

BATTLE FOR UKRAINE: THE FOG OF WAR HAS NOT DISPERSED YET

The Ukrainian crisis has been ongoing for almost a year now and has brought about a complete reformatting of the internal political framework, territorial losses, and bloodshed. The international relations in the region and globally have also been seriously modified under the impact of the Ukrainian developments. The parliamentary election draws a line under another phase of the crisis in Ukraine and makes it possible to make more specific judgments about the probable scenarios for near-future developments.

Results of the conflict: Ukraine remains a unitary country, but loses control

The Minsk agreements put an end to the intense military stage of the conflict in Donbass more than a month ago. The degree of violence in the east of Ukraine substantially decreased, and efforts to resolve the conflict moved into the political and diplomatic dimensions. However, the warring parties continue shelling each other's positions, and battles continue for some of the most important strategic facilities, such as Donetsk International Airport.

Reasons behind the ceasefire

Kyiv was forced to sign a ceasefire agreement on account of significant casualties and dramatic change in the situation on the frontline in late August and early September, which must have been caused, among others, by the involvement of the Russian regular army. There is some indirect evidence, including photographs of equipment, interrogations of those soldiers, who found themselves in the territory of Ukraine, and personnel losses among the paratroopers of the 76th Pskov Airborne Division. The Kremlin made it clear for Kyiv that a military operation would not suffice to deal with separatists — as soon as the situation became critical for separatists, Russia supported them with equipment and personnel. However, Russia refrained from a massive invasion in Ukraine with its armed forces deployed along the state border¹.

When commenting on the results of the hot phase of the conflict, some Russian military experts² spoke about the mortifying defeat of official Kyiv and catastrophic losses of heavy machines and personnel. But is that so?

Ukraine's losses during the conflict

According to official sources, Kyiv's irrecoverable losses from combat activities amounted to eight attack jets, approximately 75 tanks and 140 armored vehicles. Irrecoverable personnel losses of the Ukrainian army, including volunteer battalions and National Guard units, amounted to approximately 2,000 (the total includes those missing in action). However, according to a [report by the United Nations Human Rights Monitoring Mission in Ukraine \(HRMMU\)](#), the reporting of Ukrainian military casualties in Donbass remained "imprecise and contradictory."

¹ According to various sources, the number of personnel amounted to 30,000–40,000.

² Including Mikhail Khodoryonok, Viktor Litovkin, Konstantin Sokolov, and Igor Korotchenko.

As of late 2013, the number of combat-ready warplanes in Ukraine's military was approximately 170 (a few dozen Su-27 and MiG-29 fighters were either in storage or at aircraft repair plants), the number of combat-ready tanks was approximately 700 (2,000 more tanks in storage), and the number of heavy armored vehicles of various types stood at approximately 2,500³. This suggests that although Ukraine's losses in the conflict are quite significant, the country's armed forces have sufficient material resources to make up for the losses and even increase the number of heavy armored vehicles in the conflict zone. As for personnel, the said losses cannot be called catastrophic for the country's defensive capacity: as of the end of 2013, Ukraine had 139,000 military personnel, including 49,000 in the Ground Forces. Further, even partial mobilization could easily increase the number of military personnel to half a million in the country with over 40 million population.

Table 1. Ukraine's losses during the armed conflict

	Losses	Total (2013)	Losses, %
Fighter jets	8	about 170	4.7%
Strike helicopters	4	72	5.6%
Tanks	75	about 700	10.7%
Armored vehicles	140	2500	5.6%
Personnel	about 2,000	139,000 (in the Armed Forces of Ukraine alone)	1.4%
Area	About 44,000 square kilometers (Crimea and breakaway regions with approximately 5 million population)	603,549 square kilometers (45.2 million people)	7.3 (population – 11%)

Nevertheless, even these losses, albeit not critical for the armed forces as a whole, produced a profound psychological impact on both the population of the country that has no war experience, and the new government. Additional personnel losses and delays in the military operation against separatists meant major political risks. Under the circumstances, Petro Poroshenko had to meet halfway with Russia and freeze the conflict at least for the time required to hold a parliamentary election, address economic issues, and reform the army.

