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Whither Ukraine?

What steps might Germany take to help resolve the Ukraine crisis? Samir Tata argues that Berlin should try to ensure that the country 1) retains its territorial integrity, 2) adapts a dual economic system, much like Hong Kong and China, 3) adopts a federal governmental structure similar to the US model, and more.

By Samir Tata for ISN

Ukraine is locked in an existential struggle over its future that's been triggered by efforts to 'divorce' from Russia and join NATO and the EU. As things stand, the country is a powder keg with two lit fuses that reflect two very different and irreconcilable visions for its future. Consequently, it's time for Russia, Germany and Ukraine to craft a Plan B. Such a plan would have five key elements so that Ukraine (1) remains a unified state within its present boundaries (minus Crimea); (2) recognizes Ukrainian and Russian as the country's two official languages; (3) adopts a democratic federal structure similar to the US model; (4) accommodates two economic systems along the lines of Hong Kong and China; and (5) embraces neutrality. Absent a concerted effort to think "outside the box", Ukraine will implode and trigger a second Cold War between NATO and Russia.

The Ukrainian powder keg

Far from being a country gridlocked in a frozen conflict, Ukraine is a powder keg with two sticks of dynamite that make the current status quo inherently unstable. The [Minsk Accords II](#) of 12 February 2015 were the product of intense negotiations between Russian president Vladimir Putin, German chancellor Angela Merkel, French president Francois Hollande and Ukrainian president Petro Poroshenko. Also participating were representatives from Eastern Ukraine (although clearly under Russian control). The twin objectives were to implement a cease-fire between central government forces and Russian-backed insurgents in Eastern Ukraine, and provide a pathway for its devolution within a unified Ukraine. With respect to the latter, key provisions included (1) the restoration of central government services (including banking services and payment of pensions); (2) reaffirmation of the special status of Donetsk and Luhansk oblasts (provinces); and (3) constitutional reform to ensure devolution of sufficient power to Eastern Ukraine.

Yet, while the Minsk Accords II has been successful in ending the bloodshed through a cease-fire, the provisions with respect to normalization and devolution have not been implemented. In the absence of enforcement mechanisms it is unlikely that these provisions will be implemented by the current Ukrainian government. Moreover, the [IMF Financing Package II](#) removes any financial pressure on the government to normalize relations with Eastern Ukraine.

Approved 11 March 2015, the IMF Financing Package II provides Ukraine with \$17.5 billion funding over a four-year period. Quite remarkably, the new IMF financing program assumes (1) the continued de-linking of Eastern Ukraine from the rest of the country, and (2) continued conflict in Eastern Ukraine at levels similar to 2014. The IMF notes that the Ukrainian government budget assumes no expenditures (other than military expenses) or revenues for Eastern Ukraine and, in direct contradiction to the Minsk Accords II, there is no plan for its normalization and re-integration with the rest of the country. Instead, the critical requirement for the success of the new IMF program is the “non-intensification of the conflict in the East.”

In effect, the IMF (and the Ukrainian government) envisions a frozen conflict in Eastern Ukraine, a viewpoint that puts it in sharp contrast with the Minsk Accords II (which envisions a cease-fire and re-integration of Eastern Ukraine). From an economic perspective, the IMF statistics suggest that Ukraine is better off without Eastern Ukraine. The Fund points out that: “the divergence between the east and the rest of Ukraine appears to reflect the limited direct regional interlinkages. Consequently, the direct spillover impact [of the conflict] on the rest of the Ukraine has not been large”.

Waiting for Plan B

Contrary to the widespread belief that Russia favors a frozen conflict in Ukraine, Moscow is unlikely to accept an unfavorable status quo in which it shoulders the burden of supporting a separatist Eastern Ukraine while the rest of the country waits to join NATO and the EU.

So, while the threat of a larger war hovers in the background, Ukraine waits for a Plan B. Certainly, Moscow, Berlin and Kiev have demonstrated a willingness to work together to try to unravel the Ukrainian conundrum. With this in mind, the following five key elements will be essential features of a successful plan that addresses the minimum core requirements of Ukraine, Russia and Germany (on behalf of the EU and NATO).

