



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE  
T: +44 (0)20 7957 5700 E: [contact@chathamhouse.org](mailto:contact@chathamhouse.org)  
F: +44 (0)20 7957 5710 [www.chathamhouse.org](http://www.chathamhouse.org)

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## Meeting Summary: Russia and Eurasia Programme

# Ukraine 2020: Three Scenarios

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*This half-day seminar examined three scenarios for Ukraine's political development which had been outlined in the Ukraine 2020 report published by the Center for Global Affairs at New York University. The scenarios examined were: "Fragmentation and Failed Authoritarianism", "National Consensus Leading to Reform", and "Strategic Authoritarianism".*

*In session one, the speakers provided brief outlines of the scenarios. The second session considered the most likely political and economic trajectory for Ukraine and the policy implications for the EU. Speakers at the event included Michael Oppenheimer (Center for Global Affairs, NYU), James Sherr (Russia and Eurasia Programme, Chatham House), Andrew Wilson (European Council on Foreign Relations) and Kataryna Wolczuk (University of Birmingham).*

The report is available at:

[:http://www.scps.nyu.edu/export/sites/scps/pdf/global-affairs/ukraine-2020-scenarios.pdf](http://www.scps.nyu.edu/export/sites/scps/pdf/global-affairs/ukraine-2020-scenarios.pdf)

## **Session One: Presentation of Scenarios**

### **Peter Oppenheimer**

The third scenario presented in the report is "Strategic Authoritarianism", which incidentally stirred the greatest controversy between the experts. This predicts that Ukraine will move further from democracy but its institutions will become more effective.

Under the scenario, Yanukovich establishes himself as a strong leader. Despite benefiting from the weakness of his opposition, he is active in expanding his control over political institutions and elites. He manipulates radical nationalists in order to emerge as the only alternative able to prevent their resurgence.

His foreign policy is moderate; the regime cooperates with the IMF in the hope of attracting foreign investment. The IMF pushes for openness in Ukrainian economy and the liberalisation of land ownership. The oligarchs are successfully reigned in by Yanukovich. The West is a priority, but the regime still seeks to maintain relations with Russia and China. Yanukovich launches a visible, and effective, anti-corruption campaign, with a focus on low-level corruption, intentionally turning a blind eye to high-level corruption. Ukraine experiences a decade of a decent economic growth and stability, whilst Yanukovich consolidates his power.

## Andrew Wilson

The “Strategic Authoritarianism” Scenario is a possible consequence of scenario one, “Fragmentation and Failed Authoritarianism” and scenario two, “National Consensus Leading to Reform”.

The core question for scenario one is, will Yanukovich’s authoritarian instincts lead to a more effective political system? Will the regime succeed in consolidating power and deliver economically? Ukraine starts by copying the Russian model. There is little reform in the energy sector, instead it remains corrupt and hostage to the close relations between politicians and oligarchs. The security system is also fragmented and under Russian influence. Yanukovich targets his key opponents, including Timoshenko and other opposition leaders, which has negative diplomatic consequences and isolates Ukraine from the West. Yanukovich hopes to create a pocket opposition to give the regime a semblance of democracy, but he manipulates the opposition so it appears to be a worse alternative to his own party. Obviously, the problem with any pocket opposition is that it may not stay subservient. However, any success is short term - Ukraine is bound to fail in copying the Russian model as its economy is not as stable and political options are more limited. In effect, the authoritarian turn fails to deliver. Ukraine is plagued by a large fiscal deficit. The IMF’s is unwilling to help and the proportion of small and medium-sized enterprises in the economy declines. China, a possible saviour, is happy to sign particular contracts, but has no interest in bankrolling the country and covering the deficit. The Presidential elections of 2015 are fought between Yanukovich and the leader of *Svoboda*, leading to an easy victory for the incumbent. Recent media reports already suggest that Tiahnybok has taken money from Akhmetov. The elections are followed by a period of fragmentation of the political scene, exacerbated by the lack of foreign support, problems with regional divisions, economic crisis and rising social unrest.