Meeting halfway with Russia

As a result, Kyiv agreed to cease fire and offer the breakaway regions a special status. The laws "On the special procedure for local self-government in separate districts of the Donetsk and Luhansk regions" and "On the prevention of persecution and punishment of participants of events in the Donetsk and Luhansk regions" mean that Kyiv de facto gave up its jurisdiction in these territories while formally keeping them within Ukraine, and legalized the persons who had previously been qualified as terrorists. Spokespeople for official Kyiv were making statements that the law on the special status of certain districts

³ White Book 2013. Ukraine's Armed Forces. Kyiv, 2014. - http://www.mil.gov.ua/content/files/whitebook/WB_2013.pdf

of Donbass would only be implemented if those districts held elections following a procedure agreed with Ukraine, but those statements looked more like attempts to present the situation to Ukrainian citizens in such a way as to reap the most benefits.

The situation at hand meets Russia's expectations. Kyiv undertakes to further finance the region and restore the infrastructure that suffered from the military operation. However, the conflict is only provisionally frozen (it is up to Moscow whether the conflict will blaze up again) and remains an effective lever to shape Kyiv's foreign and domestic policies.

The rhetoric of the European Union and official Kyiv describes the special status of the region as a necessary step on the way to permanent truce. Now that the situation on the frontline and the economic conditions have become increasingly complicated, Kyiv is faced with a fundamental dilemma — either to give the region real jurisdiction pursuing federalization (see the respective [concept](#)), or preserve a purely formal control while maintaining the unitary regime in the subordinate territory. Kyiv opted for the latter.

Postponed association with the EU: Russia opposes drastic reforms in Ukraine

One of Russia's most significant achievements in the conflict is that the EU will postpone the application of a free trade zone with Ukraine under the Association Agreement until 2016. Despite the utmost political importance of the Association Agreement for Kyiv, Brussels and the Ukrainian administration — under Russia's pressure — decided to put off the coming into effect of the most important portion of the agreement — Title IV ("Trade and Trade-Related Matters"), which envisages the application of a free trade zone. The Kremlin insisted on that scenario hoping that amendments would eventually be made to the text of the agreements allowing Ukraine to ultimately accede to the Eurasian Economic Union (EEU). Respective proposals concerning amendments to the wording of the agreement were made by the Russian side in September. The compliance of the European Union during negotiations encourages the Kremlin to take further steps to expand the room for maneuver.

In addition to the application of a free trade zone, Title IV of the Association Agreement stipulates Ukraine's commitment to put in place important reforms associated with the adoption of European standards and regulations in many sectors of the economy. If Kyiv starts to implement at least some of the provisions of Title IV (for instance, if it upgrades its rules for state procurement to European standards), then Russia will be entitled to interpret such a move as a breach of agreements and dramatically increase import duties on many categories of Ukrainian goods (these rates were previously reduced within the framework of the CIS Free Trade Area (CISFTA) Agreement), a move that would cause Ukraine to suffer significant economic losses. This is what Vladimir Putin warned his Ukrainian counterpart about in writing⁴, whereas Russia's Economic Development Minister Alexey Ulyukaev made a similar warning for EU Commissioner for Trade Karel De Gucht.⁵ Therefore, the fact that Russia sees a direct correlation between Ukraine's staying within the CISFTA and delaying the implementation of Title IV of the Association Agreement creates serious obstacles not only to the European integration of Ukraine, but also to the reforming process as a whole.

At the same time, some of the Ukrainian political and economic elites can be interested in such a deal. On the one hand, the European Union unilaterally abolished customs duties on Ukrainian goods back in March 2014; on the other hand, the cardinal structural reorganization of the entire Ukrainian economy — which requires significant investments when changing to European standards and creates risks for the existing political system — will be postponed along with the application of Title IV of the Association Agreement. However, in the medium term, deferred reforms will undermine the legitimacy of the incumbents, on whom the population relies for the introduction of drastic changes in the country and eradication of the old oligarchic and corruption system.

⁴ <http://telegraf.by/2014/09/nakanune-implementacii-associacii-putin-napisal-poroshenko-pismo-smi>

⁵ <http://www.kommersant.ru/doc/2569480>

Therefore, in this context, the Ukrainian government should rather focus on reforming the areas that are not directly associated with trade and the transfer to European standards (including, among others, the reform of the state machine, combat against corruption, creation of a new army and security agencies, etc.), in order to avoid pressure from Russia and not to miss any important moment for transformation.

Interests of external players with regard to the Ukrainian crisis

When evaluating the outcomes of the active phase of the conflict, we should recall Russia's interests and the reasons why it decided to interfere in Ukraine's internal affairs.

