

Ukraine 2020

Scenario One:

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Fragmentation from Failed Authoritarianism

President Victor Yanukovich and his Party of Regions (PoR) monopolize power. Their divisive policies and failure to restore economic growth generate significant dissatisfaction, but the opposition radicalizes and fragments, enabling Yanukovich to remain in power throughout the decade. Local needs and expectations become of paramount importance—to the detriment of national unity.

Scenario Two:

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National Consensus Leading to Reform

Worsening economic conditions and a poor response from the Yanukovich administration galvanize opposition politicians, small-business owners, and young bureaucrats into action. When some oligarchs join this opposition coalition, the balance of power shifts decidedly against Yanukovich, paving the way for a pragmatic, reform-oriented leader to come to power and lead change in Ukraine.

Scenario Three:

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Strategic Authoritarianism

Yanukovich establishes himself at the apex of a power vertical, which he manages to maintain throughout the decade by exploiting the weakness of his opposition and meeting the expectations of his elite backers and the public for “stability” and economic growth.

PROJECT OVERVIEW

The scenarios presented in this document are based on the Ukraine Scenarios workshop, held on October 22, 2010 at the Center for Global Affairs at NYU. This was the sixth in a series of workshops organized by the CGA Scenarios Initiative, which aims to reduce surprise and illuminate U.S. foreign policy choices through scenario-building exercises. Previous events focused on Iraq, Iran, China, Russia, and Turkey, and a future workshop will focus on Pakistan. The workshops on China, Russia, Turkey, Ukraine, and Pakistan are funded by the Carnegie Corporation of New York.

In both official and academic policy debates, the future is often expected to parallel the recent past. Potential discontinuities are dismissed as implausible, information that conflicts with prevailing mindsets or policy preferences is unseen or viewed as anomalous, pressure for consensus drives out distinctive insights, and a fear of being “wrong” discourages risk-taking and innovative analysis. This conservatism can reduce foreign policy choice. Our experience, through several workshops, is that experts tend to underestimate the degree of future variability in the domestic politics of seemingly stable states. This was the case with the Soviet Union, as it is now in the Middle East. Globalization, financial volatility, physical insecurity, economic stresses, and ethnic and religious conflicts challenge governments as never before and require that we think seriously about American policies in such uncertain circumstances.

The CGA Scenarios Initiative aims to apply imagination to debates about pivotal countries that affect U.S. interests. The project assembles the combination of knowledge, detachment, and future perspective essential to informing decisions taken in the presence of uncertainty. The project comprises long-term research on forces for change in the international system and workshops attended by experts and policymakers from diverse fields and viewpoints. The workshops examine the results of current research, create alternative scenarios, identify potential surprises, and test current and alternative U.S. policies against these futures.

Michael Oppenheimer, the founder of the project, has organized over thirty such projects for the State and Defense Departments, the National Intelligence Council, the Central Intelligence Agency, the U.S. Institute of Peace, the Brookings Institution, the Council on Foreign Relations, and the President’s Science Advisor. He is a professor at the Center for Global Affairs at New York University.

FOREWORD

The first advice to a new arrival to Ukraine is most likely to be, ‘Ukraine is not Russia’. But from that point onwards, the novice is likely to encounter a bewildering variety of views about what is happening in the country and where it is going. The group of experts and former decision-makers who convened in NYU’s Center for Global Affairs on 21–22 October 2010 were all connoisseurs of Ukraine’s distinctiveness from, as well as affinities with the country that many tartly call ‘elder brother’. They reflected a Ukrainian wariness of certainties and were for the most part skeptical that any line of policy or ‘vector of development’ would proceed as intended. If Russian political culture revolves around ‘the question of power’, Ukrainian political culture revolves around distrust of power, and whilst this can be a commendable disposition, it makes state building as well as prediction difficult.

The majority of participants considered all three scenarios plausible, albeit in a Ukrainian (i.e., compromised and contested) form. In fact, we already have had glimpses of them in the past. President Leonid Kuchma’s first term (1994–9) provided an example of the project’s third scenario: ‘strategic’, albeit limited and reformist authoritarianism (which, because of the proximity of the Soviet past, initially had the appearance of incipient democratization). His most accomplished (and least unsavory) lieutenants had acquired a strong statist tradition from that Soviet past, but had a weak national tradition. They swiftly put an end to the economic chaos of the post-independence years and, in the domain of national security, disposed of the myth that ‘Ukraine will never be able to stand by itself’. That brief period is a reminder that Ukraine’s independence was once associated with progress.

But it is also a cautionary tale. Kuchma’s second term (1999–2004) was another lurid confirmation of the maxim that ‘power corrupts’. Yet it was more than that. The Kuchma years rounded off a process of systemic mutation underway since the late Soviet period: the transfer of real power from the structures of ‘command-administration’ to the illicit and often criminal networks who had come to exercise de facto control over resources and their distribution. Instead of curbing this process, the post-independence years accelerated it. By the late 1990s, official structures and shadow structures had become perilously interdependent, and

those who exposed these connections faced ruin and in the case of one celebrated journalist, Georgiy Gongadze, death.

By failing to make this issue their top priority, the Yushchenko-Tymoshenko tandem not only doomed themselves; they reversed the process of civic awakening that had propelled them into power. The ‘personification’ of state institutions, including those that had grown more professional under Kuchma, only accelerated that regression. Were this not all, Yushchenko lost himself in a romantically emotive world of nation-building causes that exacerbated hostilities in eastern Ukraine and added an undertone of ugliness to an inevitably difficult relationship with Russia. Crowds did not freeze on the Maidan in order that Ukraine join NATO, Bandera be rehabilitated and university exams be conducted in Ukrainian. They did so in order to bring to power leaders who would govern in the interests of the country rather than themselves. Had this message been understood, the second scenario, ‘National Consensus Leading to Reform’, might have become a reality.

The workshop was of two minds as to whether the presidency of Viktor Yanukovich would reaffirm the realism of the ‘strategic authoritarianism’ scenario or degenerate into Scenario One: ‘Fragmentation from Failed Authoritarianism’. What will be the fate of the latest project to erect a ‘vertical of power’ in Ukrainian conditions? It would be specious to say that the image of ‘stability’ and ‘effective authority’ is entirely devoid of substance. Some (if far from all) macro-economic data provides such substantiation, as does the evisceration of the former Orange forces.

But there is a difference between overcoming governmental disorder and providing effective governance. In several spheres, the new authorities might be creating new problems, not only for the country but themselves. With their ascendancy, the fusion between money and power has not only become tighter, but narrower. This makes IMF conditionality far harsher than need be for ordinary citizens, not least in eastern Ukraine, where bitterness is rising and support for Yanukovich has plummeted. Business interests outside the magic circle are increasingly fearful of predatory attack and increasingly interested in opportunities for capital flight. However interested Yanukovich’s inner sanctum might be in European integration, there is adamant disregard of the normative premises upon which it is based, and unless this changes, any association agreement secured with the EU could prove to be of dubious benefit. In the absence of measures

to reform Ukraine’s antiquated and dysfunctional energy sector, the value of Russian discounts is already proving ephemeral, and few today can say whether this will lead to further concessions, insolvency or, at long last, reform. Not least, it is hard to say whether the tactical exploitation of regional differences (including covert support for western Ukraine’s chauvinistic political party, Svoboda (Freedom)) will prolong Yanukovich’s dominance or produce genuine fragmentation in the country. As these realities hit home, will Yanukovich turn to hard authoritarianism, or will he adopt a more inclusive approach? Not surprisingly, there was no consensus on this issue.

Michael Oppenheimer and his colleagues in the Center for Global Affairs are to be commended for bringing difficult people together to examine difficult problems in a collegial spirit. Students of Russian politics have derived profit from the maxim that ‘Russia is neither as strong nor as weak as it seems’. Students of Ukrainian politics are likely to discover that things in Ukraine are never as good nor as bad as they seem. This report should provide ample evidence of this home truth.

James Sherr
Chatham House
March 20, 2011

INTRODUCTORY NOTES

The Ukraine Scenarios workshop was designed to facilitate a free-flowing discussion on plausible scenarios for the future of Ukraine to the year 2020. It was not a formal simulation with assigned roles, but an open dialogue among 13 participants of diverse expertise related to Ukraine. The objective of the session was to identify and develop three plausible, distinct, and consequential scenarios that merit the attention of U.S. foreign policy-makers.

The launching point for the discussion was a paper prepared by the CGA Scenarios Initiative team (see Appendix) that identified six “drivers of change” in Ukraine: political dynamics, questions of identity, demography, the economy, the energy sector, and foreign policy orientation. Each of these “drivers of change” has exhibited considerable variability in the past and has the potential to diverge significantly from its current trajectory in the future.

Scenarios, as conceived in this project, arise as such “drivers of change” evolve and interact over time, to the extent that a country would be described substantially differently in the year 2020 than at present. We have consciously chosen to deemphasize—without ignoring—the role of external forces in shaping change based on an impression we have gained from previous workshops that country experts tend to underestimate the degree of variability of factors internal to countries. Seemingly stable states surprise observers when they suddenly unravel—the USSR being the classic example. Expectations of stability often turn out, in retrospect, to have reflected limited information, embedded mindsets, political biases, and/or excessive caution. This observation does not amount to a general prediction of imminent instability, but recognizes that states are today subject to an extraordinary combination of internal, as well as external, demands.

An “inside-out” approach to scenario-building, then, affords an opportunity for structured speculation about how a country’s trajectory might change unexpectedly due to internal developments. In the case of Ukraine, whose course is often viewed as inextricably linked to either Russia or, to a lesser extent, the EU, this exercise has particular value—not least given the precedent of the Orange Revolution.

The workshop, then, began with fragmentary scenario ideas suggested by the CGA Scenarios Initiative team based on considerations of “drivers of change” in Ukraine, as well as current literature on the subject. Panelists were asked to consider how Ukraine in 2020 could *plausibly* differ from today. They discussed the ideas presented, added to the list and made suggestions for eliminating redundancies.

The following three scenarios were selected by the panelists on the basis of their plausibility, distinctiveness, and potential relevance to U.S. foreign policy:

- **Fragmentation from Failed Authoritarianism.** Yanukovich overreaches, and the economy falters. These trends excite a diverse array of responses—rather than unified opposition—and, as the regime enters a deep crisis of legitimacy, local leaders begin to distance themselves from the center.
- **Consensus Leading to Reform.** Backlash against the Yanukovich administration creates opportunities for a new generation of politicians to come to power and lead political and economic reform.
- **Strategic Authoritarianism.** Yanukovich’s administration manages to meet the expectations of his elite backers and the public for “stability” and economic growth. He stays in power throughout the decade and enjoys a considerable amount of legitimacy, both at home and abroad.

None of these scenarios are intended to represent the most likely future; rather, each embodies plausible developments that would be highly impactful were they to occur, and that challenge both our assumptions and our preferences. None of the scenarios assumes that Ukraine will have arrived at some stable end-state in 2020.

The remainder of the workshop was spent fleshing out the selected scenarios. In each case, the panelists discussed: What would Ukraine look like in 2020? What factors and events would precipitate and drive the emergence of the scenario? How would potential hindrances to the emergence of the scenario be rendered unimportant? In these discussions, we attempted to suspend disbelief, set aside probabilities, and build the most persuasive case we could for each scenario.

The scenarios that follow are based on the discussions that took place at the workshop, as well as supplementary research. Each scenario was constructed around a particular conception of Ukraine in 2020 and includes a narrative of a plausible path to that outcome. The narratives are not the only paths to the hypothetical end state, but rather illustrate how plausible events and developments could effect significant change over the course of a decade. Since the narratives all begin in the present, their early years are structured around similar events, namely the early presidency of President Victor Yanukovich (elected in February 2010) and his attempts to consolidate power. As actors—including Yanukovich himself—respond differently to emerging realities, the scenarios begin to take on unique characteristics that by 2020 produce divergent end points with distinctive implications for Ukraine and for U.S. foreign policy.

We hope that each scenario is plausible and thought-provoking, revealing challenges and opportunities for U.S. policy not apparent in extrapolations or in current policy-driven debates about the future of Ukraine.

Michael F. Oppenheimer
Bianca Gebelin
NYU Center for Global Affairs
March 20, 2011

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The scenarios presented in this document were prepared by faculty and students at the Center for Global Affairs, based on discussions at a full-day workshop and additional research. The group of experts who participated in the workshop was assembled by *Michael F. Oppenheimer*, Clinical Professor at the Center for Global Affairs.

Please note that the views expressed in this report are those of the authors at New York University's Center for Global Affairs and do not necessarily reflect the views of the Carnegie Corporation of New York or of workshop participants.

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Scenario One:

FRAGMENTATION FROM FAILED AUTHORITARIANISM

INTRODUCTION

As expected, Viktor Yanukovich's presidency is characterized by his continual attempt to concentrate power in his hands. Initially, he appears to succeed, bolstered by his control over a party willing to do his bidding, his overwhelming authority vis-à-vis parliament, the support of increasingly heavy-handed security services, and access to various resources with which to "buy" loyalty. However, by 2012 it becomes clear that Yanukovich's policies have generated significant dissatisfaction among the public—in part because these policies were poorly executed and carelessly divisive, and in part because they were set in the context of sluggish economic growth. The president's party, the Party of Regions (PoR), is consequently punished for his errors in the 2012 parliamentary elections, but is not displaced by another party because the opposition, while growing in numbers and strength, has fragmented. Disappointed and disaffected by the poor state of affairs—and the dangers associated with speaking freely about concerns—most citizens have withdrawn from political life, leaving only the most ardent and radical voices in the political arena to challenge the president. Such individuals agree on little beyond their visceral dislike of Yanukovich, and their parties—which rely heavily on nationalistic and populist appeals—struggle to find supporters outside their home regions.

Yanukovich wins a second term because no single party or coalition can garner the nationwide support required to produce a viable alternative candidate or challenge last-minute redistricting or electoral fraud. However, he faces an acute crisis of legitimacy, both at home and abroad, for the remainder of the decade. His leadership style remains autocratic. His administration, detached from pressure to compromise with opponents and respond to constituents, fails to meet the expectations of both the public and the countries influential elites. Under the strain of rampant corruption—and in many instances, outright criminalization—

of the government, state institutions hollow out and fail to deliver on critical public goods. Meanwhile, Yanukovich's divisive policies and the radicalization of political parties have deepened the many fault-lines in Ukrainian society—regional, ethnic, linguistic, religious, and socio-economic. In several regions, municipalities—convinced that the government is unresponsive to their needs and hostile to their identity—are in outright rebellion and well on their way towards establishing *de facto* control of their own political and economic affairs. External actors, especially Russia, take advantage of the fragmentation of political power to advance their own interests in Ukraine, such that by 2020, the country's very independence is at risk.

DRIVERS OF CHANGE

- **Political Power Struggles:** Yanukovich attempts to place himself at the center of a power vertical and establish a one-party state based on the logic that "the purpose of power is to gain more of it."¹ However, his efforts to monopolize power encounter intense resistance, in part because his poorly executed, divisive policies run counter to the interests of the public and many influential elites. Opposition groups attempt to oust Yanukovich and his party and manage to strengthen to a degree; however, they simultaneously radicalize and fail to reach consensus on an alternative leader or vision for Ukraine. Consequently, Yanukovich stays in power throughout the decade, despite his obvious shortcomings (and reliance on fraudulent practices). Political power struggles intensify throughout the decade and culminate in the outright rebellion of locally elected leaders in regions dissatisfied with the central government.
- **Identity:** A key dimension of dissatisfaction with Yanukovich is his tendency to address controversial issues with little sensitivity to the widely divergent views represented in the country. Communities such as ethnic Ukrainians in Central and Western Ukraine and Tatars in Crimea, perceive the president's views on language and history and his close relationship with the Russian leadership as a direct threat to their identity and his failed economic policies as deliberate neglect of their needs. These views develop in the context of severe media censorship and security crackdowns on dissenters, such that only the most radical individuals are willing to take the risks associated with voicing their

concerns. Consequently, political parties increasingly represent an exaggerated version of the many fault lines in Ukrainian society and become even more regionally concentrated than in the past. Frustrated by their inability to garner nationwide support and access power in the central government, political parties shift their focus to implementing their ideals in their home regions, though not without substantial interference from centrally-appointed administrators.

