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Center for Preventive Action

Council Special Report No. 41
January 2009

Steven Pifer

Averting Crisis In Ukraine



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Cover Photo: A man looks at the view of Kiev from the St. Sophia Cathedral's bell tower on November 11, 2008, the ninetieth anniversary of the end of World War I (Sergei Supinsky/AFP/Getty Images).

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Foreword

Many of the principal foreign policy challenges facing the new administration deal with the greater Middle East and Asia. Europe, by contrast, appears relatively stable. One potential exception, however, involves Ukraine. The largest country entirely within Europe, Ukraine has tremendous economic potential. It occupies a strategically vital position as the transit point for large amounts of Russian energy going to Europe. At the same time, its links to Russia, ranging from the ethnic and linguistic ties of much of its population to the continuing presence of Russia's Black Sea Fleet on Ukraine's Crimean Peninsula, complicate efforts to consolidate stable democratic practices and chart Ukraine's course. Indeed, the prospect of Ukraine's eventual membership in NATO is a source of friction in U.S.-Russia relations as well as the subject of disagreement within NATO itself.

In this Council Special Report, commissioned by CFR's Center for Preventive Action, Steven Pifer takes all these issues into account as he examines the many challenges facing Ukraine. The report comprehensively analyzes the country's difficulties, related to both domestic conditions—for example, fractious politics and deeply divided public opinion—and foreign policy—for example, issues related to the Black Sea Fleet and Ukrainian and European dependence on Russia's natural gas. The report then recommends ways for the United States to encourage Ukraine on a path of stability and integration with the West. It proposes measures to bolster high-level dialogue between Washington and Kiev, foster effective governance in Ukraine, and reduce Ukraine's susceptibility to Russian pressure. On the crucial NATO question, the report urges the United States to support continued Ukrainian integration with the alliance, though it recommends waiting to back concrete steps toward membership until Kiev achieves consensus on this point. One need not agree with this judgment to

find Pifer's analysis of value. *Averting Crisis in Ukraine* takes a clear-eyed look at the issues that could cause instability—or worse—in Ukraine. But it also recommends practical steps that could increase the prospect that Ukraine will enjoy a prosperous, democratic, and independent future.

Richard N. Haass

President

Council on Foreign Relations

January 2009

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Steven Pifer

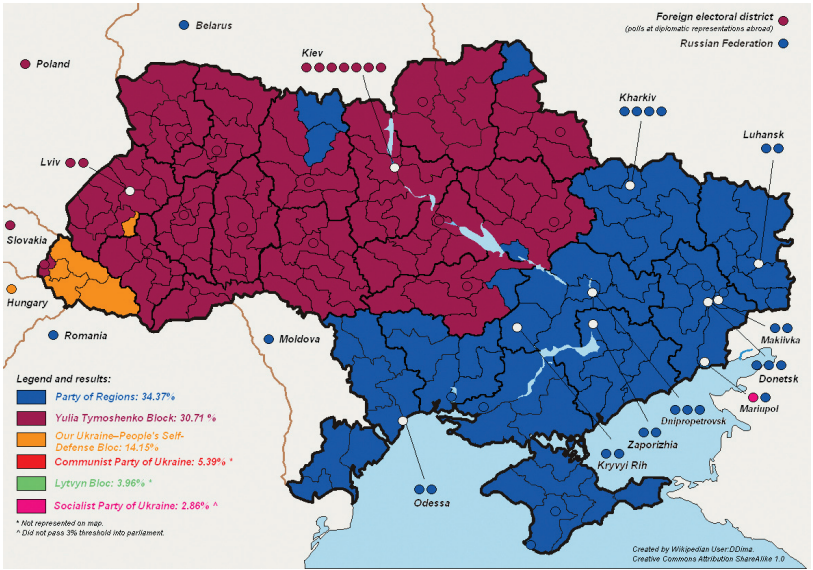
Maps of Ukraine

MAP I. UKRAINE



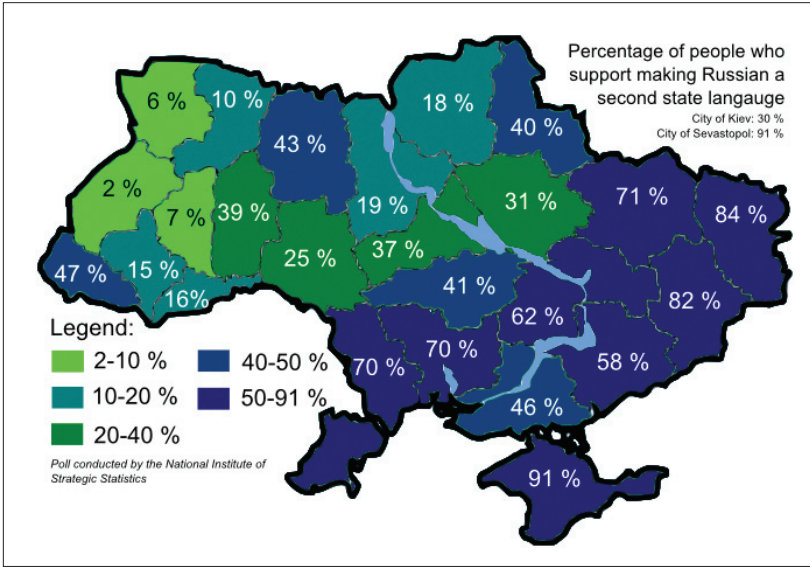
Source: CIA World Factbook, <http://www.umsl.edu/services/govdocs/wofact2005/maps/up-map.gif>.

MAP 2. WINNING POLITICAL PARTIES IN 2007



Source: Dmytro Sergiyenko, Wikimedia, [http://upload.wikimedia.org/wikipedia/commons/2/28/Ukrainian_parliamentary_election_2007_\(first_place_results\).PNG](http://upload.wikimedia.org/wikipedia/commons/2/28/Ukrainian_parliamentary_election_2007_(first_place_results).PNG).

MAP 4. OFFICIAL RUSSIAN LANGUAGE
SUPPORT IN UKRAINE



Source: DDima, Wikimedia, http://en.wikipedia.org/wiki/Image:Official_Russian_language_support_in_Ukraine.PNG.

Acronyms

BCM	billion cubic meters
BSF	Black Sea Fleet
BYuT	Bloc of Yulia Tymoshenko
CPSU	Communist Party of the Soviet Union
EU	European Union
GDP	gross domestic product
IMF	International Monetary Fund
MAP	membership action plan
NATO	North Atlantic Treaty Organization
OSCE	Organization for Security and Cooperation in Europe
RFSSR	Russian Federal Soviet Socialist Republic
USAID	United States Agency for International Development

Council Special Report

Introduction and Summary of Recommendations

UKRAINE'S CHALLENGES IN 2009

Ukraine faces a year of challenge in 2009. In the aftermath of the August 2008 Russia-Georgia conflict, Kiev must cope with an increasingly assertive Russian foreign policy. The Kremlin regards Ukraine as part of its sphere of privileged interests, has made clear its unhappiness with Kiev's desire to integrate into the European and Euro-Atlantic communities, and will attempt to disrupt that course. The possibility exists, more real following the August conflict, of a serious confrontation between Kiev and Moscow over issues such as Ukraine's geopolitical orientation and the Black Sea Fleet.