Scenario two presupposes national reform. This scenario is plausible, provided the same kind of problems as faced in scenario one become apparent quicker, thus requiring reform to prevent fragmentation. Yanukovich loses the 2015 Presidential elections to a dark horse. Following his loss, reforms accelerate the implementation of an EU-Ukraine Deep and Comprehensive Free Trade Agreement (DCFTA) and visa-free travel between the EU and Ukraine. Additionally, democratic reform in Russia offers an external driver for similar changes in Ukraine. Oligarchs become increasingly marginalised as government announces new waves of privatisation in order to fulfil its modernisation goals.

## Questions and Discussion

One participant observed that it seems that Yanukovich has managed to alienate both EU and Russia to an unprecedented extent, especially given that up to 2008 both actors were involved in a geopolitical struggle for influence in Ukraine. What are the consequences for a decline in interest from Ukraine's neighbours? One speaker argued that should Ukraine start to succeed economically, as predicted by scenario three, Ukraine's importance to its neighbours will increase. Also, the current lack of interest may not be Ukraine's problem alone and instead indicate broader trends, shifting priorities in the US, and the EU's internal problems.

Ukraine is not only facing a lack of interest from Russia and the EU; China is also not as eager to get involved as it was hoped. Ukraine's importance is decreasing - it is losing its position in gas transit, whilst its food and glass industry are underdeveloped. The share of SMEs in Ukraine's economy is actually declining, which is shocking. Ukraine needs reforms in order to become a strong player once again. Should it fail to do so, this would create perfect conditions for scenario one.

It was argued that scenario three assumes that the regime is able to reduce corruption. Are there any similar regimes that have managed to do so? What leads Kyiv to believe that this would be possible in Ukraine's case? Scenario three also presupposes that Yanukovich is able to further consolidate his power. However, he was elected by less than 50 per cent of votes and his current ratings are low. Is deep structural reform possible under such regime?

Yanukovich's overriding aim is to stay in power, but he is lazier than Putin in doing so. He is less interested in playing the oligarchs against one another and less charismatic. This makes him less immune to conflicts within his party, as shown by the recent mixed-messages about Timoshenko. Some members of Yanukovich's party wanted to take a hard line against her, whilst others preferred to side with the EU.

The discussion turned to Russia's role in Ukraine's development. It was argued that Russia is one of the actors able to change the future of Ukraine. Poland is frustrated with Ukraine. It has invested a huge amount of capital and effort on the democratic reform, but its patience has been exhausted. It is important to ask what Russia wants from Ukraine. Russia would like to remain engaged, especially since Ukraine is instrumental to the success of Eurasian Union, but it lacks the resources to bail anyone out.

Ukraine's economy is a disaster waiting to happen. Its financial position has to be strengthened. However, the regime is pursuing a flawed gas deal with

Russia, remains a massive energy consumer, and is heading in the wrong direction in terms of improving its business environment. Is it possible for the regime to meet the conditions for scenario three in such circumstances?

When considering the stability of Yanukovich's regime, one must not forget that there is such a thing as authoritarian public goods. At the moment, the regime is mainly interested in law and order; it is only delivering as far as order is concerned. For an average Ukrainian this is important, especially following the chaotic times of the Orange era. To ensure economic growth, the regime would have to reign in the oligarchs and lay the foundations for SME growth. Both developments are possible, but are far from implementation.

Another participant argued that there are reasons for optimism. Inflation in Ukraine is still just 8 percent. The regime is under pressure to resume serious talks with the IMF and create an agreement that allows for an economic stability. If the IMF-inspired reforms should go through they will set Ukraine on a route to a better rapport with the EU. At the moment Yanukovich's relations with the EU are undermined by the Timoshenko case, and unless it is resolved Ukraine should expect obstacles to its participation in the Eastern Partnership.

