

### Five years after the Orange Revolution in Ukraine: back to the future?

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## Five Years after the Orange Revolution in Ukraine: Back to the Future?

*The interest of the European public will soon turn again to Ukraine, where presidential elections are scheduled to take place in January 2010. The International Monetary Fund supported Ukraine during the global financial crisis, averting a state bankruptcy with billions in credit. The IMF also effectively paid Ukraine's debt to Russia for natural gas. This defused the conflict with Russia, but came at the cost of deep Ukrainian financial dependence on the West. Will Russia and the EU continue to compete for Ukraine?*

Ukraine is breathing easier these days, and the beneficiary of this positive development is indisputably the Ukrainian Prime Minister Yulia Tymoshenko. With the support of the IMF she managed to keep social subsidies for the population intact, while leading the Ukrainian economy, still badly in need of reform, out of the recession. Tymoshenko is projected to have excellent chances for a victory in the presidential elections, provided there is not another gas conflict with Russia.

### Outlook

Tymoshenko appeared in September 2009 along with two other candidates for the country's highest office at the annual conference of the Ukrainian foundation Yalta European Strategy (YES) in the Crimea, which she utilized primarily to showcase her successful crisis management to the numerous Western experts gathered. Tellingly, the IMF competed with Russian and Chinese state funds to provide Ukraine economic support during the financial crisis. All three sides sought the political influence on the Ukraine that the billions in credit bring. Ukraine turned down Russia's credit offer so as to avoid political dependence on Moscow,

but hopes to receive additional assistance from China. Moscow has thus missed the chance to use the severe economic crisis of its neighbor to its advantage and so come closer to its declared goal of purchasing the Ukrainian pipeline network.

Tymoshenko, however, did manage to defuse the gas conflict with Russia—a development of vital importance for Ukraine's stability. While President Viktor Yushchenko quarreled yet again with Russia and even supported Georgian President Mikhail Saakashvili in his country's conflict with Moscow, Tymoshenko used her successful negotiations with Russian Prime Minister Vladimir Putin to suggest to the Ukrainian public that she is capable of reconciling the two Slavic nations. Tymoshenko's approach was well received, both by the pro-Russian population in eastern Ukraine and the Russian leadership. She was able to negotiate with Putin a new delivery and transit agreement for the export of Russian gas to Ukraine and Europe, so that no new complications are expected this winter. Ukraine has refilled its reservoirs with Russian gas, financed in part with Western credit. The EU thus has no reason in the coming winter to fear a potential supply disruption of "political nature" between Russia and Ukraine.

Yushchenko, the current incumbent and hero of the 2004 Orange Revolution, is trailing badly in the polls: Only three percent of Ukrainians would give him their vote. The population has turned away from him in disappointment. Yushchenko's radically pro-Western foreign policy also appears to have failed: The president had attempted—at a time when he still felt the support of the former American administration—to establish with Georgia and the Baltic states a “front for the defense of freedom” against the allegedly neo-imperialist Russia, with the hope of a quick accession to NATO and the EU. After Barack Obama shelved plans for stationing a missile-defense system in Central Europe and after the publication of an EU report that gave Georgia the blame for the 2008 war in the Caucasus, Yushchenko must tone down his confrontational rhetoric against Moscow or risk total political isolation. Against the background of the current Russian-American rapprochement, the prospects for NATO membership for both Ukraine and Georgia have receded far into the distance.

The Ukrainian presidential candidates Timoshenko, Viktor Yanukovich, and Arseniy Yatsenyuk spoke accordingly about a possible NATO membership for their country at the YES conference. Timoshenko pointed to the Ukrainian public's widespread skepticism over NATO accession and stated, she would rather cooperate with the European Security and Defense Policy (ESDP). Timoshenko declared that the Ukraine should not have to choose to become either pro-European or pro-Russian: The country does not want to choose between its “mother and father.” Yanukovich conceptualized his country as a regional power between Europe and Asia, and characterized the “Euro-romanticism” in Ukraine as a thing of the past. He claimed that as president he would seek to keep Ukraine out of any security alliance blocks. Yatsenyuk criticized Brussels for creating a new divide between the EU and Eastern Europe. With an eye to reconciliation with Russia, he appealed at the conference to the old idea of “greater Europe.”

The candidates have three months to make their case before the presidential elections, with polling showing

the former Prime Minister Yanukovich leading Timoshenko. It is widely expected that the two will have to carry the fight to a second round of voting. Experts believe that the candidate who can attract in the second round the supporters of the likely third-place candidate, Yatsenyuk, will ultimately become president. In contrast to the 2004 election, in which the West and Russia supported the Orange Revolution and Yanukovich, respectively, the foreign influence on the current Ukrainian election is minimal. Neither Russia nor the West has a clear favorite. Nevertheless, a continuation of the competition between the West and Russia for influence in Ukraine may have its effects.