Domestically, Ukraine faces a presidential election and perhaps pre-term parliamentary elections in 2009 that will play out against a backdrop of economic recession and financial crisis. These factors—alone or in tandem with a Kremlin policy aimed at destabilization—could inflame internal frictions over issues such as status of the Russian language, geopolitical orientation, or Sevastopol, Crimea, and the Black Sea Fleet. If ignited, these frictions would reopen Ukraine's East-West divide. That divide has eroded over the past fifteen years but has not disappeared. A broadening fracture could weaken Ukraine's state coherence and spark an internal political crisis or one with Russia. In the extreme, such a crisis could threaten Ukraine's territorial integrity.

What happens to Ukraine will matter to Washington. Since the early 1990s, the U.S. government has attached special importance to Ukraine. It has applied billions of assistance dollars to facilitate the country's development as a stable, independent, democratic state with a robust market economy, integrated into European and Euro-Atlantic institutions. Weakened state coherence or crisis—either domestic or with Russia—would impede Ukraine's progress down this path.

RISKS AND SCENARIOS

The lengthy Ukrainian political season in 2009 will mean continued weak governance and will stress the country's internal frictions. Kiev also faces a risk of confrontation with Russia. The best case is that Ukraine muddles through without serious crisis. Ukrainians have dealt with extended political turmoil and have shown an ability to find compromise before developments spin out of control. The muddle-through scenario may be the most likely. But other scenarios, though low or even very low probability, present significant risks for Ukraine and for U.S. interests.

PARALYSIS

Should politics paralyze the Ukrainian government, it would accomplish nothing of consequence in the areas of democratic or economic reform. The electorate would become even more cynical. Public disaffection could cause a questioning of the post-Orange Revolution vision for Ukraine: a democratic state anchored to Europe. A reopening of the East-West divide would weaken state coherence. Inattention and lack of a coherent view would make Ukraine a more difficult country with which the West could engage and would feed "Ukraine fatigue." Kiev would feel less confident of its Western links at a time when it could be confronting a more determined Kremlin.

INTERNAL CRISIS

A more serious situation would evolve if one or more of the internal frictions were to rupture. A sharp internal dispute over Ukraine's relationship with the North Atlantic Treaty Organization (NATO), which will be the major foreign policy issue in 2009, could inflame internal frictions, trigger a confrontation between the Rada (parliament) and President Victor Yushchenko, and weaken, if not shatter, any basis on which a national consensus might be built for Ukraine's foreign policy course.

The NATO and Black Sea Fleet (BSF) issues could ignite tensions in Crimea, prompting a reemergence of separatist sentiment either there or in eastern Ukraine. Kiev successfully quelled separatism in the mid-1990s but did not extinguish it. Deft management by Kiev would be essential, with the greatest risk being a clash between separatist

demonstrators and Ukrainian internal security forces. Such a clash could fuel broader passions, provoking a crisis that might challenge the country's ability to maintain its territorial integrity.

RUSSIAN INVOLVEMENT IN A UKRAINIAN INTERNAL CRISIS

The Kremlin believes that an unstable Ukraine is in its interest. Such instability makes Ukraine an unattractive political model for Russians as well as an unattractive candidate for NATO or the European Union. Moscow—driven by its geopolitical aims—could fan Ukraine's internal frictions, for example, by escalating its rhetoric against the NATO-Ukraine relationship or stirring ethnic Russians in Sevastopol to speak out more aggressively for the Black Sea Fleet. Nationalists in Russia would seize on any separatist push on the Crimean peninsula to revive arguments espoused in the early 1990s about the supposed illegality of the transfer of Crimea or Sevastopol to Ukraine.

Moscow, moreover, could find itself trapped by its own rhetoric were there to be civil disturbances in Sevastopol and clashes with Ukrainian security forces. The Black Sea Fleet presence would provide ready means for Russia to protect local ethnic Russians, creating a dangerous situation in which Russian naval infantry forces and Ukrainian internal security units could clash directly, with unforeseen consequences.

UKRAINE-RUSSIA CRISIS

Moscow and Kiev have kept up a steady war of words on a broad gamut of issues. Several could trigger a major crisis between the two countries. One possible area of disagreement could center on a Gazprom decision to cut gas, similar to the scenarios seen in January 2006 and again in 2009. A new gas dispute between Ukraine and Russia could again transform into a broader European energy crisis.

A Russian decision to oppose more actively Kiev's effort to integrate into NATO—perhaps with a view to stirring domestic opposition—could also provoke a major crisis. Yushchenko is unlikely to back down in the face of Russian threats. Moscow might escalate by cutting the gas supply, imposing other economic sanctions, or making a demonstrative military move, such as redeploying army units closer to the Ukrainian border. Although not a member and having no guarantees from NATO, Ukraine would certainly appeal to the alliance for support.

The most dangerous scenario would involve Crimea and the Black Sea Fleet. An escalating dispute over the fleet's activities might prompt Kiev to use the Ukrainian navy to block the access of Black Sea Fleet vessels to Sevastopol harbor. The two countries would find themselves on the edge of a major confrontation, particularly if it engendered a possibility of an exchange of fire between Russian and Ukrainian warships. In such a situation, Kiev would appeal to NATO, the European Union, and the United States for support.

The most dangerous scenarios are relatively low probability events. They would not arise intentionally, but by miscalculation. Crises often acquire a tempo and logic of their own, with events spinning beyond what the participants originally intended. These crises would have serious consequences for Ukraine and for U.S. interests.

U.S. INTERESTS AND POLICY RECOMMENDATIONS

Heightened internal tensions that reopen the East-West divide in Ukraine will not be conducive to U.S. interests in Ukraine or in shaping a wider, more stable Europe. Political paralysis would stall Ukraine's progress on transformation into a modern European state. More seriously, exacerbation of frictions over geopolitical orientation or language could reopen the East-West division and undermine state coherence. A more divided Ukraine would be less able to formulate a coherent foreign policy course with which the U.S. government could engage; it could even be driven to reorient itself on a more Moscow-focused course.

The most dangerous scenario for Ukraine and for U.S. interests there—Ukrainian-Russian clash and crisis in Crimea—could undermine Ukraine's territorial integrity, make Crimea something akin to a new frozen conflict, and ruin Ukraine's Euro-Atlantic aspirations. Such a crisis would inevitably go to the top of the in-box in the Oval Office. A determined Russian effort to encourage Crimean separatism or renew links between Crimea and Russia would become a major point of contention on the U.S.-Russia agenda, with consequences dwarfing those of the 2008 Russia-Georgia conflict.

Addressing those consequences would require significantly greater time from senior Washington policymakers, whose attention will be

stretched elsewhere. President Barack Obama and the U.S. government thus have an interest in policies to mitigate Ukraine's internal frictions and reduce prospects of confrontation between Ukraine and Russia, investing an ounce of prevention to save having to later apply a pound of cure.

The administration's strategy on Ukraine should continue to promote reform and progress down a Euro-Atlantic path while accommodating the internal political situation and taking account of Kiev's vulnerabilities to Russian pressure. The principal message to Kiev should focus on the need for Ukraine to get its house in order and to pick any fights with Russia carefully. Washington should be ready to caution Moscow not to underestimate the costs of an attempt to squeeze Ukraine too hard. The administration's strategy should comprise five elements: reenergized high-level engagement with Kiev, measures to help minimize internal frictions, steps to help reduce Ukraine's vulnerabilities to Russian pressure, procedures to guide NATO-Ukraine relations, and close coordination with Europe.