## **Session Two: Likely Outcomes and Policy Implications**

### **James Sherr**

Ukraine is not a rule setter; external actors have a big impact on the context in which Ukraine's internal development takes place. Last year, Yanukovich's policies were structured around two assumptions about the external world that he thought were realistic. Firstly, that the West would equate his authority with stability and see him as a predictable and competent partner who was worth supporting. Secondly, Yanukovich assumed that Russia would respond to his major concessions in Kharkiv in April 2010 by reducing diplomatic pressure. By removing the two key issues – the Black Sea fleet issue and the NATO issue – he hoped Russia would back off. He was disappointed on both fronts.

It is likely that scenario 1 (strict authoritarianism) will slowly evolve into scenario 2 (fragmentation), and, over a much longer time-frame, evolve further into a significant consensus, i.e. not one only to eliminate established divisions but a solid base that could sustain different strategic aims. The

realities we are dealing with now are likely to stay with us for longer than a rational pragmatic analysis might suggest. Any alternative would have to be given shape by institutions. If there is going to be a political vacuum in the near future, there is no one from the opposition capable of filling it. Tymoshenko is in steady decline and the electorate is cynical about the entire political class across the board. Therefore, scenario 3 is beyond our practical lifetime.

Yanukovich owes his authority to his ability to sustain the position of certain economic interests. He and they have a conception of national interest, but corporate interest always transcends it. The energy situation is not sustainable. There are fissures in the ruling group. The gas lobby is quite vocal; others, such as the group around Akhmetov, are more quiescent. Many worry about territorial fragmentation, but even at the high point of the Orange revolution, no separatist movement emerged in the East. Fragmentation is more likely to resemble the one in Russia: a corrosion of the *vertikal* at every level, aggravated by the fact that Yanukovich has managed to divide the opposition in a way which is damaging for the country. For scenario 3 to come about, there has to be a change in power relations. Such change can only come from small and medium entrepreneurs, whose interests depend on realising the economic liberal values of the EU. This group has to live with harassment from the authorities, but does not yet have political consciousness or a political platform.

There is relatively little the EU can do now. Their message has been delivered to Yanukovich clearly. The worst thing to do would be to give in to moral blackmail. The EU should respond to such blackmail by saying that if the Ukrainian officials think it is in Ukraine's best interest to integrate with Russia, they should go ahead.

### **Kataryna Wolczuk**

We are experiencing recommendation fatigue in relation to Ukraine. For the past two decades, various recommendations have been ignored or only partially implemented. Thinking outside the box is important because the box is very full at the moment, given the Tymoshenko case and the problems with the Association Agreement. Use of the ratification process for the Association Agreement by the EU to execute political conditionality is unprecedented.

Ukraine has muddled along for the past twenty years, but we cannot guarantee it will continue to do so for the next ten years. Ukrainian leaders think nothing can happen in the region unless Ukraine is involved, but in fact

external actors loom large. Separatism has run of steam, but Ukraine may emerge as a failed state through fragmentation as certain regions may cope with the economic crisis by entering into different administrative regimes. The state may not be able to control violence on its territory. Ukraine has the worst access to primary healthcare among the states of the former Soviet Union. If Russia introduces a visa regime, Ukraine migrant workers will have nowhere to go. A sense of hopelessness may bring about unprecedented survival strategies.

The situation will have to become much worse before it gets better. It is unlikely that an enlightened reformer will be coming to power soon. Domestic actors should be supported to skew the balance in favour of reforms. Recommendations and assistance to the judiciary have not brought results because certain powerful actors are interested in maintaining the status quo. A DCFTA is likely to benefit small and medium size enterprises, however they are politically underrepresented in Ukraine. Ukrainian oligarchs lack the will to engage in longer term reforms.

