and its territorial integrity continues to be challenged. With ongoing unrest in three Eastern regions, a peace deal recently agreed in Geneva hangs by a thread as pro-Russian separatists continue to occupy numerous public buildings and international actors remain divided over how long to wait for Russia to implement the accord before placing new sanctions. While the West accuses Russia of provoking and influencing the unrest, Russia points the finger at Ukraine's interim leadership which it claims is illegal and "fascist".

Unless the unrest can be halted there is a serious risk it may increase, jeopardising crucial Presidential elections scheduled for 25 May. It is important that the election goes ahead as the new President will have democratic legitimacy thereby ending Russian claims that Ukraine has no legitimate or constitutional leadership. While it is also possible that Russian troops may cross into Ukraine on the pretext of "protecting" Russian speakers, this seems less likely as the current state of affairs suits Moscow leaving the situation open to interpretation. Thereby Russia seems more likely to maintain a covert approach.

The international community's response to the most serious challenge to the post-Cold War order has been inadequate. The 'price tag' for annexing Crimea was little more than visa bans and asset freezes on a limited number of Russians. Despite the US and EU threatening to move to tougher economic sanctions if Russia failed to de-escalate, including pulling back the some 40,000 troops it has on Ukraine's eastern border, nothing happened. Furthermore, the fact that 58 states abstained from voting for Ukraine's territorial integrity at the UN General Assembly on 27 March indicates that either many states do not want to vex Russia, or alternatively are far from displeased that Russia is challenging the West, particularly the US.

This response is serving to make Russia more resolute in pursuing its stated goal of a neutral and federalized Ukraine. Federalization would not only give regions the right to block crucial decisions, including future moves towards EU integration, it would also allow Moscow to increase its influence and possibly lead to the de facto disintegration of Ukraine.

Today, much of Ukrainian society is afraid of Russia's intentions, concerned that their leadership is unable to hold the country together and disappointed by the international community's failure to turn its tough statements into actions. They are waking up to the reality that the West does not care that much about Ukraine.

A legacy of corrupt governance

Ukraine's leadership is in a weak position. This is not simply a consequence of the crisis but stems from the past 22 years of Ukrainian history. Corrupt governance and a society that has never been integral explains Ukraine's weak statehood and vulnerability. With decentralization having been perceived as a threat to territorial integrity, Ukrainian governments have excessively centralized power, extracting too much money from the regions which left local populations bitter, no more so than in the industrial Russian speaking East. While deposed President Viktor Yanukovich hailed from Donetsk, he and "his family" continued looting the region rather than improving its socio-economic situation. Yet while many residents were not "upset" by Yanukovich's fall from power, they were nevertheless sceptical of the new "Western oriented" leadership in Kyiv, not least as consequence of Russian propaganda.

Furthermore, the majority of the oligarchs that dominate Eastern Ukraine have not been as influential as they could be in defusing the situation. With the exception of the newly appointed governor of Dnipropetrovsk, Igor Kolomoisky, others have been careful not to openly blame Russia. While oligarchs have a firm interest in maintaining the sovereignty of Ukraine, Russian President Vladimir Putin holds sway over the Russian business interests of many.

Despite the efforts of Prime Minister Arseniy Yatsenyuk, much of the new government is inexperienced, reacting too slowly without strategic foresight, including failing to be sufficiently visible in the East. The new government also inherited an inept, corrupt and often disloyal military and police not capable of defending the country or upholding the rule of law.

Yet despite these weaknesses and Russian propaganda, a recent survey by Donetsk National University concluded that presently, two thirds of Donetsk's population wants the region to remain as part of Ukraine, while large majorities in all eastern regions do not support federalization, nor joining Russia.

Geneva – The peace deal that never was?

Hope that the 17 April four party talks in Geneva would result in a peace deal seemed to be a case of the EU-US grabbing at straws to keep diplomacy alive. On the day, the talks were trumped by President Putin, doing a live Q&A during which he called Eastern Ukraine Novorussia, threatening to take it back. The final agreement stresses that all sides refrain from any violence, intimidation or provocative actions; that illegal groups must disarm and vacate illegally occupied streets, squares and buildings. As of today this has not happened and violence and criminality are spiralling. This 'deal' opened the door for Moscow to blame the government's anti-terrorist operation as the perpetrators of violence. The fact that new sanctions were not agreed and brought to Geneva meant there was no leverage on Moscow to implement the deal. Rather the 'if you do not do this we will place sanctions and isolate you' narrative was repeated, which Russia does not take seriously. The ongoing instability will be used by Moscow to say Ukraine's leadership is incapable of running the country.

The EU has been particularly weak and shortsighted. The three-stage approach – threat of sanctions, targeted sanctions after the Crimean referendum, and tough economic sanctions if Russia did not deescalate – has not been adhered to. EU Member States are increasingly divided, dithering, and fearing the possible costs to their own economies, energy security and retaliation from Russia. A 'if the dog is barking why provoke it further' approach is now being taken by from some states.

There is disagreement over when and what could trigger new sanctions. While some states want new sanctions immediately, others want new sanctions dependent on a further military intervention into Ukraine. While the European Commission is drafting a risk assessment analysis of the potential impact of sanctions at a time of economic austerity there is little appetite to damage economic ties. Business deals with Russia continue. This approach sends the message that the EU is more interested in protecting national interests than defending the values and principles that the EU claims to stand for.

Next steps

There should be no more 'talks for the sake of talks' as it sends a very wrong signal about the West's commitment to sanctions. As long as Russia upholds its current approach the EU and US must place new economic sanctions that include trade restrictions and other measures targeted at Russia's elite. If they do not Putin will believe that he has been given 'carte blanche' to redraw Europe's borders. Furthermore, while Washington failed to convince Saudi Arabia to increase oil production which had the potential to negatively impact the Russian economy, the US should remain open to using its strategic reserve and increase its oil production by some 500-700 barrels per day. While there is now an agreement to increase the number of OSCE monitors in Ukraine from the present 100 to 500, it is important that the majority are deployed in the East, which will make the OSCE more visible and better able to monitor events on the ground.

The EU must also stick to its commitments regarding financial assistance and the final signature of the Association Agreement (AA) with Deep and Comprehensive Free Trade Area (DCFTA). As of today only the political section has been signed. While the first tranche of finance – some €600 million – is due to be delivered in the coming days, it is also important that signature of the economic part of the AA happens as quickly as possible after the Presidential elections, as it will send a strong signal of EU support.

The Ukrainian government also needs to push ahead with urgent political, judicial and economic reforms as well as the Presidential elections. The appointment of a new President opens the road for everything else including early parliamentary elections and the adoption of an amended "inclusive" constitution which is crucial for Ukraine's future governance. On 15 May draft constitutional amendments will go to a broad public consultation, which needs to be an inclusive and legitimate exercise other it will be an irrelevant exercise, risking the legitimacy of the amended constitution. Once adopted (possibly early autumn), it will be possible to move ahead on a number of key issues including decentralization of Ukraine's regions giving them a high degree of autonomy related administrative and financial matters, education and culture with people able to elect and control their regional governors.

Ukraine is passing through the most traumatic and difficult period in its 23 years of independence. This crisis can still be resolved but only if the West is resolute in its support of Ukraine and ready to take the necessary actions to counter Moscow. Failing to do this will signal that the West is allowing Moscow to revert back to the Cold War era of defined zones of influence which will have very dangerous consequences that will go well beyond the borders of Ukraine. If we do not act today, we are certain to pay the price tomorrow.

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