OVERALL ENGAGEMENT

- *Restore regular high-level dialogue.* The administration should restore a high-level channel with Kiev, ideally creating a mechanism similar to the 1996–2000 binational commission. This could ensure that bilateral problems are resolved in good time and offer a channel to convey candid, even tough, political messages.

MINIMIZE INTERNAL FRICTIONS

- *Urge political coherence in Kiev.* A unified government will have a far greater chance of managing the country's internal frictions and resisting Russian pressure. Washington should urge a greater degree of unity between the president and prime minister.
- *Counsel Ukrainian leadership on handling difficult issues.* Washington should quietly counsel Yushchenko on choosing his fights with Russia in a difficult political year, including early talks on BSF withdrawal from Crimea and relations with NATO. Mindful of the Georgia experience, Washington must ensure absolute clarity in Kiev as to how much support Kiev can expect if it gets into a confrontation with Moscow.

- *Increase democracy assistance targeted at encouraging next-generation politicians.* The administration should increase democracy assistance with the goal of promoting a new generation of politicians capable of focusing on the broader national interest and providing more mature leadership. Assistance should be targeted at exchange programs, which should be aimed specifically, though not solely, at rising politicians in Crimea and eastern Ukraine. Democracy assistance should also focus on helping the Ukrainians remove constitutional ambiguities and reduce corruption, both of which have contributed to the political turmoil of the past four years.
- *Target technical assistance to promote economic opportunities in Sevastopol.* Drawing on the United States' experience with military base closures, U.S. assistance should help to generate economic and business opportunities in Sevastopol so that the local economy does not face potential devastation by the Black Sea Fleet's withdrawal.

REDUCE VULNERABILITIES TO RUSSIAN PRESSURE

- *Increase technical assistance targeted at promoting energy security.* Ukraine's energy dependency on Russia creates a major vulnerability. Washington should target technical assistance to help Kiev adopt transparent arrangements for purchasing and transiting natural gas, expand domestic sources of energy production, and allow energy prices within Ukraine to rise to market levels to promote conservation and greater domestic energy production.
- *Monitor Russian activities in Ukraine.* Washington should monitor Russia's activities in Ukraine and closely consult with the Ukrainian government on those activities so that both have a better understanding of them. The U.S. government should encourage expanded nongovernmental organization presence in Crimea and eastern Ukraine.
- *Improve relations with Russia.* Although Ukraine will not be the dominant factor driving the U.S.-Russia relationship, improving relations with Moscow will increase Ukraine's freedom to maneuver. Should tensions spike between Kiev and Moscow, Washington may wish to engage. It should ensure that Russia fully appreciates the negative consequences of determined actions to undermine Ukraine's territorial integrity or otherwise seriously destabilize the country. The 1994 Budapest Memorandum of Security Assurances provides a

mechanism for Ukraine to involve the United States if Ukraine feels that its security is threatened.

MANAGING NATO-UKRAINE RELATIONS

- *Support NATO integration.* The Obama administration should continue to support Ukraine's integration into NATO. However, given the political turmoil in Kiev and allied reluctance to approve a membership action plan (MAP), Washington should suggest that Kiev develop its relationship on the basis of the December NATO foreign ministers' decision to focus on annual national programs rather than pursue a MAP at this point. The annual national program can be filled with the content of a MAP without the MAP title, a term that generates unneeded friction within Ukraine and in Ukraine-Russia relations. The program should include additional exercises, exchanges, and formal meetings of the NATO-Ukraine Council to deepen practical NATO-Ukraine cooperation.
- *Reassess policy on NATO-Ukraine relations.* In 2010, following the Ukrainian presidential election, the administration should reassess its policy on NATO-Ukraine relations. If the Ukrainian president and cabinet of ministers continue to seek a MAP, have achieved a greater degree of internal coherence on the NATO question, and are building support among the elite and broader population, the U.S. government should support Ukraine's desire for a MAP.

COORDINATION WITH EUROPE

- *Coordinate within NATO on Ukraine policy.* Washington should work with NATO allies to ensure development and approval of an annual national program for Ukraine that includes a full agenda of practical actions to promote cooperation between Kiev and the alliance, as well as further reform within Ukraine. Washington should work with allies on other steps to signal the alliance's continued strong interest in Ukraine, even if a MAP is not possible in the near term.
- *Urge a more forthcoming EU approach toward Ukraine.* Washington should urge the European Union (EU) to engage Ukraine in a more forthcoming manner through the EU's Eastern Partnership. Another possibility is accelerated negotiation of the EU-Ukraine association agreement and related free trade arrangements.

These policies can help Ukraine manage its internal frictions and relationship with Russia. They will reduce the prospect of a broadening internal cleavage or Kiev-Moscow clash that would, at minimum, set back U.S. hopes for Ukraine's future development and, in the extreme, pull Washington into a major Ukraine crisis.

This Council Special Report begins by examining U.S. interests in Ukraine, Ukraine's domestic political and economic situation, and Ukrainian and Russian national interests in relation to bilateral relations between the two countries. The second section describes the internal frictions within Ukraine—political feuding and infighting, the status of the Russian language, Ukraine's geopolitical orientation (its relationship with NATO), and the interrelated issues of Crimea, the Black Sea Fleet, and Sevastopol—which could reopen the East-West divide in the country. The third section describes external frictions with Russia. The report concludes with recommendations for U.S. policy, focusing on bilateral steps and actions to be taken in conjunction with America's European partners, to reduce the prospects of a Ukraine crisis or a Ukraine-Russia confrontation.

Background and Context

THE U.S. INTEREST

Washington has had a strong interest since the early 1990s in a stable, independent, democratic, and market-oriented Ukraine that is integrated into European and Euro-Atlantic institutions. Such a Ukraine would advance the U.S. vision of a wider and more stable Europe, be a net exporter of security rather than a problem state bordering the volatile Balkans and Caucasus, cooperate in meeting challenges such as proliferation, and offer a market for U.S. investment and exports. Moreover, a successful Ukraine firmly anchored in the Euro-Atlantic community would offer a model that could encourage Russia to strengthen democracy and embrace a cooperative, integrative course of its own, as well as abandon once and for all any notion of restoring the Russian empire.

Following the 1994 U.S.-Russia-Ukraine Trilateral Statement, under which Ukraine agreed to transfer nearly two thousand strategic nuclear warheads to Russia for elimination, U.S.-Ukraine relations blossomed. In 1996, Washington and Kiev announced a strategic partnership and established a binational commission co-chaired by Vice President Al Gore and President Leonid Kuchma. Responding to Ukrainian anxiety about being left in a gray zone between an enlarging NATO and Russia, the U.S. government championed the creation of a special relationship between NATO and Ukraine in 1997.

Coming into office in 2001, the Bush administration took a similar interest in Ukraine. Democracy and other problems in Kiev, however, led to a downturn in bilateral U.S.-Ukraine and Europe-Ukraine relations that persisted through the end of Kuchma's presidency. The 2004 Orange Revolution engendered high expectations about the ability of newly elected president Yushchenko (a former prime minister with strong reform credentials and the primary leader of the Orange Revolution) to consolidate democratic and economic reform and move closer to Europe.

THE UKRAINIAN POLITICAL AND ECONOMIC SCENE

Unfortunately, Kiev has made only limited progress in consolidating reform and achieving stronger relations with the West, hindered by political feuding and infighting between the president and presidential administration, on the one hand, and prime minister and cabinet, on the other. Yushchenko and his prime minister, Yulia Tymoshenko (another Orange Revolution leader serving her second term as head of the cabinet), found themselves at odds during most of 2008. Political deadlock and crisis became the rule. Yushchenko sought early Rada elections in October, which Tymoshenko staunchly resisted. He backed off, given the need to deal with the financial crisis.