First, support for the independence and territorial integrity of Ukraine (ex- Crimea) is overwhelming across the spectrum of Ukrainian society. According to a [May 2014 survey](#) by Pew Research Center, 77 per cent of all Ukrainians support a unified country (but 54 per cent of Crimea’s residents favored reunification with Russia). While the Minsk Accords II makes re-integration of Eastern Ukraine a core objective, it is conspicuously silent on Crimea. The IMF Financing Package II explicitly excludes Crimea from Ukrainian statistics. Clearly, Russia’s re-annexation of Crimea has been accepted as a fait accompli, at least de facto albeit not de jure.

Second, Ukrainian identity has been inextricably linked with Russia for almost three centuries (except Western Ukraine which was annexed to Soviet Ukraine in 1939). Given that Russian is widely spoken throughout Ukraine by both the substantial ethnic Russian minority as well as many ethnic Ukrainians, it makes sense to embrace both languages as official languages of the country. The Pew survey shows that a majority (54 per cent) of Ukrainians would support such a decision. Many countries have more than one official language (e.g. Canada, Belgium, Switzerland, India) so Ukraine would not be unusual in adopting two official languages.

Third, Ukraine is in a fundamental sense schizophrenic, with a European-oriented west and Russian-oriented east. The five oblasts (provinces) that constitute the core of Western Ukraine (Ivano-Frankivsk, Lviv, Rivne, Ternopil and Volyn) were seized from Poland and annexed by Moscow in September 1939 following the joint Nazi-Soviet invasion of Poland pursuant to the Ribbentrop-Molotov Pact. Consequently, Western Ukraine’s cultural, political and economic traditions are rooted in Europe, not Russia. The push for European integration (including NATO and EU membership) has been driven by the West, while the desire to retain historically close links to Russia

is sustained by Eastern Ukraine. Both impulses must be accommodated.

Accordingly, Ukraine should restructure its constitutional arrangements to reflect the democratic federal model of the United States. This will allow for an equitable sharing of power between the central government and oblasts. Moreover, a democratic framework would be built in through a system of checks and balances among three co-equal branches of government (executive, legislative and judicial). Such a democratic federal model would be consistent with EU governance norms.

Fourth, Western Ukraine's economy is increasingly oriented more towards Europe than Russia. Thus, when Ukraine was granted preferential access to the EU market in August 2014, Western Ukraine was the major beneficiary of this move. IMF statistics indicate that Western Ukraine's industrial output, agricultural production and exports increased in the fourth quarter while the rest of Ukraine continued to decline. The reality is that Western Ukraine is adapting more easily and readily to the European economic model than the rest of the country. It makes sense, therefore, to borrow from the Chinese and provide for two economic systems along the lines of Hong Kong and the rest of China. In such an arrangement Western Ukraine would be designated a special economic zone (SEZ) that could then follow the likes of Norway's and adopt EU economic policies without formally becoming a member of the organization. The rest of Ukraine could, in turn, coordinate economic policy with Russia.

Finally, Ukraine will have to accept that, given its geo-strategic location spanning the soft southern underbelly of Russia, the only realistic way it can preserve its sovereignty is by assuring Moscow that it has no hostile intentions and poses no military threat. In 2010, Ukraine's parliament decreed that the country would be neutral and that it would not pursue NATO membership. Four years later, Ukraine's new parliament [reversed this decision](#). This provocative action was a direct challenge to Russia's red line - no new NATO members along its borders. Obviously Russia will not allow Ukraine to join such a military alliance. Accordingly, Ukraine - like Finland (which has a similar geo-strategic position on Russia's northwestern border) - must embrace neutrality and enshrine it in its new constitution to minimize the possibility of future reversals.

Ukraine is in the throes of dissolution. Russia, Germany and Ukraine must rise to the challenge and design a Plan B along the lines outlined herein. If implemented, Ukraine will be transformed and the specter of a second Cold War will vanish. We've already had a glimpse of the alternative and know that it is far less palatable.

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