- **The Economy:** Economic performance fails to meet expectations. Efforts to reduce the budget deficit early in the decade come at a high political and social cost, and further reforms are blocked by political deadlock. As the decade progresses, the consequences of the lack of reform become evident: economic growth is hampered by a poor regulatory environment, entrepreneurs are stifled, the shadow economy has swollen, and macroeconomic stability undermined by a large budget deficit, which has resulted from escalating pension costs, energy subsidies, and widespread tax evasion. Income inequality widens, as does economic disparity between oblasts. These challenges, in turn, undermine Yanukovich's already waning legitimacy, and prompt elected local leaders to search for their own solutions.
- **Energy:** The lack of reform in the energy sector is a primary factor in stifling economic growth and swelling the central government's budget deficit. The sector remains opaque, riddled with corruption, and at the core of the relationship between oligarchs and politicians. Capital for modernizing the sector is unavailable due to the deterioration of the country's business climate and increasing capital flight. For many Ukrainians, the sector is iconic of the widening gap between themselves and rent-seeking national elites.
- **Foreign Policy Orientation:** Debates about Ukraine's geopolitical orientation remain central to political discourse, primarily because they are tied to questions of identity. Over time, however, it becomes clear that the Ukrainian government does not have the capacity to move decisively in any direction. The Yanukovich administration continues its rhetoric of deepening ties with the EU, but its authoritarian style leads to a freezing of EU-Ukraine relations; meanwhile, a closer relationship with Russia appears increasingly unappealing. At the same time, individual regions and politicians have established their own relationships with external actors. By 2020, external interference in Ukrainian is so intense, the country's very independence is called into question.

THE PATH TO 2020

2010–2012: Yanukovich's Grip on Power Tightens, His Popularity Declines

The decade began with discussions of what Viktor Yanukovich's presidency would mean for Ukraine. For one, Yanukovich appeared to be successfully concentrating power in his hands, raising concerns about the future of Ukraine's young democracy. Yanukovich enjoyed significant influence over the policymaking process since his party, the PoR, held a solid majority in parliament, and the prime minister, Mykola Azarov, belonged to his party. In late 2010, a Constitutional Court ruling reversed constitutional amendments implemented in 2004, producing an environment of legal uncertainty that facilitated the apparently legitimate transfer of powers from the parliament to the presidency. The president gained authority to appoint ministers, which enabled him to establish a cadre of allies in influential posts and expand his party's control of central government bureaucracies. Thus, although the president was elected by only a narrow margin in February 2010, by the end of that year, he had positioned himself at the apex of the Ukrainian political system. Meanwhile, opposition parties, which relied on representation in parliament and ministry positions to influence decision-making, found themselves increasingly cut off from the levers of power. The future, it seemed, would afford Yanukovich wide latitude to implement his preferred policies—and undermine pluralism and democracy in the country.

In addition, Yanukovich's foreign policy strategy differed dramatically from his predecessor's, raising questions about the country's future role in the region. Most notably, he met frequently with Russian president Dmitry Medvedev and prime minister Vladimir Putin and made decisive moves toward what observers termed a "Russia-oriented" foreign policy. In April 2010, he signed the Kharkiv Accords, which renewed the Russian military's lease on the naval base in the Ukrainian port city of Sevastopol in exchange for a price reduction on natural gas imports. Bilateral economic cooperation agreements set the stage for deeper commercial ties in a variety of industries, including natural gas, nuclear energy, and aerospace. While many welcomed a normalization of relations between Russia and Ukraine after the tense years of the Yushchenko era, critics warned that Russia's demands were insatiable and the president was risking Ukraine's sovereignty by acquiescing to them.

The consolidation of power in the president's hands enabled his team to bypass complex bargaining with the opposition and to implement policies that would have been unthinkable in previous years. However, it soon became evident that, absent the pressure of having to reach consensus and meet constituents' demands, the president and his party were growing disconnected from Ukraine's reality, imposing their preferences on the country (and doing so carelessly) with little regard to the perceptions of the public or elites outside Yanukovich's inner circle of confidants. Meanwhile, critical institutional, economic, and social problems remained unaddressed.

The president's team spearheaded a number of reforms, inspired by the conditions attached to IMF loans, but soon encountered resistance to these measures. Households squeezed by the dearth of formal sector employment opportunities and stagnant wages found the elimination of gas subsidies and cuts in public service spending ill-timed. While many of the reforms undertaken were, in fact, fundamental to preventing future fiscal crises and boosting growth, they were implemented with little sensitivity to the sluggish pace of economic growth (of only 3 percent per year) and their necessity was poorly explained to the public. Most significantly, the administration poorly concealed the ways in which austerity measures were slanted in favor of Yanukovich's supporters.

In 2011, Parliament adopted a pension reform plan that would increase retirement ages. Because this measure was taken only one week after consumer gas prices were increased by 50 percent, protests erupted across the country—even in eastern Ukraine, where Yanukovich's approval ratings were highest. Protests in Kyiv soon escalated to the point that, at the president's orders, police intervened, resulting in three deaths, many injuries, and the jailing of a number of alleged instigators. In an attempt to minimize the negative effects of this incident on his popularity, Yanukovich promptly vetoed the pension reform bill and fired prime minister Azarov—whom he publicly accused of placing the IMF's demands above the needs of Ukrainians—replacing him with Serhiy Tygipko.

This harsh crackdown by security forces became emblematic of the heavy-handed tactics being employed throughout the country to suppress dissent. The Security Service of Ukraine (SBU), under the control of oligarch and Yanukovich supporter Valeriy Khoroshkovsky, had become preoccupied with enforcing Yanukovich's regime and taken up the

task of intimidating critical media and civil society organizations and threatening opposition politicians, jailing many of them under the guise of "anti-corruption" investigations.² The country was seized by a climate of fear, which many found disturbingly reminiscent of the Soviet era. While opposition politicians, journalists, and citizens grew increasingly dissatisfied with this state of affairs, most chose to censor themselves rather than risk the consequences of speaking freely.

Social policies also drew dissatisfaction. Among the most contentious was a law passed in late 2011 that permitted the equal development of the Russian language, which soon became a *de facto* second state language. Supporters claimed this law was necessary for compliance with the European Charter for Regional or Minority Languages, but many ethnic Ukrainians—particularly those in Central and Western Ukraine—interpreted it as a direct attack on their language and identity. Many Ukrainophone Ukrainians would normally have supported the measure (since they commonly used Russian and did not view it as a threat *per se*) but were concerned its coincidence with other controversial measures seemingly aimed at redefining Ukraine as a neo-Soviet. Yanukovich's alteration of official versions of Ukrainian history, such as denying that the 1932–1933 Holodomor famine was genocide,³ was particularly troubling to them because it appeared to discount the experiences of ethnic Ukrainians. When the controversial education minister, Dmytro Tabachnyk, announced planned revisions to history textbooks—which included, among other things, describing the Holodomor as a tragedy,⁴ but not genocide, and using the terminology "the Great Patriotic War"⁵—protests broke out across Western Ukraine.

Although he did not fully understand or adequately respond to criticism of his actions, Yanukovich was aware that his popularity was falling and creating opportunities for other politicians to undermine his vertical of power. The Euro 2012 football championships, which would be co-hosted by Ukraine and Poland in the summer of 2012, appeared the perfect opportunity to improve his image. He called for Ukraine to unite and prepare properly for hosting "one of the greatest sporting events in the world,"⁶ attempting to place himself at the center of sentiments of national pride. He also used the funds slated for upgrading infrastructure to "buy" loyalty by awarding contracts to the companies of influential elites and by over-allocating funds to projects in Lviv, where opposition to his regime was strongest.

Unfortunately for Yanukovich, preparations for the Euro 2012 were fraught with problems. Costs ballooned—primarily due to extensive graft and inefficiency—from the estimated US\$3.3 billion to over US\$5 billion. Most significantly, although the EU and Ukraine entered negotiations to eliminate visa requirements for short-term travelers, Ukraine could not fulfill the technical conditions⁷ in time for the games. Yanukovich’s failure to deliver on this politically sensitive matter greatly disappointed Ukrainians. They also resented the draconian security measures that were imposed throughout the country for the duration of the games. The Ukrainian football team’s dismal performance on the field contributed to the spirit of demoralization sweeping across the country.

Euro 2012 also brought international media attention to the state of affairs in Ukraine. The eyes of the world were drawn to the erosion of democratic standards in the country, astonishingly rampant corruption, and restrictions on Ukrainian media outlets, many of which had lost their broadcasting frequencies on technicalities.

2012–2015: Creeping Authoritarianism and Deepening Divisions

In light of the president’s waning popularity, opposition parties appeared to have an opportunity to make real gains against the PoR in the parliamentary elections of October, 2012. Surprisingly, however, the PoR retained its majority position by once again forming a coalition with smaller blocs and independent deputies. While it was common to attribute this outcome to voter intimidation, fraud, and changes to electoral laws that favored the PoR—not unfounded claims—the election results pointed to three more fundamental trends emerging in Ukrainian politics.

First, ordinary citizens across the country were withdrawing from political life, avoiding expressing their views, and living increasingly atomized lives. While such tendencies were not unprecedented in Ukraine, they were deepening in response to the hardships brought about by slow economic growth, disappointment with the government’s failure to address the country’s most pressing problems, and the increasingly high risks associated with openly criticizing the government or participating in public demonstrations. Second, since those citizens disassociating themselves from politics tended to be among the most moderate, individuals and parties with relatively radical views were overrepresented

in the political system and their voices amplified. The right-wing nationalist party Svoboda⁸ became iconic of this emerging trend: although small and historically inconsequential, it had surpassed the minimum vote threshold in parliament in the 2012 elections, and now overtly resisted the president’s authority and his party’s control of parliament. Its message was intensely ideological and accused the government of *inter alia* undermining Ukraine’s sovereignty through overly close relations with Russia, repressing the development of the Ukrainian language and identity, and willfully neglecting the economic development of western regions. Third, parties struggling to galvanize the electorate relied heavily on nationalistic and populist rhetoric, which had the unintended effect of preventing them from appealing to voters beyond their home regions and made it difficult for them to reach compromises and form stable coalitions with other parties. Even the formally forceful Yulia Tymoshenko Bloc had lost any semblance of nationwide support, since its attacks on president Yanukovich—which included, for example, labeling him “a Russian pawn” and a “mafia gang leader”—had become so polarizing that the coalition itself was under strain.

The new parliament was paralyzed by irreconcilable ideas about how to govern Ukraine and escalating tensions.

As a result of these trends, the new parliament was paralyzed by irreconcilable ideas about how to govern Ukraine and escalating tensions. For Yanukovich and his allies, this was a welcome development, since it enabled them to pursue their agenda relatively unchallenged. As in previous years, this agenda involved, first and foremost, the monopolization of political power. While regular elections and an active parliament gave the political system a veneer of democracy, this grew extremely thin between 2012 and 2015. The president’s cabinet initiated all legislation adopted during this period. The court system was purged of judges opposed to Yanukovich’s regime and became little more than a tool for legalizing (with the aim of legitimizing) controversial legislation and carrying out “investigations” into the allegedly corrupt activities of opposition politicians, including Yulia Tymoshenko. Security forces suppressed demonstrations, most of which were deemed “illegal” for lack of permits (which were simply not issued), and targeted the handful of investigative journalists that remained in the country. Foreign media and

civil society organizations—particularly those originating in Europe and the U.S.—were barred from operating in Ukraine, on grounds that they were destabilizing forces.

This creeping authoritarianism had many obvious and immediate downsides for citizens—such as restricted basic freedoms—but also proved politically debilitating over the longer term. In the run-up to the 2015 presidential elections, Yanukovich faced two challenges of his own making. First, European leaders had grown extremely concerned about the erosion of democracy in Ukraine, and official EU-Ukraine relations had completely stalled. Fearful of “creating” another Aleksandr Lukashenko,⁹ they continued to attempt to engage Yanukovich, but relations were unproductive, largely because Yanukovich refused to concede to their demands for lifting the ban on foreign civil society organizations and releasing imprisoned opposition politicians. The poor state of these relations angered Ukrainians who believed Ukraine should belong to the EU, especially because they believed Yanukovich was estranging the EU in favor of closer ties with Russia. For opposition parties based in the region, the issue became symbolic of how Yanukovich was moving the country backwards.

Second, citizens increasingly believed that state resources were being channeled into the pockets of the president and his allies, rather than being invested in public goods. A vast patronage network had been established, draining government bodies of competent administrators and distorting the allocation of funds. Bribery was required for the processing of all official licenses and contracts. Social services, such as health care and education deteriorated in quality. Infrastructure fell into disrepair as the funds slated for its improvement disappeared. While Ukrainians were, to some extent, accustomed to poor quality public services, these changes were taking place in the context of dismal economic growth and visible inequalities. Political campaigns drew citizens’ attention to these issues and easily convinced them that their suffering was the result of intentional neglect. Each region suspected the president preferred another.

In light of such growing dissatisfaction, Yanukovich would likely have lost a genuinely free and fair election. However, he took a number of measures to ensure a favorable outcome in the 2015 elections, such as pressuring the Central Election Commission to redraw the boundaries of political districts in his favor and striking backroom bargains with influential elites.

Since the opposition remained in disarray, these measures, coupled with fraud at the polls, were sufficient to secure Yanukovich’s victory. In the end, the only opposition candidate with a strong showing was Svoboda’s Oleh Tyahnybok, who lost to Yanukovich in a run-off. Observers speculated that the PoR had partially funded Svoboda’s campaign, presumably to make Yanukovich appear a desirable, centrist candidate. However, the elections did not boost Yanukovich’s legitimacy. Instead, extremely low voter turnout, blatant disregard for the rule of law, and extremely polarizing campaign rhetoric intensified emerging trends: the atomization of citizens, deteriorating quality of governance, and sharpening divisions.

2016–2020: Fragmentation

Developments between 2016 and 2020 confirmed pessimists predictions that, because Ukraine was so diverse and divided, any attempt to construct a one-party state would provoke destabilizing backlash. The intensity of fraud and intimidation during the 2015 elections had proven that Yanukovich and the PoR would use any means necessary to hold on to power. Backlash soon followed from local leaders excluded from power and citizens in seemingly marginalized regions.

The basis of increasing dissatisfaction with Yanukovich was the rapid deterioration of economic and social conditions and the concurrent hollowing out of the state institutions intended to respond. Official unemployment rates hovered around 8.5 percent, but these figures concealed unreported unemployment and widespread underemployment. Households struggled to make ends meet. Such duress, combined with the poor quality of the health system, was causing an acute health crisis.¹⁰ The consequences of Yanukovich’s half-hearted attempt at economic reform earlier in the decade had also become visible. The pension system, for example, remained unreformed and faced a growing deficit, which had to be financed with government funds.¹¹ The gas industry, never the model of efficiency or transparency, was crippled with corruption and inefficiency. As a result, state-owned gas company Naftogaz incurred annual losses—even though they were no longer forced to sell gas below cost due to the elimination of gas subsidies earlier in the decade—and required roughly US\$2 billion per

Backlash followed from local leaders excluded from power and citizens in seemingly marginalized regions.

year from the state to cover revenue shortfalls.¹² Corruption reached all sectors of the state and the private sector, rendering Ukraine's historically poor business climate completely impossible to navigate without substantial political connections. Foreign investors—save a handful of well-connected Russian investors—had lost interest in the economy, deterred by the poor regulatory environment and constant violations of their property rights. Domestic entrepreneurialism was stifled by the high tax burden on small businesses¹³ and the exorbitant bribes required to navigate the regulatory system.

In this context, it was unsurprising that the ranks of opposition parties, including several new parties, began to swell in the latter half of the decade. What was unexpected, however, was that this opposition seemed further than ever from coalescing into a unified force against Yanukovich. Rather, politicians and elites who had fallen out of favor with Yanukovich and grown frustrated by their continual exclusion from decision-making had begun to focus on building their clout regionally.