In mid-December, a coalition of political blocs formed among Yushchenko's Our Ukraine, Tymoshenko's bloc, and chairman of the Rada Volodymyr Lytvyn's bloc. This may obviate the pretext for calling early Rada elections, though they remain a possibility. Nevertheless, 2009 will be a prolonged political year. It will conclude with a presidential election campaign, and the election will be held in either December 2009 or January 2010. Regions Party head Victor Yanukovych, Tymoshenko, and Yushchenko appear positioned as the leading candidates.

For most of the time since 2000, Ukraine's economy has prospered. Gross domestic product (GDP) growth averaged more than 7 percent per year between 2000 and 2007, and the State Statistics Committee of Ukraine put growth for the first eight months of 2008 at 6.9 percent. Inflation, however, climbed to 25 percent year on year. In the fall, the global financial crisis struck. Ukraine faces a high current account deficit, lack of liquidity, a large external financing requirement, a falling currency, and a weak commercial banking sector that is saddled with nonperforming loans. These threaten to plunge Ukraine into financial crisis and sharply curtail GDP growth.¹

Kiev hastily negotiated a standby arrangement worth \$16.4 billion with the International Monetary Fund (IMF) in October 2008. The arrangement requires that Ukraine keep its budget in balance, tighten monetary policy, adopt a more flexible exchange rate policy, and strengthen the banking sector. Austerity will strictly limit the government's ability to offset the effects of a slowing economy or offer populist election-year measures.

WHAT DOES UKRAINE WANT?

Few things hinder Ukraine's foreign policy course more than the elite's and the public's lack of a coherent vision for the country's future relations with the West and Russia. In the latter half of the 1990s, Kuchma pursued a multivector approach, giving rhetorical preference to Europe, but seeking balance in relations with Europe, the United States, and Russia. In 2005, Yushchenko instead made integration into European and Euro-Atlantic institutions his primary foreign policy aim.

Elite opinion, however, failed to coalesce around this. If the elite are divided, so is public opinion. An October 2008 Razumkov Center poll showed that 44.6 percent of respondents favored developing closer relations with both the West and Russia, 31.2 percent favored closer relations with Russia, and 12.6 percent supported stronger relations with the West.²

Part of the problem is that Ukraine has received mixed signals from Europe. The European Union has negotiated a variety of documents to govern EU-Ukraine relations, but it has studiously avoided any language suggesting that Ukraine might aspire to EU membership. Ukrainian leaders welcome NATO's "open door" but worry that allied concerns about upsetting Moscow will hinder their requests for a closer relationship.

The Russia-Georgia conflict in August 2008 put internal rifts among senior Ukrainians over foreign policy on full display. Yushchenko expressed strong support for Georgia, sharply criticized Moscow, and threatened to block the return to port of Sevastopol-based Russian Black Sea Fleet ships that had participated in operations off Georgia's coast. Tymoshenko, however, initially kept her silence before coming out in support of Georgia and its territorial integrity, but avoided harsh criticism of Russia. Meanwhile, Yanukovych endorsed Russia's military action against Georgia as well as its unilateral recognition of South Ossetia and Abkhazia—a seemingly unwise precedent for Crimea. The Ukrainian public was likewise divided. A poll carried out in August just after the conflict showed that 44.3 percent of Ukrainians regarded Russia's military operation as "an act of aggression," and that 41.4 percent saw it largely as a "peacekeeping operation."³

Ukraine's political elite lacks a common view on how Ukraine should orient itself geopolitically, in large part reflecting differences within the Ukrainian population. There is no reason to expect this to change as politics heat up in 2009.

WHAT DOES RUSSIA WANT FROM UKRAINE?

Russia has pursued an increasingly assertive foreign policy since 2004. This has been particularly true in the former Soviet space. President Dmitry Medvedev in late August 2008 cited a sphere of “privileged interests” and a right “to protect the life and dignity of our citizens, wherever they are” as important principles underpinning Moscow’s foreign policy. These principles have relevance for Ukraine. Russian military operations against Georgia appeared motivated in part by a desire to punish Tbilisi for its independent, pro-Western orientation—and thus were widely viewed as also having a message for Kiev.

Russians appear to accept, albeit reluctantly, that Ukraine is an independent state. Moscow has not acted in a way suggesting that it seeks reunification. That said, some Russian politicians advocate recovering Crimea, which is seen as traditionally Russian.

In general, Moscow wants Kiev to show due deference to what Moscow regards as its vital interests. The Kremlin strongly opposes Ukraine’s integration into NATO. Although Moscow has not taken a position against Ukraine’s integration into the European Union, if a serious prospect of EU entry were to emerge, Moscow’s reaction would be negative. Membership in the European Union would remove Ukraine from Russia’s geopolitical orbit every bit as much as NATO membership.

The Russians do not want a hostile government in Kiev. They do not want the Black Sea Fleet evicted from ports in Sevastopol and Crimea. They do not want Russian business excluded from investing in the Ukrainian economy. They do not want Kiev hindering their export of natural gas to consumers west of Ukraine. On the margins of this mainstream view are those in the military-industrial complex who favor a more dovish line. They worry that a crisis could disrupt trade links between Ukraine and Russia and badly affect Russian industries that depend on their Ukrainian counterparts for important inputs.

Certain elements in Moscow do not wish for a stable Ukrainian democracy. The Orange Revolution, coming just a year after Georgia’s Rose Revolution, alarmed the Kremlin with the prospect—however unrealistic—that Russia might follow. Chaotic governance and political messiness mean that Ukraine does not offer the Russian population an attractive alternative to Moscow’s sovereign democracy model.

A politically destabilized Ukraine thus serves the Kremlin's domestic as well as foreign policy interests. It is both an unattractive political model for Russians and an unattractive candidate for NATO and the European Union.

Ukraine's Internal Frictions— An Unsettled Legacy

THE EAST-WEST DIVIDE

In the early 1990s, after Ukraine regained independence, analysts worried about the country's East-West divide and speculated on Ukraine's long-term viability. A 1994 National Intelligence Estimate questioned whether an independent Ukraine would exist within the same borders ten years later. Ukraine held together, and a sense of Ukrainian identity spread throughout the country, though it is thinner in some parts than others.

The dividing line between East and West in Ukraine—or more precisely, between the east and south, on the one hand, and the west and center, on the other—nevertheless persists.⁴ Political party affiliations break largely along this line (as illustrated by map 2, which shows which political party won which region in the 2007 preterm Rada elections).⁵ Ukraine's ethnic Russians comprise a far greater percentage of the population in oblasts to the east of the dividing line. Other questions, such as support for Yushchenko's pro-NATO course or for giving the Russian language official status, also divide along this line.

These internal frictions could intensify, reopen the East-West divide, and undermine state coherence. In the extreme, escalating frictions—perhaps abetted by Russian policies—could provoke rifts that would threaten the country's territorial integrity.

The risk for Ukraine is potentially greater in 2009 for two reasons. First, the coming lengthy political season will mean fractious politics, exploitation of wedge issues, and little effective governance. Second, Russia regards Ukraine's Westward course as a threat, is inclined to act to derail it, and has options for exploiting Ukraine's internal frictions. Moreover, though Kiev is politically fragmented, relative unity prevails in the Kremlin, at least in regard to Ukraine's geopolitical orientation. The more divided the leadership in Kiev appears, the greater

the possibility of an escalation in Moscow's objectives to reorient Ukraine Eastward.