As we wrote in our [report on the crisis in Ukraine published in April](#), the Russian administration had set itself a task to prevent the shift of Ukraine's focus towards the West by way of creating a hotbed of long-term instability and decentralization of power. The Kremlin requires the neutral status of Ukraine for the military and strategic, and political and economic reasons. It is critically important for Russia not to allow Ukraine to accede to NATO, for it would ultimately lead to a catastrophic vulnerability of Moscow if American missiles should be deployed in the east of Ukraine⁶ and loss of control of the Black Sea. The political and economic motive of the Kremlin consists in the willingness to include Ukraine in the process of Eurasian integration and avoid economic losses associated with the establishment of a free trade zone between Ukraine and the European Union. The loss of Ukraine has an important psychological effect as well: the Kremlin remembers the well-known maxim by Zbigniew Brzezinski, who said that without Ukraine, Russia ceases to be Empire.

Therefore, on the one hand, Russia has made progress towards its goals in the short run: the free trade zone project with the EU has been postponed, the Ukrainian economy has been undermined even more (the country's GDP is projected to shrink by 10% this year), and Moscow has gained more leverage in the form of a smoldering conflict in Donbass; furthermore, Ukraine's accession to NATO is out of the question. Russia also has a very strong bargaining chip in its hands — natural gas supplies.

However, Moscow's initiatives gave rise to numerous threats, which in the long run may bring to nothing Russia's efforts to assert its national interests. Opinion polls show that Moscow has lost the battle for the Ukrainians' hearts and souls. Asked which foreign policy focus should be Ukraine's priority, a record small proportion of the respondents — 16.6% — spoke in favor of Russia in May 2014, whereas the EU was named by 52.5%.⁷ To compare: in February 2011, the figures were at 40.4% and 35.7%, respectively. The economic pressure and increasingly fierce media war will hardly encourage the Ukrainians to change their geopolitical preferences. Therefore, the Kremlin should forget about the 'soft power' option.⁸ Further, the annexation of Crimea and Russia's involvement in the Donbass conflict have led to a dramatic escalation of the relationship with the West, which may grow into continuous confrontation that could potentially badly hurt the Russian economy.

Incidentally, the deterioration of Ukraine's relations with Russia and reduction in the number of advocates of the pro-Russian course do not necessarily mean that the number of supporters of EU-oriented policies will increase. Because of the quite vague and lagged decision-making by the European Union, the pro-EU disposition of Ukrainian society might also be short-lived. For the time being, it appears that the EU is not ready to voice Ukraine's membership prospects; moreover, it is by no means in a hurry to offer the country the financial support that it needs so badly — despite the fact that it was the country's rapprochement with the EU that provoked Russia's harsh response, rather than

⁶ Deployment within 450 kilometers of Moscow cuts the flying time to the target to four–five minutes, leaving virtually no time for decision-making on a retaliatory strike.

⁷ In 2014, the survey was held in all of the regions of Ukraine, except for Crimea. See http://www.razumkov.org.ua/ukr/poll.php?poll_id=305

⁸ The term coined by Joseph Nye; it describes the ability of a country to achieve the desired result internationally by means of attraction, persuasion and voluntary involvement, in contrast to 'hard power,' which envisages military, political, or economic coercion. 'Soft power' mechanisms are mentioned in Russia's Foreign Policy Concept adopted at the start of 2013.

the ousting of Yanukovich as such. Notably, three Central European countries — Hungary, Slovakia and the Czech Republic — opposed EU sanctions over Russia's actions⁹, only a few decades after the Soviet occupation, when they asked Western Europe for help citing their European identity.

The European Union is primarily interested in having the conflict resolved as soon as possible in order to be able to restore its economic ties with Russia and ensure the safety of energy transit. The EU has allowed a dangerous precedent in a bid to revive its economic contacts with Russia, as it let a third party interfere in the bilateral negotiations over the implementation of the Association Agreement, which *de facto* put a question mark over the sovereignty of Ukraine.

The United States is not ready to lend Ukraine active support, either. Washington took on minimum financial obligations and refused to supply arms to Ukraine. Anyway, weapons themselves will hardly help Ukraine if its army remains dysfunctional and its political situation, unstable. Then again, as we showed above, the Armed Forces of Ukraine are not short of arms. The United States is objectively interested in involving Russia in the low-intensity conflict with a view to neutralizing its external political efforts in other regions of the world; however, it is not interested in instability being spread in the region.