In many regions of the country, local leaders accused the Kyiv of purposely neglecting their needs and promised to take matters into their own hands. Even though opposition parties had performed poorly at the national level in the 2015 elections, many had managed to secure control of local governments in their home regions. As Yanukovich's legitimacy waned, local leaders in these regions began to openly defy the dictates of the central government and the oblast governors it had appointed. In early 2018, a demonstration in the city of Lviv provided the first decisive evidence of a region in rebellion against the center: local police refused to obey instructions to disperse a permit-less rally organized by Svoboda. After this act of defiance, protestors and politicians in other parts of the country gained confidence and followed suit. In some areas, protests centered on civic issues, in others, they were intensely chauvinistic. The Ministry of the Interior attempted to intervene and restore order, but soon found itself overwhelmed and informed the president that it would no longer act as enforcer of the regime.

At first glance, the diverse array of opposition voices emerging in Ukraine looked like the return of competitive politics. In reality, Ukraine was moving more toward the clan rivalries of the 1990s¹⁴ than toward democratic pluralism. Personalities—and their connections—were much

more important than the parties they represented, and most political competition was driven by rent-seeking and power struggles that occurred out of public view. Elites had begun to defect from the president's ranks to establish their own centers of power, and it soon became clear that in the process of consolidating power and pursuing his interests, Yanukovich had created many more enemies than he realized—or than he could handle.

Questions of identity permeated the emerging regional power struggles—despite the fact that most citizens were more concerned with economic issues—since local politicians based their legitimacy on opposition to the ideology being imposed on the country from the center. Secessionist talks became commonplace in the autonomous republic of Crimea,¹⁵ as did clashes between the pro-Russia majority and the minority Tatar community, which felt threatened by Yanukovich's close relationship with Russia and the radicalization of Russian activists in the region.¹⁶ These divisions were complicated by the 'passportization' of the population: Russian passports were being issued to Ukrainian citizens in Crimea (in defiance of Ukrainian law) to create Russian citizens in Ukraine and thereby the basis for Russian intervention in the territory. In the western region of Halychyna, political debates were driven by radical nationalists, who decried the repression of the Ukrainian language, identity, and history under Yanukovich. In eastern Ukraine, Soviet nostalgia and theories of Eurasianism gained popularity. Across the country, struggles between the Kyiv and Moscow patriarchies of the Ukrainian Orthodox Church had become intensely political, adding an additional layer of complexity to regional divisions.

By 2020, Yanukovich and his PoR faced a deep crisis of legitimacy.

Foreign policy preferences featured prominently in political debates and sharply divided citizens. Yanukovich, however, found himself increasingly preoccupied with managing an essentially ungovernable country and unable to realize his foreign policy ambitions. His relationship with the all his neighbors deteriorated, and cooperation with the EU virtually ceased. Most importantly, Yanukovich's relationship with the Russian leadership had deteriorated, largely because he continued to resist a number of key Russian demands, such as selling Naftogaz to Russia's Gazprom. Concurrently, Russian politicians interfered regularly in Ukrainian affairs, funding their

preferred local politicians and exploiting financial opportunities. By the end of the decade, Russian businesses had gained a visible foothold in Ukrainian advertising, publishing, and cinema markets, fueling fears that the Ukrainian language and identity would be displaced.

By 2020, Yanukovich and his PoR faced a deep crisis of legitimacy. Under their leadership, the Ukrainian state had weakened, succumbed to corruption and criminalization, and failed public expectations in every way. The country had few friends abroad, while its ties with Russia had become so intimate that its very sovereignty was at risk. Most significantly, the path to a brighter future was nowhere to be found. Every fault line in Ukrainian politics and society had deepened under the strain of economic hardship and political repression, and as the decade drew to a close, it seemed the forces pulling the country apart were much stronger than those holding it together.

IMPLICATIONS FOR U.S. POLICY

The failed authoritarianism/fragmentation scenario is clearly the worst case for Ukraine, and potentially for the U.S., its relationship with Russia, and its overall foreign policy interests. The still-tenuous reset, and all its promises for addressing other U.S. foreign policy concerns, will depend on how Russia views the balance of risks and opportunities for itself in a fragmenting Ukraine and whether its relationship with the U.S. has progressed to the point that seeking short-term advantage will be seen as placing more important interests in jeopardy. Ukraine in this scenario is either a vector of renewed U.S.-Russia acrimony or an opportunity to demonstrate that the two can avoid and/or manage the most vexing of problems in the interests of preserving their improving relationship.

Ukraine as battleground for external players is in no one's interest.

In this scenario, we will confront these challenges immediately, because Russia is partly implicated in the forces leading to fragmentation. It seeks to solidify an increasingly unpopular Yanukovich regime through financial and other types of support, pursues special commercial advantage and Ukrainian subordination to Russian companies, extends its political and military influence through the Sevastopol fleet, intervenes politically to defend the "rights" of the Russian-speaking population, and exerts political and economic pressure

through its network of gas pipelines. These interventions are sometimes welcomed by a beleaguered regime, though also increasingly occur despite its (weakened) resistance. On top of indigenous deterioration of economic and social conditions, Russian pressure helps to propel Ukraine towards polarization, strengthening sentiment for autonomy in eastern Ukraine and Crimea, and leads eventually to fragmentation.

Avoiding this scenario and its attendant damage to all involved is partly a matter of facing the downside consequences of current real-world trends. Ukraine as battleground for external players is in no one's interest, and a scenario that plausibly depicts such an outcome should serve as a cautionary tale. This scenario should give Russia pause as it seeks greater influence within a state already subject to deep divisions. It should cause the EU to calculate the costs of reduced economic and political engagement. It should prompt the U.S. to consider the benefits of stability and effective (not necessarily liberal) governance, as it reminds Russia of the consequences of meddling in Ukraine. The events depicted here could unfold from internal forces in any case, but the U.S. and Russia have some leverage over these developments, especially if their actions are complementary. They have a strong common interest in preventing their relationship from becoming a hostage to Ukraine's weaknesses, and thus in a Ukraine that "works," regardless of the terms.

Scenario Two: NATIONAL CONSENSUS LEADING TO REFORM

INTRODUCTION

At the beginning of the decade, Ukraine has a new president and prime minister from the same political party who enjoy the support of a majority in the parliament. The Yanukovich regime quickly acts to control the budget deficit and repair the country's relations with Russia. The pain resulting from austerity measures is felt most acutely by Ukraine's working class, pensioners, and small business owners. As a result, street protests grow in frequency and intensity, and Yanukovich begins to lose public support. Disaffected small business owners, young reform-minded bureaucrats, and a coalition of opposition politicians collectively orchestrate a PoR defeat in the 2012 parliamentary election. However, even with a working majority in parliament, efforts to enact alternative policies are unsuccessful.

The balance of political power only begins to shift to the opposition leadership in parliament when some oligarchs abandon Yanukovich. This shift in loyalty is precipitated by a dramatic economic downturn and increasing fear among Ukrainian business interests of a Russian take-over of key components of Ukraine's economy. Yanukovich reacts to this loss of control by defying constitutional constraints and attempting to shut down the parliament. This move ultimately backfires. He loses the 2015 election to a dark-horse consensus candidate.

The election results pave the way for passage of comprehensive reforms backed by reformists, the financial sector, and an increasingly pragmatic business community. They also accelerate the implementation of a modified EU-Ukraine Deep Free Trade Agreement and of visa-free travel between the EU and Ukraine. Foreign direct investment begins to reach Ukraine, spurring industrial modernization, new business formation, and a more competitive business environment. A more flexible economy thus begins to emerge. Slowly, the vast patronage network is replaced by a governance model based on checks and balances and adherence to the rule of law.

DRIVERS OF CHANGE

The Consensus Leading to Reform scenario emerges from the cumulative effects of the following drivers:

- **Power Politics:** After the 2010 election, a small, highly concentrated group of elites continues to dominate the political system. The Yanukovich government is comprised of an amalgam of old-school politicians, comfortable with authoritarian-style governance. A weak constitutional system provides ample opportunity for Yanukovich to consolidate power. Political parties in Ukraine are oriented around powerful leaders and financial backers, rather than on platforms or ideology, making the formation of a stable coalition of opposition politicians very difficult. However, opposition politicians exploit public outrage over the poor state of the economy and are able to form an anti-Yanukovich coalition. Key oligarchs join the coalition as a means of defending their interests against Russian economic encroachment.
- **Institutional Development:** The Constitutional Court's reversal of the previously negotiated agreement on separation of powers illustrates the fragility of Ukraine's governing institutions, as well as the susceptibility of these institutions to political influence. Checks and balances on executive power do not exist. The rights of free speech and assemblage are undermined by a weak judiciary, which, among other things, deprives property holders of any opportunity to protect their interests from being compromised by stronger parties. Yanukovich's effort to shut down parliament and defy the constitution, however, provokes near universal outrage. This move becomes a turning point, galvanizing support for the constitution and the protection of core democratic values. Reforms enacted towards the end of the decade begin to strengthen the rule of law and rectify institutional shortcomings.
- **Reform:** Ukraine's government institutions are laden with the paternalistic functions of the unreformed Soviet State, including, for example, the continuing state intervention in traditional sectors, such as coal mining, metallurgy, and agriculture. This interventionism continues to retard new-business formation and the country's ability to attract foreign investment and compete in global markets. Continued economic stagnation prompts entrepreneurs and, eventually, key members of the oligarch class to support structural reform. Reform

priorities include establishing an equitable tax regime, reducing barriers to competitive entry into key domestic markets, establishing an active and independent judiciary, and recapitalizing and regulating Ukraine's financial system.

- **Economy:** Ukraine's economy grew rapidly in the mid-2000s due to robust steel and agricultural product exports and its role as the principal transporter of Russian natural gas to the European continent. Due to the heavy reliance on exports, Ukraine remains highly susceptible to changes in the global economy and consequently continues to feel the effects of the global recession well into the middle of the decade. Plans to re-route natural Russian gas shipments to the European continent via the new South Stream system (and away from Ukraine's ageing pipeline system) represents a potential loss of over \$3 billion in annual revenues, posing a significant challenge to Ukraine's economy. The obsolescence of Ukraine's pipeline infrastructure, combined with low productivity and inefficient energy consumption, reduce the country's competitiveness. Domestic producers face higher import costs, given the weakness of the currency. These impediments to economic growth become increasingly evident throughout the decade, demanding the wholesale modernization of industrial facilities and processes and the opening of key sectors to domestic and foreign competition.
- **Foreign Policy:** External forces greatly influence Ukraine's economy and political environment, given the country's strategic geographic location between Russia and the EU. Thus, foreign affairs play an especially important role in the day-to-day life of the country. The Yanukovich administration attempts to improve on the foreign policy strategy of its predecessor—which failed to align Ukraine with Western institutions due to lack of public support and strong Russian countermeasures—by repairing its frayed relations with Russia while leaving the door open to a deeper economic partnership with Europe; however, it succeeds at neither. Beginning in 2015, the incoming coalition government fairs far better at winning international support for its non-aligned foreign policy.

THE PATH TO 2020

2010–2012: The Age of Yanukovich

The 2010 presidential election dramatically changed the political landscape in Ukraine. Ukraine had a president and prime minister from the same party and ideological persuasion, and the government enjoyed the support of a majority in parliament. An October 2010 Constitutional Court ruling overturned the constitutional amendments made after the disputed election of 2004,¹⁷ shifting power from the parliament to the president. This ruling provided Yanukovich with the authority to nominate the prime minister, dismiss the government without parliamentary approval, and cancel any government resolution.

Yanukovich moved quickly to take full advantage of this new parliamentary majority. The government launched a broad austerity program to comply with IMF budget deficit guidelines. Parliament quickly approved the 2010 budget and a hastily negotiated deal to renew the Black Sea Fleet agreement with Russia.¹⁸ The government increased prices for gasoline, tobacco, and alcohol through a series of price hikes and the elimination of subsidies. Households and small businesses faced as much as a 50 percent cost increase for natural gas. To further reduce the budget deficit, the government laid off fifteen percent of the public workforce.¹⁹

The Finance Ministry announced modifications to the tax code that effectively reduced taxes for big business and foreign investors, balanced by the elimination of tax breaks for many small businesses, affecting nearly three million registered small-business owners who employed an estimated six million workers. The new tax provisions strengthened the government tax authority but failed to add any money to the state coffers.²⁰

Strategic industries were spared from the brunt of the government's austerity policies. The energy sector was essentially left intact, and it continued to remain poorly managed and highly inefficient, siphoning public funds and deepening the government's budget deficit. While consumers were experiencing shortages of petrol and natural gas, heavy industry continued to enjoy highly subsidized energy rates. As much as 22 percent of the gas imported from Russia was "leaking out" of the system, presumably into private hands.²¹ Nearly two percent of the country's GDP was spent closing Naftogaz' yawning revenue shortfalls and frequent bankruptcies.

Despite daily reminders of wide-scale corruption and insider dealing, anti-corruption legislation stalled. No high-profile political or business elites allied with the president were brought to trial for corrupt activities.²² However, the new administration launched corruption prosecutions against Yulia Tymoshenko and a number of her key supporters in an evident effort to destroy her political career. These prosecutions were accompanied by an ongoing campaign of damaging press reports and television editorials questioning her integrity and patriotism.

There also were increasing attacks on the independent media. Although Yanukovich spoke out against pressuring the media, allegations arose that the government was attempting to “cleanse” the airwaves of political criticism.²³ The five wealthy men who dominated Ukraine’s television media each had close ties to the government. As smaller television stations were being acquired by the larger media groups, their news and public affairs programs vanished. Several prominent reporters were attacked by unidentified assailants.²⁴ The net result was a dramatic reduction of criticism of the government on television.

The major candidates in the 2010 presidential election had all signaled their interest in improving relations with Russia.²⁵ Yanukovich, however, was clearly seen as Moscow’s choice. So the flurry of Russian-Ukrainian deals in the months after the election came as no surprise. Yanukovich referred to these partnerships as “synchronized modernization”.²⁶

During the campaign, Yanukovich spoke of building an “investment-innovation model”²⁷ to resurrect the Ukrainian economy, but as time passed, it became increasingly clear that he intended to reject any proposal that had the potential of alienating his financial backers. He was willing to demonstrate macroeconomic discipline in order to satisfy the IMF but continued to delay (indefinitely) implementing structural reforms.

Although Yanukovich’s victory in 2010 had been perceived as an opportunity to find common political ground, a more polarized Ukraine was emerging. One indication of this trend appeared in late 2010 when the ultra-nationalist party (Svoboda) won a majority of seats in the oblast and city councils of three Western regions in local elections.²⁸ The PoR had, in fact, provided campaign funding to Svoboda in an effort to divide the moderate reformist vote in the West.

The IMF-inspired austerity program was also creating deep divisions. The combination of higher prices and new taxes sparked public protests across the country. At first, the protests drew primarily small business owners, but they expanded as the pain intensified. Initially, most protesters were not aligned with any political party²⁹ and predominantly motivated by pocketbook issues—the waves of lay-offs, which exacerbated already high unemployment, and the end of gas price subsidies, which were seen as the equivalent of a tax increase. As the protests expanded, labor unions and advocacy groups joined in. Prominent among the protesters were entrepreneurs from the eastern and southern regions, the strongholds of Yanukovich and his party.³⁰ As the protests grew, grievances began to crystallize around issues of fairness and the need for a rules-based system. Protesters began to call for judicial integrity and the legal enforcement of business contracts, a clear recognition that without serious reform, nothing in Ukraine would change.

The protests eventually began to take on a more partisan tone.³¹ The *Batkivschchyna* Party, led by Yulia Tymoshenko, began to organize even larger events. Mass protests in Kyiv, Kharkiv, and Lviv convinced Yanukovich that he would have to change direction on the tax issue. He announced his sympathy with small business owners and instructed the Finance Ministry to reverse the majority of the recently promulgated changes to the tax code. He further promised to hold reformists in the Finance Ministry responsible for the poorly drafted law and later dismissed his deputy finance minister in order to distance himself from the tax issue.³²

This reversal was designed to mollify small business owners and create a wedge between the more pragmatic entrepreneurial class and political reformists, dampening political opposition. In reality, it was interpreted as a sign of the weakness of the regime itself. Within months, new protests erupted, this time focusing on reinstating energy subsidies. Later in 2011, there were organized calls for the reduction of the government’s import and export fees. Ukraine’s small- and medium-sized manufacturers complained that the underlying high cost of raw materials, coupled with shrinking margins for their exports, were driving them from global markets. Relinquishing these taxes would drop Ukrainian government revenues by 20 percent, deepening the budget deficit and endangering the IMF debt program.³³ The continuing street protests greatly angered Yanukovich, who began to believe that acquiescing to public demands had been a mistake—not to be repeated.