FEUDING AND INFIGHTING

Near continuous feuding and infighting have characterized Ukraine's politics since the Orange Revolution ended with Yushchenko's election as president. Tymoshenko lasted just eight months as Yushchenko's first prime minister in 2005. Following the March 2006 Rada elections, coalition formation took four months. Yanukovych became prime minister, but his relationship with Yushchenko got off to a rocky start over NATO. Relations broke down completely in 2007, leading to a full-blown political crisis.

Preterm Rada elections in September 2007 led to a renewed Orange coalition between the Bloc of Yulia Tymoshenko (BYuT) and Yushchenko's Our Ukraine. Tymoshenko returned as prime minister. By spring 2008, relations between the president and prime minister, and between the presidential administration and cabinet of ministers, had largely deadlocked.

The Orange Coalition collapsed in September when the president pulled Our Ukraine out. Yushchenko on October 9 issued a decree dissolving the Rada and ordering preterm elections for December 7. BYuT challenged the order. As the ramifications of the global financial crisis became clear, Yushchenko suspended his decree to permit the Rada to meet and vote on a package of special economic measures demanded by the IMF. Our Ukraine and BYuT joined to approve the package but continued to feud over preterm elections and other issues.

As the year wound down, politicians explored the possibility of forming a new parliamentary coalition, either a renewed Orange grouping including Our Ukraine, BYuT, and the Lytvyn Bloc, or a coalition between BYuT and the Regions Party. In mid-December, a renewed Orange grouping formed. The president, however, remains concerned about Tymoshenko's possible challenge in the coming presidential election.

At the start of 2009, it appears that the presidential administration versus cabinet warfare will continue. Depending on the makeup of the cabinet, it could even increase. There is little reason to expect an improvement in government performance.

Although he backed away from preterm elections in 2008, Yushchenko left the door open to return to the question in 2009. If preterm elections are held in 2009, the political situation becomes more complicated. Following the 2006 Rada elections, it took more than four months to form a parliamentary coalition and select a prime minister. After the 2007 elections, the process took more than two months. There is little reason to think the process would be much quicker in the event of a preterm Rada ballot in early 2009. The government would essentially be frozen during this period.

With or without preterm Rada elections, Ukraine's politicians will turn in earnest in the summer to the presidential campaign, with the election to be held in December 2009 or January 2010. Ukraine faces a prolonged period in which the government accomplishes little or nothing, and acrimonious politics dominate.

Yushchenko, Yanukovich, and Tymoshenko each will each play to his or her base in the presidential and possible preterm Rada campaigns, increasing the risk of internal fissures. These bases are largely regional, breaking along the line of the East-West divide. As shown in map 2, in the September 2007 parliamentary ballot, the Orange parties dominated in the west and center, and the Regions Party won elsewhere. Specifically, Yushchenko's Our Ukraine won in the far west, BYuT triumphed in the west and center, and Yanukovich's Regions Party secured the east and south. Those results closely resemble the 2006 Rada elections. They likewise parallel the last round of the 2004 presidential election, in which Yushchenko—the Orange candidate—carried the west and center, and Yanukovich won in the Regions Party's east and south strongholds.

Tables 1 and 2 further illustrate the regional nature of Ukrainian political parties, specifically how the three major parties polled in the 2006 and 2007 Rada elections in Lviv oblast (west), Kiev (center), Donetsk oblast (east), and Crimea (south):⁶

TABLE 1. RADA VOTING RESULTS—MARCH 2006

	<i>Lviv</i>	<i>Kiev</i>	<i>Donetsk</i>	<i>Crimea</i>
Regions Party	3.01%	11.76%	73.63%	58.01%
BYuT	33.04%	39.22%	2.47%	6.54%
Our Ukraine	37.95%	15.84%	1.41%	7.62%

TABLE 2. RADA VOTING RESULTS—SEPTEMBER 2007

	<i>Lviv</i>	<i>Kiev</i>	<i>Donetsk</i>	<i>Crimea</i>
Regions Party	4.19%	15.04%	72.05%	60.98%
BYuT	50.38%	46.18%	3.92%	6.93%
Our Ukraine	36.02%	15.79%	1.63%	8.23%

As the parties and presidential candidates play to their bases, they will use wedge issues such as the status of Russian language and Ukraine's relationship with NATO. These issues, the regional appeals of the parties and candidates, and hardening political attitudes in general risk opening internal cleavages between East and West. Complicating this scene is the growing frustration and disaffection of the Ukrainian people with their country's course and politicians in general. Ukrainians increasingly view their country as headed in the wrong direction, as shown in table 3.⁷

TABLE 3. IS UKRAINE HEADED IN THE RIGHT OR WRONG DIRECTION?

	<i>February 2008</i>	<i>June 2008</i>	<i>October 2008</i>
Right direction	30.6%	11.5%	5.3%
Wrong direction	43.0%	65.3%	81.8%
Difficult to say or did not answer	26.4%	23.1%	12.9%

A GLOOMY ECONOMIC FORECAST

Ukraine faces a gloomy economic picture in 2009. The global financial crisis and collapse of commodity prices are having a significant impact. Ukraine's industrial output fell by 19.8 percent in October 2008 compared to October 2007.⁸ This reflected in large part the collapse of demand for steel, which accounted for 30 to 40 percent of the value of Ukrainian exports during the years of high GDP growth. The economic slide accelerated in November 2008, with overall GDP down by 14.4 percent, industrial production falling by 30 percent, and steel output plummeting by 50 percent compared to November 2007.⁹

Analysts are rapidly downsizing projections for the Ukrainian economy in 2009. Yushchenko has suggested GDP could contract by 7 to 10 percent in the first quarter of the year.¹⁰ Fitch has projected GDP to fall by 3.5 percent for the year, and some Ministry of Economy experts privately expect a 5 percent decline.¹¹

The economic downturn comes after eight years of high economic growth, which has raised living standards and nurtured an increasing middle class. Rising expectations will not be met. The downturn could have a particularly negative effect in eastern Ukraine, where the steel and mining industries are centered. Depending on the depth of the slowdown, authorities will be concerned about the prospect of worker disaffection and unrest. The economic downturn in Europe could cause a return of a large number of Ukrainians who, having lost their jobs, head home, where work also will be difficult to find. This challenging economic situation could generate internal frictions on its own or feed into other frictions. The Communist Party certainly will make rising unemployment an issue, as will the Regions Party if it remains outside a parliamentary majority and the cabinet.

THE ETHNIC RUSSIAN QUESTION

Ukraine's population of forty-six million includes some eight million ethnic Russians, roughly 17 percent of the population. Russian Prime Minister Vladimir Putin has jumbled this figure and claimed that Ukraine is home to seventeen million ethnic Russians.¹² The number of Ukrainians who speak Russian as their first language is about half of the population, as a significant number of ethnic Ukrainians regularly use Russian. There thus is no necessary correlation between language use and ethnic identity.

Map 3 shows that ethnic Russians make up a significantly greater percentage of the population than the national average in Crimea and the east. According to the 2001 Ukrainian census, more than 58 percent of the population of Crimea, and in excess of 71 percent of the inhabitants of Sevastopol, were ethnic Russian. The eastern oblasts of Donetsk and Luhansk, home to much of Ukraine's heavy industry, included populations that were 38 and 39 percent ethnic Russian.¹³ No oblast to the east of the divide contained fewer than 10 percent ethnic Russians, and no oblast to the west contained more than 10 percent ethnic Russians.