The collapse of Iraq and the increased influence of the "Islamic State" strongly distract the United States from the Ukrainian issue, which is currently perceived rather as a problem that the European Union should be dealing with. The United States believes it is the EU that should play the main role in the resolution of the conflict.

Belarus is interested in the soonest possible resolution of the Ukrainian crisis for several reasons.

First, Ukraine is Belarus's second-largest trade partner after Russia with a major surplus (amounting to USD 2.1 billion in 2013 alone), so if the war continues, along with economic troubles, Ukraine's purchasing power will be further undermined, and supplies from Belarus will drop. In January–August 2014, Belarusian export deliveries to Ukraine fell by more than 5% year-on-year.

Second, the integral and stable Ukraine is essential for Belarus as an important foothold to counterbalance Russia's influence in the region. Now that the Kremlin relies on accelerated Eurasian integration, the role of Ukraine as a tactical ally for Minsk is only growing stronger.

Third, Belarus has assumed the role of a negotiating platform to resolve the crisis; therefore it is partially responsible for the consequences of the agreements reached in Minsk. Belarus scored big political points by hosting the EU–Ukraine–Customs Union Summit held in Minsk on 26 August, where ceasefire agreements were signed. Therefore, if the conflict blazes up again, Minsk will suffer reputational losses as a failed mediator and peacemaker. If active hostilities resume in Ukraine, Belarus will not only have its image of a neutral mediator undermined, but also have to yield to Russia's requests and make a definite choice which party it supports in the conflict. But the only possible decision for Minsk would be to support Russia, simply because of its economic dependence on Moscow, which would automatically mean a marked deterioration of its relations with Kyiv and loss of any hope of rapprochement with the West.

In the context of the recent conference with the president addressing the production of advanced models of arms and weapons, the collaboration between the Belarusian and Ukrainian defense industry companies gains special importance. Belarus's potential is not sufficient to create a closed cycle to produce new types of weapons in many areas, and Ukrainian specialists and solutions could come in handy. Specifically, the Belarusian side is interested in technologies to build missiles and their components for the air defense system, including for the Belarusian-made Alebarda air defense complex, which will help

⁹ EU's sanctions against Russia were publicly slammed by Czech Republic's President Miloš Zeman, Hungary's Prime Minister Viktor Orbán and Slovakia's Prime Minister Robert Fico. See <http://carnegieeurope.eu/strategieurope/?fa=56398>

cut dependence on other countries. The crisis in Ukraine became a powerful catalyst for this process — Ukrainian defense companies are losing their markets in Russia, whereas the rapidly deteriorating economic situation threatens the industry with degeneration and loss of valuable personnel. This is what Lukashenko referred to during his visit to the 558th Aircraft Repair Plant in Baranavičy: *“Let’s try to make a deal with Ukrainians and work together to prevent the loss of intellectual and engineering centers, and developers in Ukraine. This is a good moment to use not only to our benefit, but also for the foreign market.”*¹⁰ Some reports have already indicated that Belarus has been bringing in specialists originally employed by Ukrainian military enterprises.

Belarus is also interested in making use of the Ukrainian crisis to address the demographic situation in the country. The acceptance and legalization of Ukrainian citizens is a unique chance for Belarus to make up, at least partially, for the natural loss of population and come closer to the target set in the National Demographic Security Program for 2011–2015, namely, to increase the external migration surplus to 60,000 people. During the last few years, official reports about the external migration surplus resulted from flawed migration statistics caused by the underestimation of permanent emigration.¹¹ Attracting thousands of Ukrainian migrants makes it possible for Belarus to reach a true international migration surplus. In any case, the Belarusian authorities will have to work quite hard to encourage the Ukrainian migrants with *temporary* residence permits to choose Belarus for their permanent residence.

Results of the parliamentary election and scenarios for the development of the situation

People’s Front put an unexpectedly good show at the parliamentary election, which suggests that the Poroshenko–Yatsenyuk team will remain in Ukrainian politics for some time. Although the two politicians kept working together after the presidential election, they differ¹² on the talks with Russia and domestic reforms. This will create a competition of political forces, which, given the need for rapid reforms and resolution of the crisis, will inevitably compromise the effectiveness of the operation of the new authorities. These discrepancies will be used by both populist opponents and Russia.