In addition to growing polarization, another notable change was underway: a gradual transformation of the country's bureaucracies. Immediately following Yanukovich's election, PoR officials had assumed key positions in central government bureaucracies. However, many of them, who had become wealthy while in government due to their access to vast patronage networks and were approaching the age of 50 or 60, were retiring and emigrating overseas. Over time, the spaces vacated by these older bureaucrats were filled with a new generation of government technocrats. Despite the poor salaries, an increasing number of these young workers refused the normal offers of "special favors" and remained committed to reform. Many had earned degrees in other countries or had worked for Western institutions before taking posts in the government and joined the bureaucracy during the Yushchenko administration.³⁴ In addition, the EU had provided the previous Yushchenko administration with several dozen senior economists and program managers, who had been assigned to work in key ministries. Yanukovich attempted to replace many of these emerging reformist elements in the bureaucracy by eliminating administrative functions, but it was politically awkward for the new administration to dismiss well-trained officials, since the country needed their expertise. The young technocrats had developed good relations with key deputies in the parliament and maintained considerable interaction with their former colleagues inside the European Commission, so much so that detractors warned of "creeping Europeanization" in key ministries. Over objections from their superiors, plans to modernize key industries were drafted and widely distributed to members of parliament, though they were not implemented by the PoR-dominated parliament.

By late 2011, the level of economic pain was becoming uncomfortably similar to that experienced in 2009. Despite a fragmented and discouraged opposition and a pro-regime press, public support for Yanukovich continued to falter. Polls indicated a plunge in public support across the country for the PoR. Most of this drop in popularity was traceable to the financial devastation of the average Ukrainian household.

This drop led to growing rivalries among the different factions within Yanukovich's team. Sergiy Tygypko, in particular, felt that he had been unfairly singled out for his role in enacting the failed tax code modifications.³⁵ He was no longer seen as a key figure in Yanukovich's inner circle. After a major government reshuffle, his duties were reduced

to overseeing social policies. Shortly thereafter, Yanukovich dismissed him, along with First Vice Prime Minister Andrii Kliuiev who had also grown public critical of the regime, from senior cabinet positions. A cleavage in the PoR leadership resulted. Divisions within the party came at a troubling time, when protests in the streets suggested a revival of political activism and growing opposition.

The weakness of the PoR enabled former political adversaries to find common ground. A political marriage of convenience emerged from a chance meeting in Brussels: Yulia Tymoshenko, Sergiy Tygypko, and Arseniy Yatsenyuk had each received an invitation to speak at an EU-sponsored seminar and dined together with the Polish president at his consulate. It was a quarrelsome dinner, but after some prodding from the host, they spent hours discussing the 2012 elections and the possibility of leveraging public frustrations to wrest control of parliament.

As the elections approached, the poor state of the economy, high unemployment, and sky-rocketing prices became central issues, providing the opposition ample opportunities to galvanize public support for their position. Extraordinarily high voter turnout for a non-presidential election provided evidence of an ascendant opposition. Despite evidence of foul play at the polls and strong media support for the PoR, opposition parties had played their populist card well and were able to secure just enough seats to gain a working majority in parliament. The PoR performed poorly everywhere but in its home region of Donetsk and in southern Ukraine.

The weakness of the PoR enabled former political adversaries to find common ground.

2013–2015: The Struggle to Reform

The new coalition of opposition parties, which included the Lytvyn Bloc (but not Svoboda), was extremely fragile. Opposition leaders faced a minefield of polarizing issues. They attempted to rally the new parliament by substituting Yanukovich's emergency legislation with a series of pro-competition reforms, but proponents could not muster enough support from rank and file members, who answered first to their financial backers. The deputies feared that carrying out meaningful structural reforms would only increase the pain level and ultimately harm their own careers. The opposition coalition began to fragment, split between populists and

reformists, weakening the cohesion of the working majority. Parliament quickly reached a political stalemate. Reform proposals failed while austerity measures were maintained.

Thus, the first term of the opposition-led parliament ended in failure. In addition, while many of the proposed reforms had received strong endorsement in the European Parliament and spurred the interest of influential European think tanks, the new parliamentary leaders were not receiving the robust EU support they had envisioned. Europe's national leaders, faced with their own economic challenges, had lost their appetite for further EU enlargement, fearful of doing anything to undermine Yanukovich, and protective of the EU's improved relations with Russia and relative stability on its eastern flank. In addition, the EU lacked the necessary "carrots" to encourage Kyiv to adopt serious reforms. An EU-Ukraine Deep Free Trade Agreement (DFTA) was not considered sufficiently attractive in Kyiv to inspire comprehensive political change. DFTA implementation would require a substantial reduction in Ukraine's import and export taxes, something the administration was not prepared to do.³⁶ A number of European leaders were highly critical of Ukraine's economic track record and its increasing hostility towards political dissent. Representatives from Poland and Sweden stood in support of Ukrainian accession, but the majority of EU members were less convinced. In Kyiv, the EU was seen as paternalistic, "attempting to dictate its will to others." Ukrainian reformers, who followed European debates closely, found the endless vacillation in Brussels hurtful to their cause.³⁷

Yanukovich continued to pay lip service to better relations with Europe and to structural reform proposals, but there was little evidence that he was willing to supply the necessary leadership.³⁸ It was clear to EU policymakers that political reform in Ukraine had stalled. Given this reality, larger objectives, such as a deep free trade agreement and visa-free travel between the EU and Ukraine, remained unfulfilled.

2015–2016: The Presidential Election and Its Aftermath

In most Ukrainians' experience, the economy had never fully recovered from the recession. In 2014, the global economy faltered again and prices for steel and natural gas plunged. Facing its own economic challenges, Russia announced that it was terminating the gas discount it negotiated

with Ukraine in 2010. Concurrently, drought reduced Ukraine's wheat yield. Gazprom's South Stream pipeline gained financial backing and political support from key EU member states and loomed as an imminent threat to Ukraine's natural gas transport revenues, estimated to exceed US\$3 billion annually. The Ukrainian economy went into a tailspin, and the budget deficit ballooned as a result of unexpectedly low tax receipts. Public expenditures were severely restricted. The failure to recapitalize the financial sector after the last economic downturn resulted in widespread bank failures. A number of well-respected bankers called for an end to generous subsidies provided to Naftogaz and the other energy conglomerates, arguing that support for the outmoded energy infrastructure was the main cause for the budget deficit. The falling value of the Hryvnia led to a dramatic spike in domestic inflation. New fears of a collapse of the Ukrainian economy were creating a panic atmosphere.

Street protests grew in size and intensity and began to overwhelm the local police across Ukraine's major cities. Yanukovich ordered the security service to restore order in Kyiv, Lviv, and Odessa. Incidents of police brutality were reported. Fearing calamity, opposition leaders called for Yanukovich to resign.

By 2015, a new political opposition was taking shape. Tymoshenko had been driven out of political life by the highly public corruption trial. Although she and her former colleagues were exonerated, the unflattering testimony finished her off. But a political arrangement involving Tygypko, Yatseniuk, and Kliuiev began to take form. While all three were considering presidential candidacy in 2015, a coordinated approach was necessary in order to weaken Yanukovich. Given the increasingly hostile public mood, it was politically expedient to promote an economic recovery plan that shifted the financial burden away from the average citizen and onto the big industrial enterprises. Tygypko and Kliuiev, both highly successful businessmen, were able to convince other powerful business interests—most notably Rinat Akhmetov—to break ranks with the president and support the opposition coalition, arguing that structural reform was a prerequisite for economic growth and prosperity. Many of the proposals developed by senior advisors in Ukrainian government ministries were now being drafted into formal legislative proposals. At the same time, a number of the Ukrainian oligarchs publically adopted best practices across their enterprises in order to distance themselves from corrupt activities, at the urging of their Western-educated managers. Akhmetov recognized that such a shift was a necessary in order to gain access to new sources of

capital.³⁹ To cement support from large business interests, the coalition agreed to support a tax amnesty, thus shielding the business community from prosecution for past tax violations.

Yanukovych was furious. He felt betrayed by members of his own party and members from his own clan. He faced two difficult options: to capitulate on the issue of economic reform or to purge all remaining opposing voices from his administration. He consulted the Kremlin, attempting to shore up support for his government, but Russian leaders, while sympathetic, were careful not to alienate Ukraine's growing opposition. The meetings in Moscow were thus inconclusive.

Three days of round-the-clock negotiations between Yanukovych and opposition leaders ended in recrimination. Yanukovych publically rejected any compromise on economic policy or judicial reform. In February 2015, less than three months before the scheduled presidential election, Yanukovych, in impromptu comments at a public ceremony, declared that he had decided to dissolve the parliament. These comments were met with immediate condemnation by opposition leaders and the legal community, since the constitution prohibits such action during the six-month period prior to the presidential election. Yanukovych was forced to withdraw his threat, but the outburst greatly undermined his public standing.

Yanukovych's advisors urged him to postpone the election for one year until the economy improved, but he rejected this advice. Despite the growth of the opposition and his poor showing in public opinion polls, Yanukovych remained the favorite, and he still had the support of the media. Major media outlets ran a series of articles highly unfavorable to Yanukovych's presidential rivals. Tygypko and Kliuiev were the targets of most of the critical reportage, which cited both potential candidates' personal wealth and alluded to a number of questionable business dealings. Separately, a prime time television program focused heavily on Yatseniuk's Jewish heritage and questioned his commitment to Ukrainian culture. Although the three politicians quickly dismissed these charges as "dirty tricks", opinion polls indicated that these tactics were having the desired effect.

A series of intervening events, however, caused political momentum to swing in the opposite direction. First, Victor Pinchuk and Dmitry Firtash

became convinced that Yanukovych had cut a deal in Moscow to save his presidency. Both feared that, in return for Russian support, Yanukovych had agreed to support Russian business efforts to swallow Ukrainian companies, undermining the Ukrainian hold on the domestic energy sector. In fact, a deal had been made to facilitate a Russian take-over of the largest Ukrainian bank, but it fell through when it became public.

Days before the official cut-off, a dark-horse candidate declared his candidacy. He proved to be a charismatic speaker, able to explain the goals and logic of reform to the public, and he was strongly opposed to the spread of ultra-nationalistic parties and their divisive rhetoric. He cautioned that Ukraine must remain independent and sovereign in every respect and criticized the EU for its paternalistic attitude, asserting that Ukraine had made enormous strides since it gained its independence and demanding that the international community give Ukraine the legitimacy it deserved. Yatseniuk and Kliuiev dropped out of the campaign and threw their support behind the new candidate. Tygypko, however, remained as a candidate, making it a three way race.

The presidential election was postponed twice but was held in October 2015. The coalition candidate received considerable financial support from the business community in Ukraine and from the international community. In the end, Yanukovych was defeated by the coalition candidate in the harsh, fraud-ridden election. Tygypko ran a distant third and did not receive enough votes to trigger a run-off. Nationalist parties—most notably, Svoboda—were roundly rejected at the polls. The reform movement recaptured most of the western regions and performed well in the Center.

The day after the election, the PoR petitioned the Supreme Court to overturn the final results, alleging widespread election fraud in several western regions. Weeks went by without a clear winner. Street rallies grew in size and began to take on the aura of the protest marches in 2004. There was widespread fear of an SBU crackdown and a possible military coup in support of Yanukovych, but neither occurred. Sixteen days after the polls closed, the opposition candidate received a congratulatory phone call from Russian President Putin. Later that day, the Supreme Court certified the final results. Power once again had changed hands peacefully in Ukraine.

2016–2017: Reforms Implemented

The incoming president nominated Arseniy Yatseniuk to become the new Prime Minister, replacing Azarov.⁴⁰ The scale of the economic collapse in Ukraine was far worse than had been reported. Yatseniuk's first order of business was to meet with the IMF to present the new government's reform plan. On the strength of these commitments, the IMF approved a one-year funding extension, averting a looming solvency crisis.

A number of former opposition parties decided to merge in the wake of the Yanukovich election defeat, shifting parliamentary sentiment towards greater cooperation with the new government. The PoR was left in a weakened condition, eventually losing its dominant position in the 2017 parliamentary elections.

Over the course of the next two legislative sessions, parliament enacted a wide range of economic reforms. The new government requested the Council of Advisors to the Parliament to draft comprehensive legislation to eliminate long-standing constitutional ambiguities and draw clear delineations of authority between the president and the prime minister and between parliament and the executive branch.⁴¹ The president then established an independent national investigative bureau with the charter to uncover and root out corruption across the political spectrum.⁴² A new version of the tax code was designed to close major loopholes and make taxation more equitable and purposeful; the VAT rate was decreased and taxes on exploration and development projects slashed. The Soviet-era commercial code was abolished. Parliament passed judicial code reforms, reaffirming the use of precedence in determining court cases. The National Bank of Ukraine, the country's central bank, was restructured and made fully independent, based largely on the U.S. Federal Reserve model. The social security tax on active workers was increased, and the eligibility age was extended.⁴³

In most instances, the final versions of new laws were compromises. No one was particularly happy with the specifics, but most deputies recognized the historic nature of their accomplishments. Akhmetov's business groups had already started to modernize and decided that they could actually withstand more of the pain. Slowly but surely, Ukraine's vast patronage networks began to shrink.

Facing a catastrophic loss of income, Naftogaz appealed to the new government for increased subsidies to cover operational shortfalls. In response, the government signaled its intention to privatize the Ukrainian energy sector and seek to establish a competitive marketplace that would attract new sources of investment to fund infrastructure projects. The government believed that this ultimately would attract investment capital for its ailing steel industry, as well.

The public reaction to parliament's reform legislation was a mixture of hostility and hope. Citizens were predictably apprehensive about rising prices for goods and services, but they were also hopeful that the government seemed to be functioning and making hard decisions. Due to the rising price of energy and food, public consumption remained low relative to previous years, keeping inflation in check. The value of the Hryvnia reached the highest level in over a decade, and consumers began to realize that they could buy more with less money. With more choice of products and services and a more balanced taxation system, they could see the makings of a new economy. With the reformists and the business community firmly behind most of the new legislation, protests remained sporadic and unfocused.

By the second half of 2017, the budget deficit had dipped below 4 percent, as new business enterprises began to contribute more tax revenue. As the global economy improved, steel and grain exports expanded and foreign investment increased. Ukraine was still dependent on IMF borrowings, but it predicted that it could seek to phase out the IMF program by 2019.

The public reaction to parliament's reform legislation was a mixture of hostility and hope.

There was still much to do. Most of Ukraine's core industries were based on obsolete technology and in need of foreign investment. Key market sectors were still tightly controlled by oligopolies, and new entrants continued to be crowded out by the more dominant players. Job creation continued to lag, and the cost of social programs continued to outstrip the government's financial capabilities. Land reform was pushed into future sessions of parliament.

Given progress in economic reform, Europeans began to flood Ukraine with investment capital. Kyiv looked for an opportunity to strengthen its relations with Europe, but the Ukrainian parliament had not taken

up the political and institutional reform necessary to satisfy European requirements. Ukraine launched a number of initiatives to demonstrate its commitment to meeting EU standards. It improved its border management and made a concerted effort to reduce money laundering and identity fraud. Given these initiatives, the EU formally extended its visa-free travel regime to Ukraine and began to negotiate a modified Deep Free Trade Agreement.

2017: Accommodation with Russia

Deep strains in relations with Russia had begun to appear soon after Yanukovich's election in 2010.⁴⁴ Most Ukrainian politicians were displeased with the handling of the Sevastopol naval base lease renewal. Yanukovich had managed to deflect calls to reopen negotiations, but the issue had not disappeared. Russian leaders had also soured on Yanukovich, surprised by the pointedly negative response to its proposed Gazprom-Naftogaz merger. After an initial buying spree in which a number of Ukrainian businesses were taken over by Russian oligarchs, the Ukrainian business community successfully blocked new efforts to make further inroads into the domestic market.

It was crucial that the new Ukrainian government improve its relations with Moscow as quickly as possible. Ukraine's president visited Moscow and called for a "new era in Russian-Ukrainian relations." To dispel any suspicions, he made a point of differentiating his government from the previous anti-Russian Yushchenko regime, reiterating that Ukraine would not pursue NATO membership and remain non-aligned. He also reaffirmed his commitment to honor the previously-negotiated Crimean naval base lease.