The number of Ukrainians who self-identified as ethnic Russians fell by some three million between the 1989 Soviet and 2001 Ukrainian censuses. Mortality and migration to Russia cannot account for this decline, suggesting a significant number of ethnic Russians (or Ukrainians of mixed parentage) came to regard themselves as Ukrainian.¹⁴ It is unknown whether there has been further change, though those ethnic Russians who, after ten years of living in independent Ukraine, still saw themselves as Russian in 2001 likely continue to regard themselves as ethnic Russian today.

The possibility of ethnic tensions lingers, in part because of the regional concentration of ethnic Russians. As a group, they tend to favor conferring official status on the Russian language, support strong relations with Russia, and oppose drawing Ukraine closer to NATO. Moscow regularly reaches out to this group.

To the extent that ethnic Russians advocate actively for Russian causes, they have an opposite and unintended impact: Ukrainian nationalist groups, largely in western Ukraine, will become more active in response. This risks an unhealthy polarization between ethnic Russians and Ukrainian nationalists that could feed off of several issues: the Russian language, geopolitical orientation, and the Black Sea Fleet and Crimea.

RUSSIAN LANGUAGE

Ukraine wisely decided in 1991 not to make command of the Ukrainian language a prerequisite for citizenship. Kiev nevertheless has encouraged greater use of Ukrainian since independence. Between 1991 and 1999, the government gradually changed the language of instruction in many of the country's general education schools. In 1991, 50 percent of Ukrainian school children were taught in Russian and 49.3 percent in Ukrainian; by contrast, in 1999, 65 percent were taught in Ukrainian and 34 percent in Russian.¹⁵

Some areas, however, remain reluctant to change. In Sevastopol, seventy-seven of eighty schools teach in Russian only. The other three teach a small number of courses in Ukrainian but most in Russian. The city council in November voted not to contribute funding to what would be the city's first Ukrainian-language school.¹⁶

Although most Ukrainians are pragmatic about language, the status of Russian remains a recurring political issue. The Regions

and Communist parties have regularly raised the question to win votes among Ukraine's Russian-speakers, promising to confer official status on the language. Yushchenko and Ukrainian nationalists have adamantly resisted. As shown in map 4, a 2005 survey by the National Institute of Strategic Statistics showed strong support for conferring official status on Russian in the south and east.¹⁷

The language issue acquired new prominence in autumn 2008. In late October, Ukraine's National Council on Television and Radio Broadcasting issued an order banning transmission of television channels from Russia on Ukrainian cable networks until the content was brought into compliance with Ukrainian regulations. Kiev attributed this order, which took effect November 1, to regulations regarding advertising (e.g., limits on smoking ads), copyright protection, and so forth.

Some local cable service providers protested the order. Other providers, particularly in Crimea, ignored it and continued to transmit Russian channels. Local authorities in the east and south sided with their cable service providers. For example, the secretary of the Donetsk city council charged that the decision to ban the Russian channels was driven "by the nationalist positions of the president and his people" and amounted to "the destruction of the Russian culture and the Russian language."¹⁸

Tensions over the language question will likely rise in 2009 as the issue is politicized by Ukrainian politicians seeking to draw votes and by Russian rhetoric. The language question, if misplayed, has the potential to provoke a rift between ethnic Russians and their Ukrainian-speaking ethnic Ukrainian counterparts. Ethnic Russians might find that some Russian-speaking ethnic Ukrainians, especially in the east, side with them.

GEOPOLITICAL ORIENTATION: UKRAINE AND NATO

Located between an enlarging European Union and NATO on its west, and a Russia increasingly restive about Europe's institutional expansion on its east, former Ukrainian president Leonid Kuchma articulated three directions for Ukrainian foreign policy: the European, Russian, and American vectors. He gave rhetorical primacy to the European path, although the European Union's reluctance to create a membership

perspective set limits on how far Kiev could hope to proceed down that course. Ukraine enjoyed greater success with NATO: in 1997 Ukraine and NATO signed a charter on a “distinctive partnership” and established a NATO-Ukraine Council.

Pursuing the European vector became more difficult after 2000 as Ukraine's relations with the West soured in light of the murder of an independent journalist, questions about commitment to democratic practices, and the Kolchuga affair. Kuchma nevertheless announced in May 2002 that Ukraine's objective was NATO membership. Few, however, took Kiev seriously.

This changed with Yushchenko's ascendancy to the presidency in January 2005. In the aftermath of the Orange Revolution, his objective of rapid integration into European and Euro-Atlantic institutions, bolstered by his democratic credentials, found greater resonance in the West. In April, NATO foreign ministers agreed to launch an intensified dialogue with Ukraine, typically the precursor step to a MAP.

By early 2006, officials in Kiev and NATO capitals envisaged the possibility of Ukraine obtaining a MAP in the autumn, given the progress that Ukraine had made on democratic, economic, and military reform. Yanukovych's appointment as prime minister, however, ended talk of a MAP in 2006, given that he opposed it. Although NATO countries did not insist that a MAP be supported by the public or Rada, they did want the prime minister and cabinet to support Yushchenko's desire. Ukraine's MAP went on hold.

In January 2008, with Tymoshenko's return as prime minister, Yushchenko decided to bid anew. He, Tymoshenko, and Rada Speaker Arseniy Yatseniuk sent a letter to NATO asking for a MAP, bringing the issue back to the front burner. Although the Ukrainian elite, backed by a growing consensus in the Ukrainian public, support membership in the European Union, NATO is far more controversial. A survey conducted in September by the Democratic Initiatives Foundation showed that, were a referendum to be held on Ukraine joining NATO, 63 percent would vote against and only 24.8 percent in favor of membership.¹⁹

This survey is consistent with other opinion polls, which typically show a 55 to 60 percent majority opposed to joining NATO, and only 20 to 25 percent supporting it. The government's public information efforts to bolster support for membership appear to have had little impact. As table 4 shows, polling over the past three years reveals

relatively minor movement in public attitudes when the question was posed as to how the respondent would vote in a referendum on Ukraine joining NATO.²⁰

TABLE 4. SUPPORT FOR UKRAINE JOINING NATO

	<i>November 2005</i>	<i>October 2006</i>	<i>December 2007</i>	<i>September 2008</i>
For accession	20.7%	23.9%	31.8%	24.8%
Against accession	58.6%	56.2%	52.8%	63.0%
Difficult to say	20.7%	19.9%	15.4%	12.2%

TABLE 5. REGIONAL SUPPORT FOR UKRAINE JOINING NATO

	<i>Total</i>	<i>West</i>	<i>Center</i>	<i>East</i>	<i>Donbas and Crimea</i>
For accession	24.8%	49.7%	33.5%	10.7%	2.8%
Against accession	63.0%	37.4%	49.3%	77.9%	94.3%
Difficult to say	12.2%	12.9%	17.1%	11.3%	2.8%

Support for NATO, moreover, is concentrated in the west and center, whereas the strongest anti-NATO sentiment is found in Crimea and eastern Ukraine, as shown in table 5.²¹ In the most extreme example of anti-NATO feeling, Crimea conducted a referendum in December 2006 on NATO. The results showed 98.7 percent of participants against.²²

Many of the Ukrainians who favor joining NATO see it simply as part of becoming fully European. That said, in light of threatening Russian comments during 2008 and the Russia-Georgia conflict, the number who see NATO as necessary to safeguard Ukrainian security may be rising.