### Potential for Conflict between Kiev and Moscow

Russian-Ukrainian relations have been difficult since the Orange Revolution, characterized by confrontational rhetoric. Russia resented Yushchenko's NATO ambitions and his attempts to rewrite Ukrainian history to present the country as the perennial victim of Russian colonialism. Russian official media reports on Ukraine are biased and spiteful, with the consequence that public opinion polls show 50 percent of Russians having a negative perception of Ukraine. Only 6 percent of Ukrainians have a similar opinion about Russia. Ukrainians have a much more positive view of Russia than vice versa and seem to have forgiven Russia the gas conflict in the winter of 2009.

There are still a number of sticking points between Kiev and Moscow. One is the stationing of the Russian Black Sea fleet in the port city of Sevastopol in the Crimea. The lease agreement runs out in 2017, and Yushchenko is adamantly opposed to its renewal, as the presence of the Russian fleet is an obstacle to Ukraine's NATO accession. Russia has no ready alternative to Sevastopol for the fleet, and has indicated it would like to extend its naval presence there. The leaders of both countries have seven years to decide on an extension of the Russian fleet's stationing in Ukrainian territory. Moscow naturally hopes that by this time a more pro-Russian government will be in

power in Ukraine, one that would be more receptive to a lucrative offer. If the Ukrainians vote against NATO accession in the referendum planned for the near future, the problem of the Black Sea fleet would possibly be defused.

A fundamental problem in the relationship between the two countries is that currently they both have different geopolitical orientations. Russia would like to reintegrate with Ukraine by creating a common market or customs union (to which Belarus and Kazakhstan would also belong). Ukraine, on the other hand, is striving for integration into the West. So long as Kiev and Moscow do not belong to different security alliances, this difference in geopolitical strategy is of limited importance. It would be a disaster, however, for Ukraine to become a part of NATO's "front line" against an anti-Western Russia. European history is replete with examples of conflicts caused by empires collapsing. In the "big brother/little brother phenomenon", the resulting larger country acts imperialistically towards the smaller, which casts itself in the role of the victim. In all of the familiar cases, however—Great Britain-Ireland, France-Belgium, Sweden-Finland, Turkey-Greece—the two countries have never been in different security alliances. The latent Russian-Ukrainian conflict over this security issue could thus be lessened or even done away with by the dialogue on a new common Euro-Atlantic security architecture suggested by Russian President Dmitri Medvedev. The OSCE could conceivably be upgraded into a common security organization.

Russia remains one of the major investors in Ukraine, even with the financial crisis dramatically reducing the trade between both countries. Russia owns 223 factories on Ukrainian soil, 150 of which are located in the Crimea. The Ukrainian economy is in foreign trade more dependent on the Russian market than vice versa. Potential trade barriers, for example a withdrawal of Ukraine from the Commonwealth of Independent States (CIS), would be very damaging for Ukraine's economy if Kiev did not diversify its economic ties to the West.

## The Need for Reform

It is still premature to assess Ukraine's navigation out of the financial crisis. No one knows if the country can survive in the coming months without Western aid. Timoshenko promised Western investors fair participation in a transparent privatization process, including that of the Ukrainian gas transportation network, which Ukraine hitherto considered its most important symbol for its independence from Russia. In preliminary EU negotiations without Russia's participation, Kiev and Brussels have agreed to create a bilateral consortium to modernize the pipelines. At the same time, however, the EU is a staunch supporter of the so-called Nabucco pipeline, projected to be built mid-decade, which would transport natural gas from Central Asia and Iraq through Turkey (and hence not through the Ukraine), bypassing the Russian pipeline monopoly to the West.

Once the elections are over, the EU should further engage Ukraine without increasing the divisions between Russia and Kiev. Russia should be more actively integrated into the EU's eastern partnership—a step the Swedish and Czech EU presidencies opposed. The upcoming Spanish presidency will again open up to Russia, and interesting collaborative projects are sure to be found in which all sides can engage—and not just in the energy sector.

A UN study estimates the total population of Ukraine could shrink from the current 48 million to just 36 million by 2050. The life expectancy in the Ukraine has decreased 10 years since Ukraine achieved independence. Any government in Kiev will have to deal with the issues of legal and social reforms, demographic change, and, most importantly, energy efficiency. One lesson must be learned from the financial crisis: The modernization of the economy must be carried out as quickly as possible and at any cost. Ukraine should have long since completed radical reforms, when after the 2004 Orange Revolution the country was riding high on Western goodwill and generous aid and invest-

ment. Yushchenko's failure to utilize the last half-decade is inexplicable.

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