2018–2020: Backsliding and the Eventual Marginalization of the Oligarchs

Ukraine's state-owned gas and defense enterprises continued to push back against efforts to modernize and open their respective sectors to competition. They spent much of the decade fighting to regain their strangle hold on parliament. These efforts proved increasingly ineffectual. The government announced a new wave of privatizations in the energy, rail, and telecommunications sectors, and an independent panel was appointed to oversee the sales process and ensure fair market price valuations. These sales were followed by sector-by-sector price deregulations.

The economic clout of the oligarch class waned as a result of competition. The combination of unrestrained media and markets was rapidly undermining the old-style *de facto* oligarchic control over the government. Many of the old elite were able to retain their vast wealth and highly visible public profiles, but they were no longer able to hold back competition and technological innovation.

By 2020, it was clear that, despite periods of backsliding and warfare among competing economic and political clans, Ukraine was undergoing a significant transformation. It seemed that in response to a more open, competitive environment and judicial reforms, the rule of law was taking root. Ukraine was becoming increasingly attractive to foreign investors, who had already injected a host of new technologies into the country's industrial heartland. As a result of the modernization of plant facilities, steel production continued to increase, and product quality continued to improve. The new court system shielded new enterprises from hostile takeovers and bureaucratic corruption. Consequently, by the end of the decade, Ukrainian businesses—both small and large—were thriving. Most importantly, Ukrainian voters felt they had played a part in bringing about the country's transformation and would share in its future prosperity.

Encouraging such a scenario is in the Western interest, and the instruments available to do so are clear.

IMPLICATIONS FOR U.S. POLICY

This is the most plausible upside scenario. It begins as the others do, with deepening economic and political crisis and increasing Russian interference, then departs from "failed authoritarianism" as powerful oligarchs react to growing Russian economic influence by defecting from the Party of Regions, enabling a unified parliamentary opposition and Yanukovich's defeat in the 2015 presidential election. The new government passes an economic reform package and negotiates a free trade agreement with the EU.

Encouraging such a scenario is in the Western interest, and the instruments available to do so are clear. An EU prepared to engage economically and politically with Ukraine creates a powerful incentive for reformers. Outside support for the Ukrainian constitution, fair and transparent elections, strong civil society, economic reform, and improved governance will all

facilitate the positive, indigenous political developments depicted in this scenario. Although feeling threatened by these developments, it would be essential for Russia to find more compelling reasons for restraint. This restraint is far more easily imaginable with strong relations with the U.S.

We should remember that the logic of the scenario unfolds from internal developments—from failed economic policies, growing corruption, a perceived surrender to Russian commercial interests, and the reaction of a political system that retains democratic processes and a viable opposition. The Russians are the obvious spoiler here, given their already deep involvement, their compelling strategic interests, and the inevitably anti-Russian tenor of the political movement mobilizing against Yanukovich. But the U.S. is a potential spoiler as well, with too enthusiastic an embrace of the growing disaffection with Yanukovich reinforcing Russian security concerns. This could lead to greater Russian interference, and to damage in the U.S.-Russian relationship equal to what could occur in “fragmentation.” The management of this scenario is thus as challenging as in the downside and will call for restraint from the U.S., as well as from Russia. The peaceful, orderly, constitutional process that leads to new leadership in this scenario is clearly the least disruptive path to change, and will probably frustrate any Russian efforts to resist. A more sudden, Orange Revolution-like revolt would be more threatening to Russia and impossible for the U.S. to walk away from; thus, it would be more difficult to manage and have consequences more damaging to U.S.-Russian relations. The preferred path to change depicted in this scenario is thus worth substantial support.

The U.S. posture towards the new, post-2015 reformist Ukrainian leadership also presents challenges. The U.S. relationship with Russia, and the benefits it generates for containing Iran, joint operations against terrorists, drawing down in Afghanistan, and confronting new security challenges not now foreseeable, will trump the U.S. interest in a democratic, western-oriented Ukraine. Managing the new leadership’s expectations will thus be important: EU partnership, growing bilateral cooperation with the U.S and others (including Russia), and strengthened democratic governance are important to locking in the gains for Ukraine of this scenario and consistent with overall U.S. foreign policy priorities. NATO membership, bilateral defense cooperation, and a consistently U.S.-leaning foreign policy would place these overall priorities at risk without commensurate rewards.

Scenario Three:

STRATEGIC AUTHORITARIANISM

INTRODUCTION

In the coming decade, President Yanukovich establishes himself at the apex of a power vertical. He leverages a combination of coercion and financial inducements to reduce resistance to the concentration of power into his hands and gain control of the country’s political institutions. Yanukovich benefits from the weakness of his opposition, but he also generates support for himself by meeting the expectations of his elite backers and the public for “stability” and economic growth. Achieving these ends requires him to undertake a number of economic reforms and to pursue a more balanced foreign policy—one that is based on bilateral negotiations with a wide range of potential economic partners and building ties with select foreign companies. Thus, Ukraine enjoys a decade of relatively consistent economic growth, political coherence, and reasonably productive foreign relations. However, by 2020, the limits of Yanukovich’s model are clear: those silenced by Yanukovich’s authoritarian style are increasingly willing to challenge him, many foundational prerequisites for long-term economic growth (such as genuine rule of law and transparency) remain neglected, and Ukraine is no closer to attaining the EU membership it has long aspired to than in 2010.

DRIVERS OF CHANGE

The Strategic Authoritarianism scenario emerges from the cumulative effects of the following drivers:

- **Power Politics:** In this scenario, President Yanukovich is able to concentrate power in his hands because he leverages institutional mechanisms to his advantage and because his opposition remains weak and fragmented throughout the decade. He establishes a power vertical by rewarding his supporters financially and politically, co-opting potential opponents, and meeting expectations of stability and economic growth. The power struggles currently characteristic

of Ukrainian politics continue, but they do not paralyze the political system because Yanukovich is able to override them. Thus, Yanukovich is widely perceived as have brought “stability” to the Ukrainian political system.

- **Identity:** Sensing the potential threat to his power from politically explosive issues, Yanukovich gradually backs away from addressing sensitive identity-related questions, such as language and Ukraine’s history. Instead, he focuses on building a national narrative based on Ukraine reaching its potential as a prosperous, influential nation. In addition, the PoR covertly sponsors and manipulates radical nationalist parties in order to make Yanukovich appear as a centrist solution to the “threat from the right.”
- **Economic Reform:** Early on, Yanukovich recognizes the importance of meeting the economic expectations of the public and his backers in the private sector. In the near term, doing so requires maintaining access to IMF funding—and implementing the required reforms—to ensure macroeconomic stability. In the longer term, most significant measures are required to meet business elites’ expectations of greater access to foreign markets and new opportunities in underdeveloped sectors, such as agriculture. Throughout his tenure, Yanukovich selectively undertakes reforms and modernization projects to meet these expectations, such that by 2020, Ukraine’s economy is more open, more market-oriented, and more effectively regulated than in the beginning of the decade.
- **Corruption:** One of the administration’s most visible reform efforts is an anti-corruption campaign. While focusing primarily on petty, low-level corruption and overlooking the President’s allies (while prosecuting political rivals), this program successfully reduces the level of corruption and creates the perception of movement toward the rule of law. Concurrently, high-level corruption and rent-seeking continues to function as an important mechanism for maintaining the established hierarchy of political power.
- **Economic Growth:** The reforms implemented by Yanukovich’s administration, coupled with high steel global steel prices, spur enough economic growth (an average of about 5 percent per year) to meet public expectations of improving living conditions. Although the primary beneficiaries of this economic growth are the regime’s financial backers,

a sufficient number of employment and entrepreneurial opportunities materialize to convince citizens that they are benefiting.

- **Foreign Policy Orientation:** Yanukovich’s effort to minimize elite resistance to his regime and public backlash lead him to reconsider his foreign policy strategy: he opts for a more neutral, strategic approach to relating to Ukraine’s neighbors. He distances himself somewhat from Russia, but is able to maintain relatively close, stable relations throughout the decade, in part due to Russia’s preoccupation with its own internal matters. Concurrently, he pursues deeper economic ties with the West, which entail meeting IMF conditions and negotiating a free trade agreement with the EU. As criticism of Yanukovich’s authoritarian style mounts in the West and Russian leaders grow dissatisfied with Ukraine’s disinclination for unequivocal partnership, it becomes increasingly imperative for Ukraine to broaden the scope of its foreign policies. Yanukovich responds effectively to this challenge, building bilateral ties—primarily based on commercial objectives—with a diverse array of countries.

THE PATH TO 2020

2010–2012: Yanukovich Consolidates His Power

On October 1, 2010, Ukraine’s Constitutional Court annulled constitutional amendments passed in the wake of the 2004 Orange Revolution, returning powers once devolved to the parliament to the country’s president. Critics warned that this ruling served only to reinforce the efforts of then-current president, Viktor Yanukovich, to concentrate power in his hands.

As 2011 approached, accusations that President Yanukovich was attempting to monopolize the political system proved increasingly accurate. By that time, he had taken a number of measures to solidify his control of the country’s political institutions, including securing the authority to create a government and dismiss the premier without the participation of parliament⁴⁵ and staffing pivotal government entities with his allies. Local elections (of questionable quality) in late 2010 resulted in gains for the Party of Regions, ushering in a wave of local administrators willing to do the regime’s bidding in exchange for political and financial gain.

Throughout this process, Yanukovich’s rivals protested loudly—but ineffectively. Opposition parties attempted to use their sway in parliament

to block the changing balance of power, but with time it became clear that the annulment of the 2004 constitutional amendments had reduced the body to little more than a rubber stamp in support of an increasingly powerful president.

In the coming years, opposition parties weakened considerably, for many reasons. Most obviously, they faced tremendous pressure from the expanding power of Yanukovich and his loyalists. The growing dominance of the PoR overwhelmed politicians in the opposition, many of whom were recovering from defeats in recent elections. In 2011, “anti-corruption” investigations into the affairs of opposition leaders became more frequent, and a number of rich and influential individuals, such as Sergei Taruta, a supporter of Yulia Tymoshenko,⁴⁶ were jailed; as a result politicians grew increasingly reluctant to overtly criticize the regime. Pressure on investigative journalists intensified in 2011 and continued to be defended by the administration as measures to uphold standards of “responsibility” in the media.⁴⁷ Media outlets, already heavily influenced by Yanukovich and his supporters, began to self-censor their content—to the detriment of opposition parties.

However, as formidable as external pressure was proving, the opposition’s primary challenge was itself. Opposition parties suffered from severe organizational problems and struggled to maintain stable alliances with coalition partners. In addition, the public continued to associate the politicians around which opposition parties organized with the previous administration, which many viewed as a spectacular failure. Most importantly, opposition parties could agree on little beyond opposition to Yanukovich, preventing them from forming a clear alternative vision for Ukraine around which they could unite and challenge the PoR. The squabbling of opposition politicians in parliament starkly contrasted with the unity of Yanukovich’s party and supporters, such that the latter was increasingly associated with “stability”.

Due to the weakness of the opposition—as well as the added advantages of electoral law changes and of controlling the courts charged with ruling on disputed results—the PoR repeated its apparent success in the 2010 local elections in the parliamentary elections of 2012. It won a plurality of seats and easily established a majority coalition with the Communist party and a handful of small, independent factions.⁴⁸ Turnout in western and central regions was extremely low, resulting in small victories for extremist

nationalist parties,⁴⁹ whose emergence in national politics hampered the formation of an effective minority coalition in parliament and increased Yanukovich’s popularity among centrists. Publically, Yanukovich billed this victory as an endorsement of his leadership. Privately, however, he recognized that the fraudulent measures required to secure the PoR’s dominant position indicated that he would have to boost elite and public support in order to secure the presidency in 2015.

Following the parliamentary elections, Yanukovich had clearly begun to self-correct the overtly pro-Russian stance that had characterized his early presidency—a move that made it increasingly difficult for the opposition to use such issues as a rallying point against him. For Yanukovich, the prospect of close relations with Russia had lost much of its appeal in the face of ever-escalating demands from Russian president Dmitry Medvedev. Many of Yanukovich’s business supporters expressed concerns about the intrusion of Russian companies on their financial interests. In addition, Yanukovich had begun to appreciate that, while constitutional changes and patronage secured his powerful position to a degree, he would have to reduce resistance to his rule in the central and western regions of the country by, at the very least, avoiding the kind of overt pro-Russian stance that would provoke them.

Consequently, he softened his approach to identity-related issues. He showed restraint in his relationship with Russia and expended significant political capital on improving relations with the EU. Domestically, he silenced more radically pro-Soviet and pro-Russian elements of his party, promoting instead individuals who would support his vertical of power without raising complicated questions. Notably, he replaced the minister of education, Dmytro Tabachnyk,⁵⁰ with a less controversial city councilor from Donetsk, who favored regional autonomy for Russian language in public schools over a nationwide move to dual-language education. In addition, the PoR covertly sponsored radical nationalist parties to heighten perceptions of a “threat from the right,” against which the president would appear centrist and moderate.

Ukraine’s celebration of its twentieth anniversary of independence in August 2011 provided clear evidence that Yanukovich was moving in a new direction. His speech contained the seeds of what would soon develop into a new national narrative: he blamed fractious politics for Ukraine’s present economic troubles, presented “stability” as the solution,

and called on Ukrainians to unite behind him and claim their destiny as a modern, prosperous nation.

Indeed, by that time, economic matters had come to dominate Yanukovich's agenda, proving a natural counterpart to his consolidation of power: economic growth would provide him the means to reward supporters and boost his standing with the public. The contours of his early economic platform were shaped by the IMF, which, while continuing to extend loans to Ukraine, had become stricter in its enforcement of loan conditions due to concerns that Yanukovich's increasingly authoritarian regime might be tending toward corruption. Yanukovich prioritized meeting the IMF's conditions because he viewed the IMF as essential to maintaining Ukraine's (and his) autonomy from Russia, which presented itself as an alternative source of funding. Fortunately for Yanukovich, the power vertical he had established enabled him to push through reforms that would otherwise be politically untenable. To reduce the persistent budget deficit, he reorganized state administration to reduce public sector

Economic matters had come to dominate Yanukovich's agenda, proving a natural counterpart to his consolidation of power

employment by 20 percent⁵¹ (a measure with the added benefit of allowing him to reward his supporters with key positions), reduced subsidies for consumer energy prices, and raised the retirement age for women to 60.⁵² Importantly, Yanukovich had learned from the protests provoked by the tax reform of 2010 that such

austerity measures can provoke dangerous backlash—but that effective “public relations” can minimize dissent. Even as he grew more severe in his treatment of opponents, he continued to make appearances of responsiveness to public concern and defended his actions, primarily by promising greater economic growth in the future. He used Prime Minister Mykola Azarov as a scapegoat for the most controversial policies, replacing him with Iryna Akimova⁵³ in October 2011. Security forces were enlisted to disrupt demonstrations and successfully prevented remaining dissatisfaction with austerity measures from erupting into mass protest.

2012–2015: Meeting Expectations

In the remainder of his first term, Yanukovich defied predictions that his heavy-handed style would undermine his popularity. Although concerns over repressed civil liberties persisted, his ability to implement policies

and contain political infighting coupled with improving economic performance satisfied the expectations of a broad range of actors.

The UEFA Euro 2012 football championships, played in Ukraine and Poland in the summer of 2012, provided a conveniently timed distraction from austerity measures and provided ample opportunities for bolstering support for the regime through financial inducements. Central government funds were disbursed to the regions hosting games to assist with infrastructure modernization and preparations for the games. Yanukovich took special care to ensure the citizens of each host city—especially Lviv, historically the center of Ukrainian nationalism—knew who had provided the funds for the projects transforming their region and increasing formal employment opportunities. In early 2012, the regime's popularity received a significant boost when it secured short-term visa-free travel to Europe for Ukraine citizens—just in time for Euro 2012. Meeting this goal had required Yanukovich to prove that the re-organized central government bureaucracies were capable of meeting stringent security-related and procedural requirements of the European Union.⁵⁴ For the public, that Yanukovich could achieve this long-promised goal provided proof that Ukraine benefited from a “strong hand” at the center. The games themselves were considered a success and boosted Ukraine's image in Europe. Most importantly, Euro 2012 fueled Ukrainians' pride in their country. Yanukovich placed himself at the center of this rising tide of nationalism, citing the games as evidence that Ukraine could work as one unified country toward the goal of becoming a modern regional power.