Those opposed to joining NATO tend to be leery of actions that might create new differences between Ukraine and Russia. Part of this reflects historical and cultural links. Ukraine was part of Russia for more than three hundred years, and many Ukrainians do not see dramatic differences between themselves and ethnic Russians. Those opposed to NATO membership also tend to regard NATO in Cold War terms—a threat from the West.

The opponents have mobilized in the past, most notably against the Sea Breeze exercise in 2006. Although not a NATO exercise per se, the annual Sea Breeze exercise is conducted in Ukraine and involves U.S., Ukrainian, and other NATO partner forces. U.S. Marine reservists and a commercial transport ship, the *Advantage*, arrived in Feodosiya in eastern Crimea in May to prepare the exercise. Demonstrators, organized in part by the Regions Party, blockaded the reservists in their hotel and prevented the equipment off-loaded from the *Advantage* from being moved from port. Groups from other cities in eastern and southern Ukraine joined the pickets, and two Russian Duma (federal assembly) deputies traveled to Crimea to express solidarity.²³ At the height of the standoff, Crimea's parliament voted to declare Crimea a NATO-free zone. The exercise was canceled.

Friction over the NATO issue increased again during 2008, when the Ukrainian government made a formal request for a MAP. Moscow responded with a wave of hostile rhetoric. When allied leaders at the Bucharest NATO summit decided not to extend a MAP but to declare that Ukraine would be in NATO, the Russian rhetoric continued.

Meeting in early December, NATO foreign ministers sidestepped the MAP issue. Reaffirming the Bucharest summit decision, they noted that Ukraine had made progress in preparing for NATO membership but still "has significant work left to do." Ministers agreed that "an annual national program will be developed to help Ukraine advance her reforms."²⁴ Many in Kiev welcomed this decision. As one former senior Ukrainian official commented, it could allow Ukraine to have a MAP as long as it is not called a MAP. How this question will play out with the broader Ukrainian public, and whether Yushchenko nevertheless will continue to press for a full MAP, for example, in the run-up to the April 2009 NATO summit, remains to be seen.

There is no doubt that NATO-Ukraine relations—and their impact on Kiev's relationship with Russia—will be the major foreign policy issue during the 2009 campaign season. Yushchenko shows no sign of backing away from his Euro-Atlantic course. Tymoshenko appears to have moderated her public support for NATO, presumably due to concern about the impact on her personal political ambitions and her party's political prospects. Yanukovich and the Regions Party have campaigned against NATO in the past and will again seek to exploit this issue.

If not carefully managed, NATO is a highly divisive issue. It could further divide the population over Ukraine's foreign policy course and

reenergize the Crimean separatist movement: Crimean political figures have threatened to revive the secession issue should the country near NATO membership.

CRIMEA, THE BLACK SEA FLEET, AND SEVASTOPOL

Crimea hosts Ukraine's largest ethnic Russian population (in proportional terms), many of whom are servicemen retired from the Black Sea Fleet. It is the region most likely to challenge Ukraine's territorial integrity. Russia annexed the Crimean peninsula in 1783, and Sevastopol—situated on the best natural harbor on the Black Sea—was founded by a Russian admiral as a naval port to host the Black Sea Fleet. The histories of Crimea, the fleet, and Sevastopol are thus closely intertwined.

During early Soviet times, Crimea was treated administratively as part of the Russian Federal Soviet Socialist Republic (RFSSR). That changed in 1954, when Communist Party general secretary Nikita Khrushchev transferred Crimea from the RFSSR to the Ukrainian Soviet Socialist Republic to commemorate the three hundredth anniversary of the Ukrainian-Russian Treaty of Pereyaslav.

Crimeans were far less enthusiastic than their countrymen about the breakup of the Soviet Union. Where 90 percent of the Ukrainian population voted yes in a December 1, 1991, referendum on independence, support in Crimea proved dramatically lower at 54 percent. Although that level of support may have been impressive for Crimea, even in the east, no other region had a yes vote below 85 percent.²⁵

Crimean separatism posed a major challenge for Kiev in 1992–94. The Crimean parliament passed a resolution in March 1992 declaring Crimea independent and twice enacted a constitution inconsistent with Ukraine's. Crimean president Yuriy Meshkov in 1994 openly called for independence. Seventy percent of the peninsula's population voted in favor of greater autonomy in a March 1994 referendum. Russian politicians—including Vice President Alexander Rutskoi and Moscow mayor Yuri Luzhkov—fueled the tensions by asserting that Crimea remained Russian and challenging the legality of the 1954 transfer to Ukraine. Sevastopol received special attention because Russian politicians claimed that a 1948 decree had removed Sevastopol from Crimean jurisdiction. The Russian Duma in May 1993 unanimously passed a resolution confirming Sevastopol's Russian federal status.²⁶

The Ukrainian government and Rada responded with threats to impose direct rule on the peninsula and conduct an economic blockade. In part due to the election of a more conciliatory Crimean parliament in 1995, the dispute subsided. For its part, the Russian government, dealing from early 1995 on with its own separatist issue in Chechnya, distanced itself from Crimean separatism. Kiev was also aided by the influence of the Crimean Tatars, who began returning in 1989 following a forty-year exile. The Tatars, who now amount to about 12 percent of Crimea's population, prefer to remain Ukrainian.

In the aftermath of the Russia-Georgia conflict, and particularly following Moscow's unilateral decision to recognize South Ossetia and Abkhazia, concern has risen about Russian intentions regarding Crimea. The Crimeans have not helped. On September 18, 2008, the Crimean parliament voted overwhelmingly for the Rada to "recognize the independence of Abkhazia and South Ossetia."²⁷ On September 30, the Ukrainian foreign ministry denounced the fact that the Russian representative to the Organization on Security and Cooperation in Europe (OSCE) had circulated an address from a Crimean group protesting Kiev's alleged infringement of Crimea's constitutional powers.²⁸

On November 12, a Ukrainian navy press spokesman disclosed that Ukraine would increase its military presence in Sevastopol by deploying 1,500 naval infantry personnel and three air defense units. He added that 80 percent of the naval infantry would come from Ukraine's west, that subset of the naval infantry being "genuine patriots."²⁹

After the Soviet Union's collapse, Kiev and Moscow fairly quickly sorted out the division of BSF warships between the Russian and Ukrainian navies, though implementation took several years. Working out basing arrangements for the Black Sea Fleet—the Russians retained the designation for their portion of the fleet—proved far more complicated. Moscow originally proposed arrangements that would have had Ukraine in effect grant Russia sovereignty over Sevastopol—the city, not just the port facilities—for an indefinite or lengthy period. Kiev refused. The Ukrainians and Russians finally agreed in 1997 on a lease arrangement granting Russia extensive use of port and other facilities in Sevastopol and Crimea but preserving Ukrainian sovereignty.

Implementation of the leasing agreement has not always proceeded smoothly. Kiev and Moscow dispute whether certain facilities, such as lighthouses and navigational beacons along the Crimean coast, are included under the lease. Ukrainian nationalist youth groups have tried

to “liberate” some beacons, prompting the Black Sea Fleet to dispatch Russian naval infantry to guard them.

The lease expires in 2017. Yushchenko has ruled out an extension and called for negotiations now to prepare for the BSF’s departure. Moscow would strongly prefer to remain. Russian foreign minister Sergey Lavrov has said that Russia will seek to extend the basing agreement, despite repeated statements by Kiev that the fleet must depart.