The EU has leverage over Ukraine, perhaps bigger than ever, because of the ratification process. Ukraine was allowed to jump several hurdles in the EU integration process without meeting any conditions, but the EU's benevolence is not going to last much longer. Ukraine is a large country, which works against it with regards to EU integration. The EU has been playing down regional competition, but nevertheless if Yanukovich fails to deliver on the visa free regime before the leaders of Moldova and Armenia he will face a backlash domestically. Ukraine cannot go it alone and will need to make a geopolitical choice in the near future. The Customs Union has changed the way Russia interacts with its neighbours - it has had a significant impact on Kazakhstan. For the consensus scenario to work, Russia needs to exercise self-restraint, which may happen if there are troubles at home.

### **Questions and Discussion**

Ukraine has seen a consolidation of a sub-optimal political system in the past 20 years. After this length of time, any impetus for change has to be stronger than in the 1990s. Ukraine state apparatus is fragmented, ineffective and difficult to reform. Amnesty International has recently published a disturbing report on abuses of power by the Ukrainian police. Some elements of the failed state scenario are already in place.

The existing political debate is insufficient, and focuses on the short term. There is no mechanism for nurturing a different generation of politicians.

Smart young people go into business or emigrate. The fundamental problem of Ukrainian politics is that the politicians expect someone else to deliver solutions to their problems. They assume that the West has a strong interest in preventing Ukraine's return to the Russian fold. However, the West's true interest is in Ukraine becoming a respectable actor understanding the consequences of its actions.

The last 20 years have seen a gradual growth of civil society, but of late it has gone into reverse. A variety of actors took part in brutalising a promising political culture for cynical reasons, but certain positive elements are still present. Civil society needs a well-articulated programme in order to have influence. Ukrainian politicians are quite fearful of Tymoshenko's charisma, but it takes more than just her to form an effective opposition.

One participant raised the question of Crimea. It was argued that the Russian Black Sea fleet has a huge but pernicious economic influence. Crimea will remain a source of criminal activity. Russians have an Abkhaz scenario for Crimea however this is not likely as the Tatar population is pro-Ukrainian. There is no ethnic dispute that has a pro-Russian party.

One of the speakers pointed out that Ukraine had been attracted by the geopolitical symbolism of having a DCFTA with the EU without realising the implications of certain provisions, e.g. for dispute settlement. The integration regimes on offer for Ukraine are hardening. Unlike previous Russian-led integration projects, the Customs Union has bite. It would shift the locus of control over its trade policy out of Ukraine but unlike anything associated with the EU, it does not demand any internal changes. Both agreements are too strict for Ukraine's liking: the country would like to continue to export to Russia while having selective access to the EU single market. The elite have been trying to keep their options open but will have to make an unpalatable geopolitical choice in the near future.

It was argued that Moscow's policy towards Ukraine is likely to depend on domestic developments in Russia. Moscow has a way of pulling Ukraine together when it behaves badly, and Putin's strategy for Ukraine could backfire. Russia's blatant intervention in the 2004 election was a major tipping point in the Orange Revolution.

Ukraine would like to have a multi-vector foreign policy. Increased contact with China is likely but will not solve Ukraine's economic problems. China offers free trade agreements without any conditionality. However, Ukrainians have the same illusions about China as about the west. China is mercantile; it does not give something for nothing, especially as it is not in geopolitical



competition with anyone over Ukraine. If Ukraine is in a position to offer something to China, China may become an important player.

A participant asked about the effect of Ukraine's upcoming chairmanship of the OSCE. The Ukrainians relish the opportunity to shine in the international arena, but the OSCE chairmanship is unlikely to produce significant results. The marginalisation of the MFA professional apparatus hampers Ukraine's performance in the international arena. The Ukrainian MFA is largely pro-European. The Ukrainian representative to the 5+2 talks on Moldova, Kharchenko, is playing a very responsible role. The question is to what extent the OSCE Chairmanship is going to be an MFA-driven process. In the 1990s, the state apparatus was created out of nothing by people with Soviet background and attracted talented people in the country. However, when Yushchenko began to personalise institutions that had developed a degree of professionalism, many capable people left.