With Euro 2012 over, Yanukovich sought to replicate the projects that had bolstered his popularity during the preparations for the games. He began with the obvious: committing federal funds to cities hosting international sporting events and conferences. Donetsk, for example, received assistance in the run-up to the 2013 IAAF World Youth Championships.⁵⁵ Yanukovich also spearheaded a serious bid to host the 2022 Olympics in the Carpathians in western Ukraine,⁵⁶ a move that greatly improved his public image in the region.

In addition to covering all regional bases, as Yanukovich broadened his modernization agenda, he needed to meet the expectations of two groups: his elite backers and the public. The former included prominent oligarchs and political elites who had cast their lot with Yanukovich with the expectation of receiving “returns”—both financial and political—on

their “investment”. For them, Yanukovich had already constructed a power vertical that enabled his supporters to extract rents from the system, so long as they simultaneously performed the tasks expected of them and reinforced centralized power. However, Yanukovich also realized that, in order to secure their support in the next round of presidential elections, he would also need to establish himself as the provider of robust new economic opportunities. To this end, he continued to prioritize reasonable energy prices in his negotiations with Russia, as well as opportunities for Ukrainian investors in recently established joint ventures in industries such as nuclear power engineering, shipbuilding, and aviation.

At the same time, recognizing the threat to his power posed by the potential defection of more liberal factions of the PoR (particularly, those influenced by the increasingly dissatisfied billionaire, Rinat Akhmetov), Yanukovich co-opted their platform of improving Ukraine’s image abroad to expand access to foreign markets and adjusting laws to open previously untapped sectors of the Ukrainian market. He spearheaded two sets of reforms with these goals in mind. First, a serious attempt was made to improve Ukraine’s “business climate”, as measured by indices such as the World Bank’s *Doing Business*, in which Ukraine had ranked 145th out of 183 countries at the beginning of the decade (just below Sierra Leone and Syria).⁵⁷ Leveraging his control over central-government bureaucracies, Yanukovich insisted that procedures for opening and closing a business, paying taxes, dealing with construction permits, processing import and export paperwork, and registering property be streamlined.⁵⁸ Although waste, corruption, and delays remained common, the intensive reform program noticeably improved the regulatory environment within a few years (with exceptions, given the weakness of the judicial system), creating a strong impression among investors that the Ukrainian government was competent and serious about meeting their needs. Second, by 2012, the process of lifting the moratorium on the sale of farmland—a legacy from the Soviet era, based on the rationale that the nation’s land should “belong to the people”—was completed.⁵⁹ Remarkably, despite speculation that land privatization would be rife with corruption and rent-seeking, the process was accompanied by significant measures to improve transparency and predictability in the land market. For the first time, farmers were able to invest in their land with confidence and use land as collateral for the borrowing critical to expanding their operations. The primary purpose of land privatization was undoubtedly political: opening the land market to

Ukrainian investors before foreign investors had afforded Yanukovich’s business backers tremendous opportunities to profit from the purchase of undervalued land and speculation.⁶⁰ However, rising global food prices attracted investors from around the globe to Ukraine’s 32.5 million acres of fertile agricultural land, and—despite enduring regulatory problems—the sector became a critical engine of economic growth in Ukraine.

Meeting elites’ expectations was essential for sustaining Yanukovich’s regime, but since the government continued to face regular (albeit fraudulent) elections, the president also had to meet public expectations, which centered on economic growth (specifically, expanding employment opportunities, increasing incomes, and stabilizing prices for essential commodities), improving government competency, and political stability. The austerity measures implemented in the wake of the financial crisis had proved painful for most Ukrainians, who were financially squeezed by higher gas prices, pension reform, and cuts in government spending on social programs. However, Yanukovich’s team had effectively explained the necessity of these measures to the public, made appearances of responding to the most serious concerns, and promised that, if Ukraine united behind reforms and patiently endured their negative effects, a reinvigorated economy would emerge in the near future. By 2012, it appeared his promise would be fulfilled: economic growth had accelerated and showed signs of continuing to do so. Households grew more optimistic about their financial future.

The positive political effects of economic growth were reinforced by two additional developments. First, the organizational changes that had accompanied Yanukovich’s consolidation of power had increased the capacity of the state, enabling it to deliver on the public goods it promised. Although the permeation of all branches of the government by Yanukovich’s supporters was seen as reducing transparency and increasing rent-seeking behavior in public institutions, it had the positive effect of creating a power hierarchy responsive to the demands of the president. As Yanukovich began to focus on modernization, he also began to reward those bureaucrats and regional leaders who boosted the legitimacy of the regime by doing the same. Politicians recognized that they could benefit personally from effectively carrying out modernization projects, especially those that were highly visible, such as infrastructure improvements and vocational training centers. While many of these projects were of dubious quality—and used as a substitute for dealing with more controversial

issues⁶¹—the trend toward a more results-oriented patronage system produced tangible gains for the public, including incrementally safer roads, upgraded public spaces, and more competently administered social services. Thus, although Ukrainians knew that a small handful of elites continued to monopolize access to the political system and the benefits of economic growth, most felt that their own lot was improving as well.

Second, Yanukovich's ability to act decisively contrasted sharply with the infighting and indecision of his predecessors, such that he convincingly presented himself as the "strong hand" guiding Ukraine to reach its potential. As Yanukovich's ability to bypass bargaining and override opposition produced results—such as policies that contributed to renewed economic growth—citizens became more tolerant of the restrictions of civil liberties that accompanied his rule. By far the most visible evidence of the regime's apparent commitment to using its consolidated power for the benefit of the country was an intensive anti-corruption campaign launched in late 2012 and continued for the remainder of Yanukovich's tenure. Seemingly responding to voters' concerns, the SBU-led campaign focused on routing out local corruption.⁶² Although investigations were driven by political considerations—being primarily aimed at expendable lackeys, potentially threatening opponents, and convenient scapegoats for failed policies—they were conducted fairly enough to prevent significant protest from human rights organizations and thoroughly enough to bring about a net reduction in the level of corruption in the country. Since these efforts were coupled with broad media coverage, including human interest stories about citizens released from corrupt local officiating, the overall effect of the campaign was to convince most voters that, whatever

its defects, the regime could and would get things done.

As a consequence of his ability to meet elite and public expectations, Yanukovich enjoyed relatively broad legitimacy.

As a consequence of his ability to meet elite and public expectations, Yanukovich enjoyed relatively broad legitimacy. Criticism of his authoritarian

style remained prevalent, but his ability to sufficiently satisfy the needs of his constituents prevented these critiques from escalating into full-blown backlash against his regime. His most staunch critics from abroad, the United States and the European Union, had begun to soften their reproach of the regime, recognizing that the relative political stability and

progress on economic reform Yanukovich had brought about were not only important achievements for Ukraine, but a far better outcome than the economic and political challenges that had beset other countries in the region, such as Moldova, Belarus, and Bulgaria.

2015: Presidential Elections

Given the legitimacy he enjoyed and the strength of his grip on political institutions, Yanukovich was expected to secure the presidency in 2015. He campaigned as though he were standing in truly competitive elections, touting the economic successes of his first term and remaining silent on controversial issues. However, it was clear that his opponents, Yulia Tymoshenko and Serhiy Tygypko, had no real chance. For one, electoral rules were skewed significantly in Yanukovich's favor, as were the courts slated to rule on disputed results. Furthermore, security forces continued to suppress opposition rallies and media critical of the president. Most importantly, few incentives remained for joining the opposition: the parties were organizationally and financially deteriorating, such that the most direct route to political prestige lay in loyalty to the regime; voters were increasingly unwilling to take on the risks associated with supporting the opposition, especially in light of the apparent economic benefits of having Yanukovich at the helm; and opposition politicians continued to be jailed on trumped-up corruption charges, raising the stakes for other politicians contemplating following their lead.

Any credible opposition lost upward mobility on December 12th, 2014, when Yanukovich narrowly escaped an assassination attempt by a lone gunman at a public event in Odessa, suffering a wound to his shoulder.⁶³ The gunman, apprehended at the scene, was taken into police custody and interrogated, but he died in police custody of heart failure⁶⁴ before it could be ascertained who had hired him. Suspicion naturally fell on opposition figures and "evidence" of their complicity was widely disseminated. Yanukovich bounced back quickly after the attack, staging a press conference in which he called on citizens to be on their guard against elements seeking to undermine and divide Ukraine and to join him in unwavering commitment to building a strong, modern Ukraine. His speech was well received by the electorate, edging Yanukovich closer to a cult-personality status reminiscent of Vladimir Putin.

The elections themselves were relatively uneventful. Yanukovich legitimately garnered a fair share of the vote and made up the remainder

required for claiming a broad mandate through subtle fraud that gave him an advantage in the polls without provoking backlash. The election was declared “free and fair”, though Yanukovich acknowledged a number of “bureaucratic mistakes” had been made and dismissed the heads of the Precinct and Territorial Election Commissions.⁶⁵ The limited number of international observers that had been allowed into the country criticized the quality of the election, but their criticisms received scant attention from the Ukrainian press.

2016–2020: Strategic Authoritarianism

The relatively ease with which Yanukovich won the presidency in 2015 greatly increased his confidence. He began his second term with the conviction that his position at the apex of the Ukrainian political system was secure and that, even though the erosion of Ukraine’s democracy was decried at home and abroad, support for his opponents was far weaker than for his stable regime that was delivering economically. For opposition parties, the outcome of the elections had been unsurprising, but devastating nonetheless. They resolved to regroup and rebrand themselves, setting their sights on the 2017 parliamentary elections.

Unfortunately for the opposition, Yanukovich continued to prove capable of leveraging his grip on state institutions—and thereby, access to instruments of coercion and inducement—to reinforce his support base. Moreover, the economy continued to grow steadily, averaging 5.5 percent growth per year between 2015 and 2019. Much of this growth could be attributed to high global steel and grain prices, but a number of policy developments significantly contributed.

First, the regime continued to prioritize macroeconomic stability and maintained the IMF-inspired approach to containing the budget deficit, inflation, and currency fluctuations. This stability, which had already enabled capital markets to recover, underpinned an increasingly robust financial sector capable of lending to a wide variety of companies. Second, continuing reductions in the amount of red tape required to operate a business in Ukraine and the containment of low-level corruption in bureaucracies facilitated growth in small- and medium-sized enterprises and improved Ukraine’s reputation among foreign investors. Third, despite the unpopularity of the policy, the regime had maintained its commitment to raising consumer energy prices to import parity. This measure had not only greatly improved the state of Naftogaz’s balance

sheet—and thereby the government’s—it had also created incentives for business and household consumers to increase energy efficiency. Interest mounted in developing Ukraine’s own energy production capacity.

Most significantly, Yanukovich began to orient his foreign policy strategies around expanding Ukraine’s economic opportunities. As he pursued commercial partnerships, Yanukovich moved away from the exclusively Russia-oriented strategy many had expected of him earlier in the decade toward a more “multivector” policy, in which Ukraine established constructive relationships with a wide range of countries, without orientating itself decisively toward east or west. Ideological considerations lost their centrality in Ukrainian foreign policy and were replaced by economic nationalism.

Maintaining friendly ties with Russia undoubtedly remained Ukraine’s foremost foreign policy objective, not only for its own sake but also to reassure other countries that they would not provoke Russia by engaging Ukraine. Although Yanukovich had distanced himself from his Russian counterparts earlier in the decade—recognizing that acquiescing to all of Russia’s demands would inevitably lead to more demands—he nonetheless enjoyed good rapport with the leadership. He was careful to honor commitments to Russia, such as upholding Russia’s lease on naval facilities in Crimea for its Black Sea Fleet. Improvements in Naftogaz’s financial position due to higher consumer gas prices enabled it to make timely payments to Gazprom, thereby easing a former source of tension between the countries. In addition, Ukraine showed no signs of renewing its quest for NATO membership, removing an extremely hot topic from the agenda of diplomatic relations. Thus, although most Russian politicians were displeased that Yanukovich had dropped the Russian language issue from his agenda, barred Gazprom from acquiring Naftogaz, and refused to consider membership in the customs union being formed by Russia, Belarus, and Kazakhstan, they continued to view Yanukovich as a more useful partner than his competitors and held out hope that he could be persuaded to change his stance on these issues; most importantly, they were prevented from acting on their displeasure with Ukraine by preoccupying problems internal to Russia, such as frequent terrorist attacks.

A more cautious approach to relations with Russia did not mean a wholesale turn to the EU, however. Since 2010, EU officials had expressed concerns about the deterioration of democratic standards, and these sentiments

intensified after the 2015 elections. Consequently, official EU-Ukraine relations stalled. Negotiations on the Association Agreement continued in name only, with the EU refusing to move forward without political reform in Ukraine and Ukraine refusing to move forward without the EU agreeing to terms of trade more favorable to Ukrainian agriculture.⁶⁶ Nonetheless, European leaders continued to engage Yanukovich, afraid of the “creating another Lukashenko” by isolating him.⁶⁷ Yanukovich positioned himself as the lesser evil in the region, allowing some foreign nongovernmental organizations to operate in the country and periodically releasing jailed opposition members as a sign of his good will. Consequently, while Yanukovich was not uniformly welcome in the West, he found several individual European member states—such as Poland,⁶⁸ Norway,⁶⁹ and the Baltic States—open to building bilateral ties with Ukraine. In addition, many European corporations showed interest in working with the Ukrainian government to secure favorable investment terms in Ukrainian industries, such as agriculture, energy, and retail, in which they saw potential. Although the EU had been gradually diversifying away from Russian gas, financial and political problems plagued the pipelines designed to bypass Ukraine, enabling it remain a central transit country for the remainder of the decade.⁷⁰

Yanukovich also built bilateral ties with other countries around trade and direct investment. Between 2010 and 2017, Ukraine entered free trade agreements with a number of countries, including Turkey,⁷¹ India,⁷² Singapore,⁷³ Syria,⁷⁴ Israel,⁷⁵ Venezuela, Brazil, and Japan. He negotiated greater access for Ukrainian agricultural products in Asian markets, where demand for food products was surging. In addition, a joint venture established between Ukraine and Russia to develop the offshore natural gas field, Pallas, located in the Black Sea, was expanded to include the British company, Dutch Shell, and U.S.-based Chevron.⁷⁶

Most significantly, Ukraine’s relationship with China deepened, and the two countries reached several agreements⁷⁷ that produced a tangible boost to the Ukrainian economy in the latter half of the decade. A US\$950 million loan from China to build a high-speed train between Kyiv and Boryspil, Ukraine’s busiest airport, earlier in the decade was repaid in a timely manner, paving the way for additional loans for infrastructure improvements. A new logistics center was constructed at the airport, which, when combined with improvements in customs processing, established Ukraine as a transit hub connecting China and the European

Union.⁷⁸ Investment from Chinese companies provided financing for much-needed capital equipment upgrades in Ukraine’s mining and metallurgy industries.⁷⁹ Although hesitant about inviting greater China’s involvement in the Ukrainian economy, Yanukovich recognized the benefits of access to capital free of both the politically complicated conditionality required by the IMF and the intrusive meddling that accompanied loans from Russia. In fact, expanding ties with China provided Ukraine with leverage in its relations with both its traditional partners: the EU, which worried that Chinese money was buying Ukraine out of further reform, and Russia, which viewed China as a competitor.

Thus, Yanukovich could boast of measureable achievements: the economy was growing and a pragmatic foreign policy approach was reaping tangible benefits. However, with presidential elections once again looming (in 2020), these successes were gradually overshadowed by speculation about Ukraine’s uncertain future. Opposition parties performed unexpectedly well in the 2017 parliamentary elections, largely due to their efforts to reorganize. These elections were significant because, although the PoR secured its place in the majority, a qualitative change was taking place within the opposition. A generational shift had occurred, bringing new faces into leadership positions. In addition, it became clear that, although economic growth had bolstered Yanukovich’s legitimacy for years, it was now fueling the opposition. Improvements in the regulatory environment, infrastructure investments, and the reduction of low-level corruption had created a business climate in which small and medium businesses could emerge from the shadows and grow their businesses. This small, but growing, class of entrepreneurs grew increasingly resentful of Yanukovich’s continued and obvious preferential treatment of large, politically powerful Ukrainian businesses and joined the opposition to demand greater attention to their needs, not least of which were a more transparent, competent judicial system and greater influence within the political system.