The election also showed the lowest voter turnout for a Rada election in the history of Ukraine, with 52.42%, which is an indication of voters being tired of political struggle and political demobilization of the population. This will have to be taken into account when the authorities begin implementing reforms — this attitude of society will make it hard to keep people loyal long enough amid the shock measures. The especially low turnout recorded in the southeast (from 32% in the Donetsk Region to 41% in the Kherson Region) proves that voters in those regions are distant from the central authorities, and Kyiv needs to step up its efforts to improve communications with those territories. On the other hand, even in the southeast regions, the Petro Poroshenko Bloc, People’s Front, and Self Reliance got more votes taken together than the Opposition Bloc, which comprises for the most part former members of the Party of Regions — this indicates a reduction in the popularity of the ex-associates of Viktor Yanukovych and shift in the focus towards reforms.

At least three scenarios for future developments can emerge from the current situation in the next six to 12 months.

Scenario 1. Kyiv’s continued concessions to Russia with respect to the status and management in the breakaway territories of Donbass, allowance of Russia’s claims concerning the EU Association Agreement, along with sluggish reforms (or simulation of reforms) amid the lack of substantial support from the West. This scenario will likely lead to the extinction of the separatist movement in the east of the country and gradual

¹⁰ http://www.belta.by/ru/all_news/president/Lukashenko-schitaet-neobxodimym-rasshirit-sotrudnichestvo-s-Ukrainoj-v-sfere-VPK-VIDEO_i_664738.html

¹¹ See <http://www.belinstitute.eu/ru/node/818>

¹² Arseniy Yatsenyuk takes a tougher position in the conflict with Russia and exploits military rhetoric in the domestic policy.

normalization of relations with Russia, albeit with a complete or partial relapse of the 2004 post-Maidan situation (thriving corruption and redistribution of property amid patriotic and pro-Western declarations).

This will pave the way for protests by patriotically-minded groups mobilized by Euromaidan who are dissatisfied with the betrayal of the Revolution of Dignity, which can lead to sporadic outbursts of uncontrolled violence and vigilante justice. The situation is further complicated by the fact that over the last few months, citizens have got used to violence, and they own lots of unregistered weapons.

However, if the authorities manage to consolidate and take proactive measures, then — if Russia refrains from destabilizing actions — the situation will be taken under control, and there will be no more coups resulting from mass protests. The sociopolitical system will be 'mothballed' for a few more years, though.

Scenario 2. Radical economic reforms benefiting from western support along with disregard for Russia's demands concerning the free trade zone deal with the EU will inevitably trigger more aggressive actions by the Kremlin aiming to destabilize the situation and put the country under economic pressure. Possible economic measures will include Russia's decision to discontinue to apply the CISFTA agreement to Ukrainian goods and, therefore, increase import duties, causing Ukraine to suffer multi-billion losses.

In the framework of this scenario, hostilities will likely resume, and Kyiv will lose its control of larger territories, all the way to losing its jurisdiction across Donbass and the south of the country. In this case, Ukraine will see a chance of faster integration into European-Atlantic organizations, whereas Russia will have the requisite buffer of the eastern regions of Ukraine, along with long-term instability in the region, as it will be unable to effectively control these territories.

Scenario 3. The lack of serious reforms of the political and economic systems with the persistently high level of confrontation with Russia and deficit of real financial support from the European Union and the United States will result in inevitable aggravation of economic problems, loss of legitimacy of the authorities and a third 'social' Maidan, which might result in the coming to power of a populist autocrat.

As of the end of October, the Ukrainian authorities were acting under what appeared to be a combination of the first two scenarios. Attempts to put in place radical reforms are blocked by the passive opposition of various groups in the political elite and bureaucracy (consider the difficulties with the adoption of the anti-corruption package). Therefore, it is highly likely that the revolutionary enthusiasm will very soon fade, and Ukraine will opt for the first scenario. The rapidly changing political, economic, and military reality could dramatically alter the situation, though.

When it comes to the political and economic situation in Donbass, which is controlled by the self-proclaimed Donetsk People's Republic and Luhansk People's Republic, in the foreseeable future, it will only get worse. The separatist regions have no necessary infrastructure, raw materials (including access to large reserves of fresh water required for the development of local industries), labor (specialists have been leaving the area) and finance (international capital markets are not available to the entities that are not recognized by the international community). It is obvious that Russia will continue providing economic support for the region and seek to shape political processes in the self-proclaimed republics. While formally being beyond the EEU, they could eventually *de facto* become parts of the Eurasian bloc. At the same time, the administration of the republics will try to blackmail Kyiv with additional destabilization, seeking additional allocations from the Ukrainian budget.