Yanukovich’s support among elites began to waver as well. Many prominent businessmen—namely those engaged in Ukraine’s traditional, energy-intensive, inefficient industries—saw their profits decline in the face of foreign competition, as they were unable to meet the product-quality standards or price-points in newly opened markets and unwilling to rely on foreign investment to finance improvements. Their consequent dissatisfaction drove them to split from Yanukovich and form rival

factions within the PoR. Initially, Yanukovich was able to play emerging competing factions against each other to reinforce his control of the party and by launching corruption investigations against his most severe critics. However, these strategies grew less effective over time as alliances began to form among dissenters and as it became clear that Yanukovich did not have the political capital to make the constitutional changes to secure a third term in 2020.

As the decade drew to a close, Ukraine could be said to have defied expectations and enjoyed ten years of relative stability and prosperity under Yanukovich. Internal divisions had been contained, many sectors of the economy had been modernized, and Ukraine was establishing a clear role for itself in the international community. For Ukrainians, however, these achievements had come at a cost: their civil liberties and political rights had been virtually ignored throughout the decade. Most disappointingly, the hopes that many harbored of a place in the EU seemed as far away as ever. As the dissatisfaction repressed throughout the decade began to find political expression in the run-up to the 2020 presidential elections, Ukraine's future appeared increasingly uncertain.

IMPLICATIONS FOR U.S. POLICY

While “fragmentation” is an unmitigated negative for all players and “reform” is a clear plus for Ukraine, for the U.S., and even for Russia (depending on how Russia evolves internally), this scenario presents ambiguities and difficult choices that are appearing with increasing frequency in U.S. policy debates. Ukraine in this scenario is an effectively functioning authoritarian state, led by its present leadership, with the capacity to maintain internal stability, preserve its sovereignty, and defend its own interests. It is friendly with, but not subordinate to, Russia, deflecting Russian demands for economic integration. Its illiberal treatment of internal political opponents generates chronic friction with the U.S. and the EU, but its economic success promotes trade and financial linkages with both that operate independently of state-to-state relations. Its internal stability removes it as a source of volatility and insecurity in the region and of conflict in U.S.-Russia relations. It pursues a multi-vectored foreign policy that cements its relationships with other rising powers, including China, India, Turkey, South Korea, and Brazil. While not a serious candidate for EU membership, its trade and diplomatic ties to individual EU members, particularly Germany and France, expand.

The stability vs. reform dilemma presents itself differently to U.S. policymakers in different national contexts. As in most cases, the choice of whether to support or resist authoritarian developments in important countries is required before the results are clear. The simplifying assumption would be that long-term stability can be achieved only with reform and that the lessons of Egypt should be applied now to Ukraine. But in the scenario as premised, a working authoritarianism is sustainable through 2020, and if the plausibility of this story is accepted, the benefits for the U.S., at least over the medium term, are undeniable. With a bursting policy agenda, it gets to worry less about a pivotal country that can preserve its own territorial integrity and thwart any Russian expansionist dreams. With itself largely out of the picture, the reset is protected, while Russia has the burden of figuring out how to deal with an effective Ukrainian state without compromising the U.S. relationship. The U.S. also benefits from a new source of demand for its products and investment.

In a sense, this scenario is a test of how the U.S. should deploy its diminishing relative power in a manner that protects core interests.

If these are deemed important benefits, the policy challenges are immediate. How should the U.S. evaluate the intentions and capabilities of Ukraine's present leadership to implement “strategic authoritarianism”? How much patience should the U.S. show on economic and political reform, given that excessive expectations could weaken and alienate the regime? As the present government begins to generate growth and increased political legitimacy, should the U.S. accept and encourage these developments as “good enough” to preserve its broader interests, given the uncertain prospects for reform and the risks of fragmentation? In a sense, this scenario is a test of how the U.S. should deploy its diminishing relative power in a manner that protects core interests.

Appendix

DRIVERS OF CHANGE IN UKRAINE

Ukraine is a young country with a long history. The name Ukraine means borderland, which is what the region has been for thousands of years: between the plains and forests; between Roman Catholicism, Eastern Orthodoxy, and Islam; between the Russian Empire and its Western neighbors; between Communism and capitalism; between the Soviet Union and its European satellites; and, most recently, between Russia and the European Union.⁸⁰

Given this history, Ukraine's emergence as a sovereign nation-state and coherent polity has been surprising. In the last decade, it has continued to defy predictions, at times abruptly changing its foreign policy goals, undertaking a dramatic push for democracy in 2004, descending into unprecedented political gridlock thereafter, and suffering a 15 percent decline in real GDP in response to the global financial crisis. What unexpected changes could occur in Ukraine in the coming decade? How will its vulnerable geopolitical setting in an increasingly volatile international environment affect those changes? What will Ukraine look like in 2020 as a result?

Ukraine's future course matters as much for its neighbors as for its own citizens. The country's 46 million inhabitants, large economy, vital role in natural gas transport to Europe, and strategically important location play a pivotal role in regional stability and prosperity. Ukraine will inevitably remain a borderland, and it remains common to question whether it will ultimately turn east, west, or find a balance between the two. Equally significant—and perhaps relatedly—will Ukraine find a path through its internal frictions, institutional weaknesses, and economic struggles?

DRIVERS OF CHANGE

The scenarios that are plausible for Ukraine in 2020 are rooted in trends evident today. Over the coming decade, political, economic, and social forces will evolve and interact with one another, such that in 2020, Ukraine could look substantially different than it does today. This paper identifies six areas in which trends currently evident could vary significantly in the coming decade, driving change in Ukraine: political dynamics, questions of identity, demography, the economy, the energy sector, and the country's foreign policy orientation. How will these drivers of change evolve in the coming decade? What could enable them or prevent them from trending in a particular direction?

Political Dynamics: Institutional Weaknesses and Power Politics

Ukraine achieved independence “as much by accident as design.”⁸¹ The country chose to pursue democratization on the European model, but in the absence of a genuine revolution, the transition left Soviet-era governance structures essentially intact and Soviet-era elites in power.⁸² The 2004 Orange Revolution raised expectations, but Ukraine continues to face the twin challenges of developing effective institutions and managing power politics. To date, these challenges remain unmet, while their consequences—constant elite infighting, periodic political crises, and poor quality governance—grow ever more visible.

Institutional Development. Ukraine's statebuilding efforts since 1991 have resulted in a system that can be described as “democratic” and “free.”⁸³ However, institutional development has proceeded slowly and unevenly. Ukraine has yet to develop clear, generally accepted ‘rules of the game’ to govern its political system. The 1996 constitution has been amended numerous times, but the result has not been a more coherent governing framework. Instead, after each election, incoming political actors manipulate the rules to their own advantage.⁸⁴ In this environment, de facto power has become central to the system, rather than the rule of law. As a result, government bodies at all levels consistently fail to meet public expectations, manage political conflict, and provide the necessary support for a market economy.

Ukraine has experienced particular difficulty in establishing a system of checks and balances that restrains executive power but still allows the government to function. The 1996 constitution contained a number of ambiguities regarding the division of powers between the president and parliament, and consequently sparked a power struggle between the executive and legislative branches as each attempted to consolidate its sphere of authority.⁸⁵ Leonid Kuchma (President, 1994–2004) succeeded in establishing his dominance over other state institutions by leveraging administrative resources and his influence over the judiciary, the police, and the media.⁸⁶ His term ended in crisis when his attempt to engineer victory for his chosen successor, Viktor Yanukovich, sparked a popular revolt, the ‘Orange Revolution’ of 2004. The resolution of the Orange Revolution brought Viktor Yushchenko (President, 2005–2010) to power, but on the condition that the constitution be amended to empower the prime minister vis-à-vis the president. Far from clarifying the roles of the executive and the legislature, the new arrangement added an additional layer of complexity: competition between the president and the prime minister for control of the executive branch, a struggle that proved crippling.⁸⁷ The election of Viktor Yanukovich in February 2010 appears to have broken the deadlock temporarily, but some observers worry that Yanukovich’s efforts to consolidate his authority have the potential to threaten recent democratic gains.⁸⁸ On October 1, Ukraine’s Constitutional Court overturned the 2004 law that had shifted powers to the prime minister,⁸⁹ reinforcing once again the central role of the president.

Struggles between the president and parliament have been exacerbated by problems within the parliament itself. The absence of strong, ideologically oriented parties and stable majority coalitions has hindered the functioning of parliament and prevented it from acting as an effective counterweight to presidential power.⁹⁰ Ukraine’s party system is highly fragmented, reflecting the diversity of Ukrainian society, the consequences of electoral laws, and, some argue, political elites’ unwillingness to compromise.⁹¹ Changes to electoral laws in 2004 brought measured improvement: only five parties were elected to parliament in 2007, compared to twelve in 1997.⁹² Nonetheless, forming majority coalitions continues to be difficult, as evidenced, for example, by the months required to complete the process after the 2006 parliamentary elections and 2007 preterm elections.⁹³

Power Politics. Power has tended to concentrate very quickly in Ukraine: “those that have it get more and more.”⁹⁴ Given that Ukraine’s post-Soviet transition was engineered by Soviet-era elites—to their own economic and political advantage—democratization has not brought the anticipated gains in transparency and accountability.⁹⁵ A small, concentrated group of elites continues to dominate the political system through political parties oriented around powerful personalities and major business interests, rather than around ideas supported by large groups of voters.⁹⁶ Although the electorate chooses who will govern, its influence over public officials and policy is limited, especially between elections.⁹⁷ The use of a closed party list system—in which voters choose a party but cannot express preference between individual politicians on the list—has further undermined the development of accountability between the political class and voters.⁹⁸

Power has especially tended to concentrate in the presidency, which is the most developed of Ukraine’s three branches of government. Through a mix of formal and informal power, Ukraine’s presidents have exerted influence over the enforcement of laws (which are often arbitrarily enforced since they tend to be poorly written and/or contradictory), the administration of regulations, the media, the election process, patronage networks, and the appointment of oblast governors.⁹⁹ The switch to a parliamentary-presidential system under Yushchenko introduced additional formal checks on presidential power, and he allowed much greater media independence and professionalism than his predecessors.¹⁰⁰ Such changes, however, now appear to have been temporary. Ukraine has returned to a presidential system, and Yanukovich appears to have taken several measures to consolidate his power, including, allegedly, increasing pressure on the media.¹⁰¹

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At present, institutional development and power politics appear to be locked in a cycle wherein weak institutions enable individuals to use de facto power to gain influence, which they then use to perpetuate institutional arrangements that allow them to exercise their power unchecked. Thus, while institutional design is the primary mechanism for preventing the concentration of power, it is at the mercy of precisely the power politics it seeks to contain.¹⁰² The result to date has been a government oriented around patronage, rent-seeking, and zero-sum calculations that is unable

to deliver basic public goods.¹⁰³ For their part, the Ukrainian people remain distrustful of government and demoralized.¹⁰⁴

Although many of these attributes have been evident since independence, frequent institutional changes and shifts in the balances of power between elites have also caused marked variability in Ukraine's political system. The last five years are a case in point, as are the dramatic changes currently underway. In addition, other 'drivers of change' interact with political dynamics and catalyze change. In the coming decade, questions of identity, for example, could feature prominently in the political sphere and become explosive if not adequately managed. Economic and demographic challenges could increase pressure on the political system to meet expectations. Ukraine's foreign policy options are also linked to political dynamics: how will evolving relations with Russia and the West affect internal balances of power? Conversely, how will political dynamics affect Ukraine's future foreign policy course?

Identity

As a 'borderland', Ukraine has wrestled with questions of identity much longer than it has been a state. Independence brought additional challenges. With only limited experience in self-government, the polity has had to develop a sense of what it means to be "Ukrainian" on a social, political, and international level, a process complicated by its internal divisions—rooted in a long history of interaction with neighboring peoples and powers—and its geopolitical position between an expanding Europe and an ever more assertive Russia. Over the course of the last twenty years, Ukraine has developed a sense of nationalism, statehood, and confidence in its sovereignty. Nonetheless, debates remain.

Ukraine's social fabric is complex. In the 2001 census, 77.8 percent of the country's population self-identified as ethnically Ukrainian, 17.3 percent as ethnically Russian, and the remainder as belonging to small minority groups.¹⁰⁵ While the two largest ethnic groups are geographically concentrated—Ukrainians in western and central regions and Russians in eastern and southern regions¹⁰⁶—the exact boundary between them is difficult to pinpoint and increasingly permeable.¹⁰⁷ Ukrainians and Russians have historically influenced each other culturally (though in the last two centuries Russians have undoubtedly been the more influential).¹⁰⁸ As a result, linguistic divisions do not correspond with ethnic divisions;

most notably, about half of Ukrainians speak Russian as a first language.¹⁰⁹ Religious differences have historically reinforced ethnic divisions, but have been a less prominent factor in recent years.¹¹⁰ Given this social diversity, ideas about who is 'Ukrainian' are constantly evolving.

Overall, a sense of a civic, multinational—versus ethnically based—Ukrainian identity is spreading,¹¹¹ but it remains contested in the political sphere. Political party affiliations and positions on key issues divide geographically along roughly the same lines as ethnic identity,¹¹² such that the country is often divided into 'two Ukraines': one promoting the Ukrainian language and culture and closer ties with the West and the other advocating official status for the Russian language and closer ties with Russia. However, as with ethnicity, the boundary between the political East and West is increasingly blurred. Moreover, the most vocal ideologues at either extreme represent only a minority of Ukrainians: most Ukrainians belong to the "other Ukraine"¹¹³—a group with no clear boundaries that is "for the most part invisible, mute, uncertain, undecided, ideologically ambivalent and ambiguous."¹¹⁴ This group's uncertainty renders it vulnerable to political manipulation and "brainwashing," which politicians readily employ in competing for its loyalty.¹¹⁵ However, it also has the potential to act as a moderating force.¹¹⁶

One identity-related issue that has sparked heated political debates is history: what is 'Ukraine's' history? Is it the history of the Ukrainian people? The territory? The state?¹¹⁷ As Zbigniew Brzezinski has noted, Ukraine is in the process of "recovering its historical memory."¹¹⁸ While vital to the development of both nation and state, this process has been controversial and polarizing, particularly as government officials—including, and especially, the president—have intervened. Viktor Yushchenko, for example, issued official commemorations on controversies surrounding Ukrainian nationalist movement leaders Roman Shukhevych and Stephan Bandera, Ivan Mazepa, and the Great Famine of 1932–33 (known as the Holodomor), reinforcing a particular emerging national narrative.¹¹⁹ Viktor Yanukovich has since criticized Ukrainian nationalism and downplayed Stalinist crimes in an apparent attempt to redefine the national narrative.¹²⁰

Thus, although Ukraine's identity evolves slowly, it can play a dramatic role in change under certain circumstances because it is intertwined with ideas about the country's political, economic, and international choices.

Internal divisions have an upside: they make it difficult for any one political force to monopolize power.¹²¹ However, they also contribute to political instability. Unresolved “wedge issues”—such as the official recognition of the Russian language, the status of Crimea and the Black Sea Fleet, and Ukrainian history—could escalate politically and deepen polarization.¹²² Determining Ukraine’s geopolitical orientation—at its core an identity question—is a particularly provocative issue, which, if managed poorly or manipulated by external actors, could threaten the country’s national coherence and territorial integrity.

The Economy

Prior to independence, Ukraine was heavily integrated into the command economy of the Soviet Union, producing one-fourth of its agricultural output and playing a central role in its energy and industrial sectors. Ukraine has since transitioned to a market economy, albeit one that noticeably underperforms.¹²³ The pace of market-oriented reforms has been uneven since independence, reflecting, in part, the difficulty of undertaking such reforms in an institutionally weak, politically divided state. There have been two waves of reforms, one beginning in late 1994 and another in 2000—both following crisis and leadership change.¹²⁴ However, beyond joining the WTO in 2008, recent reform efforts have been disappointing.¹²⁵ Privatization, for example, a critical reform for post-Soviet countries, has stopped since 2005.¹²⁶

The stagnation of the reform process has undermined Ukraine’s economic performance.¹²⁷ The economy’s reaction to the global financial crisis was one of the most severe in the world—a 15 percent drop in real GDP growth in 2009. The crisis was particularly severe in Ukraine because of the poor state of its public finances at the time (its current account deficit reached 7 percent of GDP in 2008), the collapse of global prices for steel (which accounted for 42 percent of total exports in the first half of 2008), and its exclusion from global financial markets due to its political gridlock and poor business climate.¹²⁸ Real GDP is forecast to grow around 4.7 percent this year, but this recovery has primarily been sustained by rising steel prices (Ukraine’s primary export). A more sustainable recovery has been hampered by political gridlock, which has prevented the implementation of necessary reforms, including those required for the disbursement of IMF assistance funds.

The economy suffers from a number of chronic problems, such as low productivity, an ineffective regulatory system (Ukraine ranks 142nd out of 183 countries in the World Bank’s Doing Business Index), pervasive corruption (Ukraine ranks 146th out of 180 countries in Transparency International’s 2009 Corruption Perception Index), obsolete physical infrastructure, a large shadow economy, underdeveloped capital markets, ineffective social policies, and persistent budget deficits (in large part due to direct support for inefficient monopolies).¹²⁹ Ukraine’s economy is the most energy-intensive in the world and relies on imports to meet the bulk of its energy needs; consequently, it is particularly vulnerable to fluctuations in energy prices, the value of its currency, and the interests of its main supplier, Russia.¹³⁰

Most critically, after nearly 20 years, Ukraine’s market economy is still struggling to fulfill its primary purpose: to raise Ukrainians’ living standards. Even after relatively strong growth between 2000 and 2008—an average of 7.2 percent per year—Ukraine’s per capita income (at PPP, current international dollar) is \$6,656, about 22 and 45 percent of per capita income in the EU and Russia, respectively.¹³¹ Unemployment was estimated at 8.8 percent in 2009, and additional Ukrainians are either unregistered or underemployed.¹³² In a recent poll, 71 percent of respondents thought Yanukovich should focus on job creation (compared to 3 percent that prioritized relations with the EU and 1 percent that prioritized relations with NATO).¹³³

In the coming decade, Ukraine’s reform process, economic performance, and standard of living could vary substantially, with significant effects on other spheres of Ukrainian life. Much of this variability is derived from the interaction of economic forces with other drivers of change. First, the pace and direction of economic change in Ukraine is determined in the political sphere. To date, the government’s constant interference and failure to undertake critical reforms has visibly prevented the economy from reaching its potential.¹³⁴ According to the Independent International Experts Commission, “Ukraine’s key problem is that the state malfunctions so much that it is unable to carry out its duties towards its citizens, while hindering the citizens from solving their problems on their own.”¹³⁵ It is conceivable, however, that the level of institutional capacity for carrying out reforms, managing the economy, and distributing the benefits of growth—as well as elite influence over these processes—could change.

Second, economic change in Ukraine is influenced by the country's foreign relations. In 1991, Ukraine chose to adopt the economic model of 'the West', and European and American organizations and investors continue to actively advocate deepening liberal reforms. Ukraine's economic ties with the EU have deepened even when the political dimensions of the relationship have seemed to stall. Prior to the financial crisis, the stock of direct investment from the EU in Ukraine was accelerating, increasing 75 percent between 2007 and 2008.¹³⁶ Trade between the EU and Ukraine has also increased over the last decade (24 percent of Ukraine's exports were destined for the EU compared to 21 percent to Russia¹³⁷), in part due to deeper business ties and in part due to trade agreements, including a Generalised System of Preferences (GSP) in place since 1993, Ukraine's WTO accession in May 2008, and ongoing negotiations regarding a Free Trade Agreement. Concurrently, Russia continues to play a prominent role in Ukraine's economy and economic policymaking, primarily through its dominance over Ukraine's energy supply and its ownership interests in major industries.¹³⁸ Moving forward, Ukraine's relations with both West and East will affect its economy: a decisive change in foreign policy orientation could alter the dynamics of foreign influence over the economy altogether; conversely, economic relations could provide the impetus for deeper partnership.

Energy

In Ukraine, energy is highly politicized, influenced by both foreign relations and domestic politics. Consequently, a mix of private and public interests exerts influence over Ukrainian energy policy. A recent independent report on reform proposals for Ukraine called the energy sector "the biggest source of waste and corruption in the Ukrainian economy."¹³⁹

Ukraine's energy sector factors into its relations with both 'West' and 'East'. First, Ukraine is integral to EU energy security. Ukraine is the transit country for around 120 billion cbm of European gas imports from Russia, equivalent to about 20 percent of Europe's total gas consumption¹⁴⁰ and 73 percent of Russian gas exports to Europe.¹⁴¹ Since disputes between Ukraine and Russia over energy pricing led to gas cut-offs to Europe in 2006 and 2009, the EU has grown more concerned about its reliance on Ukraine's pipelines. Although Russia has cited these incidents as evidence of Ukraine's unreliability,¹⁴² for Europe, they held a broader lesson of

the imperative of supply diversification and a common energy policy.¹⁴³ For Ukraine, the gas crises highlighted the potential for its political disagreements with Russia to affect its economy. Since gas supplies and pipelines in both Ukraine and Russia are controlled by state-owned monopolies, political relations between their government directly impacts on the energy industry.

Second, Russia's relatively assertive foreign policy in recent years has translated to the energy sector in a number of ways: attempts to increase influence over Ukraine's energy sector (for example, Russia has proposed a merger of its state-owned gas company, Gazprom, with Ukraine's gas distribution company, Naftogaz, which would effectively amount to a takeover given their relative size¹⁴⁴); attempts to undermine Ukraine's strategic position (for example, by supporting the construction of the South Stream pipeline, which would bypass Ukraine); and, most importantly, using energy as a bargaining chip (for example, agreeing to lower gas prices for Ukraine in exchange for an extension of its lease on the Sevastopol military port).

Ukraine's energy sector suffers from a number of domestic challenges, too: essentially, "in the Ukrainian energy sector private profits are made at the expense of the state budget and national economy".¹⁴⁵ First, Naftogaz "has long been the poster child of inefficient and nontransparent state monopolies bearing high credit risks" and is in constant need of financial rescue from the state.¹⁴⁶ Much of Russia's leverage is derived from the Naftogaz's inability to pay for the gas it imports. Second, the energy sector is a major locus of corruption in the Ukrainian economy.¹⁴⁷ Third, Ukraine's Soviet-era gas transit system is critically obsolete. Modernization of the system has been recognized as a priority for a number of years, and Ukraine has attempted to garner EU support for ventures such as a tripartite gas pipeline consortium with Russia. The Yanukovich administration has continued this effort, showing intentions to work both with the EU and Russia to improve its reliability as a transit country.¹⁴⁸

Fourth, and in many ways driving all of the above, the government's practice of setting—and subsidizing—artificially low gas prices for households, state-funded organizations, and municipal heating enterprises forces significant losses on Naftogaz (about \$2–3 billion per year, which it finances through debt and can only repay with government assistance), reduces incentives for improving energy efficiency (Ukraine is one of the

most energy-intensive economies in the world, with an energy intensity 2.5 times that of European countries¹⁴⁹), and discourages domestic energy production.¹⁵⁰ Normalizing prices, which would reduce waste and improve efficiency, has been staunchly resisted by leaders of heavy industries—particularly steel, one of the country’s major exports—because higher energy prices would reduce competitiveness. Nonetheless, per its agreement with the IMF, Ukraine has committed to raising gas prices by 20 percent per quarter until they reach cost-recovery level.¹⁵¹ The political consequences of this new policy remain to be seen.

How Ukraine develops its energy policy in the next decade will contribute to the nation’s prosperity and international influence. Domestic policy to reduce energy intensity and waste would contribute to stable economic growth. Rather than subsidizing cheap gas, the country could benefit from public investments in more productive sectors. Foreign relations with both the EU and Russia will also play a role. International funding to Ukraine from bodies such as the EU and IMF hinge on energy reforms. Simultaneously, Ukraine faces increasing pressure from Russia, which could complicate its reform process and its potential as a stable partner for Europe. Navigating a path that orients the country’s energy policy toward the interests of all Ukrainians will be challenging.

Demographic Change

Since independence, Ukraine has experienced an unprecedented demographic decline. Ukraine has the highest rate of population decline in Europe: its population has decreased by 12 percent since independence (from 52 million in 1991 to 46.2 million in 2007). If current trends continue, Ukraine’s population will decline to 36.2 million by 2050.¹⁵² A number of forces drive this trend. First, emigration rates have increased since independence and account for about 20 percent of the recent population decline. Second, Ukraine’s fertility rate is below replacement levels, having declined from 1.9 to 1.2 per 1,000 live births between 1982 and 2008. Since 1991, death rates have exceeded birth rates in Ukraine; in 2007, there were 10.2 births compared to 16.4 deaths per 1,000 people. Third, Ukraine’s mortality rate is rapidly increasing. Adult male mortality levels are especially high: the probability of dying between the ages of 15 to 60 for Ukrainian males is 384 per 1,000—a level comparable to that of low-income countries. Ukrainians are not only dying younger but spending less of their life in full health compared to other Eastern Europeans.

These trends point to a health crisis in Ukraine. Ukraine’s high mortality rate has resulted primarily from poor management of non-communicable diseases and chronic conditions. Mortality is linked to unhealthy lifestyles and preventable factors, especially tobacco smoking (more than 10,000 deaths per year), road accidents (more than 100,000 deaths per year), and alcohol consumption (more than 40,000 deaths per year).¹⁵³

Ukraine is struggling to manage its demographic decline and the underlying health crisis, but social sector reforms have stalled since 2004, leaving in place a system with serious shortcomings, including disproportionately high expenditures, insufficient services, and severe inequalities in the delivery of services.¹⁵⁴ Demographic change and a continuing health crisis will increase pressure on the political system and heighten the need for economic stability and growth to finance reforms. In the absence of reform, the consequences of an aging, unhealthy population could become more visible. In addition, increasing regional disparities in population growth and health conditions could exacerbate tensions.

Foreign Policy Orientation

Ukraine gained independence in the context of profound geopolitical changes. For Ukraine, the collapse of the Soviet Union not only signified shifting political boundaries, but also the need to replace the discredited ideology that had informed its institutions for seventy years.¹⁵⁵ At the time, “Europe stood as a beacon,” presenting attractive models for achieving political stability, economic prosperity, and secure sovereignty.¹⁵⁶ Ukraine thus made the ‘European choice’ of democracy, a market economy, and integration into the Euro-Atlantic community. In the course of the two decades that followed, however, this choice has become contested. It remains uncertain how Ukraine will manage and prioritize its relationships with East and West in the future.

Much of the uncertainty regarding Ukraine’s geopolitical orientation has resulted from factors internal to Ukraine. First, Ukrainians are divided (often regionally) on the issue.¹⁵⁷ A December 2008 poll by the Razumkov Centre found that 27.5 percent of the population favored prioritizing relations with the EU in foreign policy, while 51.1 prioritized relations with Russia.¹⁵⁸ Second, Ukraine’s four presidents to date have differed significantly in their approach to foreign relations, despite purportedly sharing the goal of balancing closer integration with the West with

stable relations with Russia. Frequent changes in Ukraine's foreign policy direction—from Leonid Kravchuk's efforts to use the west as a counterweight to Russia to Leonid Kuchma's "multi-vectorism" to Viktor Yushchenko's avid prioritization of integration with the West to Viktor Yanukovich's rapprochement with Russia (while maintaining that his ultimate goal is good relations with both East and West)—have caused considerable strategic confusion.¹⁵⁹ Third, elite infighting has prevented long-term commitment to a single, coherent goal.¹⁶⁰ Political gridlock has prevented Ukraine from following through on its commitments to Western institutional partners such as NATO, the EU, and the IMF,¹⁶¹ while simultaneously creating opportunities for a more assertive Russia to regain influence over the country's political and economic affairs.¹⁶²

External factors have undoubtedly affected Ukraine's foreign policy choices as well. Since the mid-1990s, the U.S. has maintained a robust bilateral relationship with Ukraine and argued that Ukraine as "a stable, independent, democratic country with a strong market economy and increasingly close links to Europe and the Euro-Atlantic community" would act as a stabilizing force and model of democratization in the region.¹⁶³ The U.S. has been instrumental in keeping an "open door" to Ukraine with respect to NATO membership.¹⁶⁴ Since 2003, NATO and Ukraine have created NATO-Ukraine Plans of Action annually, and after Yushchenko's election in 2004, talks about prospective membership gained momentum. However, Ukraine's political gridlock and weak public support for membership (only about 20 percent of Ukrainians support NATO membership, compared to 30 percent in the 1990s) have prevented the creation of a Membership Action Plan (MAP).¹⁶⁵ Since his election, President Yanukovich has removed NATO membership from Ukraine's agenda entirely, dissolving 6 specialized structures for coordinating integration in April 2010.¹⁶⁶

Europe has been less certain in its approach to Ukraine than the U.S.¹⁶⁷ A Partnership and Co-operation Agreement between Ukraine and the EU came into force in 1998. However, subsequent agreements, such as the inclusion of Ukraine in the European Neighborhood Policy in 2004, have aimed at facilitating integration, but not the EU membership anticipated by many Ukrainians.¹⁶⁸ Negotiations are currently underway on an EU-Ukraine Association Agreement, which would include a Deep and Comprehensive Free Trade Area, but again, not steps toward membership. The EU's reluctance toward membership for Ukraine

stems from resistance from certain member states (especially Germany and France), which are grounded in a number of concerns: Ukraine has proven itself extremely slow and ineffective in undertaking the kinds of reforms required for accession; if admitted, Ukraine would require a large portion of the EU's internal assistance funding; Ukraine's large agricultural sector could jeopardize the current common agricultural policy; and, the integration of 12 new members in 2004–2006 proved more difficult than anticipated.¹⁶⁹

In large part, Russia has acted as the "pace- and frame-setter"¹⁷⁰ for Western engagement in Ukraine. Especially in recent years, it has vocally criticized attempts by Western governments, intergovernmental institutions, and civil society organizations to push Ukraine toward democratization and membership in Euro-Atlantic institutions.¹⁷¹ Russia considers Ukraine part of its 'sphere of influence', which it has actively defended, especially under the leadership of Vladimir Putin and Dmitry Medvedev. It has directly intervened in Ukrainian politics on numerous occasions (most notably, in the 2002 and 2004 elections), expressed official opinions about Ukrainian political issues (such as the status of the Russian language), and actively courted Ukrainian politicians.¹⁷² Russia has also sought to deepen its influence over Ukraine's economy¹⁷³ and include Ukraine in the customs union it is establishing with Belarus and Kazakhstan.¹⁷⁴ For Ukraine, maintaining good relations with Russia while defending its own sovereignty and autonomy has proved challenging. Russian-Ukrainian relations reached a low-point under the leadership of avidly pro-Western Yushchenko. Current president Yanukovich has moved quickly to restore relations, but his actions—especially the Kharkiv Accords of April 2010—have raised concerns among observers and many Ukrainians that Ukraine's independence from Russia may be at risk.¹⁷⁵

It is common to assume that Ukraine "can do nothing else but fluctuate between Russia and the West."¹⁷⁶ Will this be the case in the coming decade? Ukraine's choices with respect to its institutional membership and foreign policy objectives will clearly drive change, as will its ability to manage the relationships it has not chosen to prioritize. In addition, evolving external conditions could alter the options available to Ukraine. What would a 'western-orientation' entail if the EU remains unwilling or unable to offer membership to Ukraine? How would Ukraine's maneuvering room be affected if relations between Russia and the West were to deteriorate?

CONCLUSION

Ukraine's recent history has demonstrated that the country's political system, economy, society, and foreign relations are dynamic and often subject to unforeseen change. The drivers of change described above could vary significantly in the coming decade, suggesting that Ukraine's future course is by no means certain. Based on these variable trends and their potential interactions, what scenarios are plausible for Ukraine in 2020? Which of these scenarios do policymakers tend to overlook?

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