The local population in Crimea strongly favors keeping the Black Sea Fleet in Sevastopol. In May 2008, a petition collected more than one million signatures in favor of the fleet remaining in Sevastopol and Crimea beyond the 2017 expiration of the lease.³⁰ A December poll showed that 69.9 percent of Crimeans favored extending the lease beyond 2017, and only 8.3 percent supported the fleet’s departure in 2017 or earlier. The same poll showed 32.4 percent leaning toward separatism for Crimea.³¹

This issue has a practical aspect beyond the emotional shared history of Sevastopol and the Black Sea Fleet. The fleet is the largest employer in Sevastopol, providing work for 20,000 people and directly or indirectly creating employment for 20 percent of the city’s labor force. According to the city council, the Black Sea Fleet accounts for 16 to 17 percent of all economic activity in Sevastopol. This percentage has dropped slightly over the past four years, reflecting the rise in Ukraine’s GDP and growth in the local economy, and not a decrease in economic activity generated by the fleet.³²

The BSF’s departure would leave a significant hole in the local economy. The much smaller Ukrainian navy, which maintains its headquarters and a relatively small presence in Sevastopol, could not fill the void. Senior officials in Kiev have talked about development projects for Sevastopol, but little has been done to date.

Kiev must carefully manage the BSF issue. The push for withdrawal could inflame passions in Sevastopol and Crimea, given the long historical relationship and concern about the economic consequences, as well as antagonize Moscow.

Ukraine's External Frictions— The Relationship with Russia

A PROBLEMATIC AGENDA

Ukraine-Russia relations are currently at their lowest point since the collapse of the Soviet Union. Medvedev told the press on December 24 that bilateral relations “have never been as low as they are now.”³³ Problem issues dominate the agenda between Kiev and Moscow.

NATO-UKRAINE

Moscow has made clear its unhappiness with Yushchenko's push to secure a NATO MAP. The possibility that Ukraine might someday join NATO clashes directly with Medvedev's assertion of a sphere of privileged interests for Russia. The Russians have chosen to see little difference between a MAP and an invitation to join the alliance, even though the two are quite different (Albania took nine years to go from a MAP to an invitation). Yushchenko, moreover, has agreed that there will be a referendum before the Ukrainian government submits any request to join.

Russian officials nevertheless have defined NATO membership for Ukraine as an existential issue for Moscow. Standing by Yushchenko's side at a joint press conference on February 12, 2008, then president Putin threatened to target nuclear missiles on Ukraine were it to enter the alliance. At his April 4 meeting with NATO leaders in Bucharest, Putin suggested that, if Ukraine tried to enter NATO, its territorial integrity could come under doubt.³⁴ Shortly thereafter, Lavrov stated that Russia would do “everything possible” to block Ukraine's integration into the alliance.³⁵ Russian general staff chief Yuriy Baluyevskiy said his state would undertake military measures among other steps.

SEVASTOPOL AND CRIMEA

Many in Russia regard Sevastopol and Crimea as Russian. The influence of some individuals is particularly pernicious. Moscow mayor Luzhkov regularly visited Sevastopol, before being barred by the Ukrainian government, and proclaimed the city to be Russian. When he made such claims in the 1990s, the Russian foreign ministry regularly reiterated that Russia respected Ukraine's territorial integrity.

Putin, however, appeared to challenge Crimea's transfer to Ukraine in remarks to NATO leaders at the April summit, reportedly saying, "the Crimea was merely received by Ukraine with the decision of the CPSU [Communist Party of the Soviet Union] Political Bureau. There were not even any state procedures on transferring this territory."³⁶ During a May 12 visit to Sevastopol, Luzhkov stated, "Sevastopol, as a city with its boundaries, has to belong to Russia, because it was never handed over to Ukraine. . . . Sevastopol is a Soviet naval base that has to be returned to the Russian Federation." The Russian foreign ministry's response this time noted that Luzhkov's remarks "only expressed a view reflecting that of most Russians, who feel pained by the fall of the Soviet Union" and criticized the Ukrainian decision to bar Luzhkov from future travel to Crimea.³⁷

BLACK SEA FLEET

Russia wants to keep its BSF ships based in Sevastopol and Crimea beyond May 2017, when the lease for port facilities expires. At this point, the Russian navy lacks the installations, either existing or under construction, to accommodate BSF vessels now based in Ukraine. Novorossysk, the principal naval port on Russia's Black Sea coast, lacks space; weather conditions, moreover, make it difficult to use in January and February. Lavrov has proposed discussions at an indefinite time in the future on extending the lease. Moscow may seek to delay talks on withdrawal to a point when it can assert that withdrawal by 2017 is impossible and request extension of the lease.

For its part, Kiev has repeatedly stated that the fleet must depart by 2017, that there will be no extension, and that negotiations should begin now to ensure an orderly withdrawal. Moscow has rejected such talks.

Russia's use of BSF warships to blockade the Georgian coast in August focused attention anew on the fleet and its activities. Kiev

threatened to not allow those ships to return to Sevastopol. Russian naval commanders and other senior officials, on the other hand, said that the ships would return to port following completion of their mission and that Ukraine had no grounds on which to bar their return. Lavrov stated that the basing agreement said “nothing about us needing to explain to someone why, where to, and for how long the Black Sea Fleet ships are leaving” their facilities.³⁸ The Ukrainians did not implement their threat, and the Russian naval vessels returned without incident.

Kiev, however, has demanded notification procedures for departing and returning ships, with the objective of gaining some influence over Russian ships operating from its ports. The Russians will resist any infringement on BSF operational freedom. With Kiev and Moscow digging in, the future of the Black Sea Fleet has the potential to be a major point of domestic contention within Ukraine and in Ukraine-Russia relations.

NATURAL GAS IMPORTS

Ukraine normally imports some 50 to 55 billion cubic meters (BCMs) of natural gas per year from Russia, or through Russia from Central Asia. Up until 2009, it purchased this gas under opaque arrangements that many analysts believed to be corrupt. In 2008, Ukraine paid \$179.50 per thousand cubic meters. The total cost of imported gas was roughly 25 to 30 percent higher when the amount of gas provided to the intermediary RosUkrEnergo as its fee was factored into the equation. This price was still well below that charged to western Europe, and Gazprom in the fall suggested the price could rise to \$400 per thousand cubic meters and charged that Ukraine had run up significant arrears for gas. Following a September visit to Moscow, Tymoshenko agreed in principle that gas prices for Ukraine would rise to European levels over three years, but by mid-December implementing arrangements had yet to be agreed.

A gas dispute erupted on the first day of 2009. By January 7, Russia had halted all gas exports to Ukraine and to Europe via Ukraine, charging that Ukraine was stealing Russian gas. Kiev denied the charges and said it was ready to transit gas to Europe.

Three commercial issues separated the sides: how much Ukraine owed for gas received in 2008, what price Ukraine would pay for gas it bought in 2009, and what tariff Ukraine would charge for Russian gas

transiting through Ukraine. Overlaying these commercial differences were sharp political tensions between Ukraine and Russia. Elements in Moscow sought to use the crisis to undermine Ukraine's image in Europe, and elements in Kiev sought to portray the dispute as another example of Russia bullying its neighbors.

Lost in the accusatory nature of the debate was the fact that Gazprom and Ukraine need one another. For the foreseeable future, Ukraine each year will have to import 50 to 55 BCMs of gas (70 to 75 percent of its gas needs) from Russia. Gazprom can only move via non-Ukrainian pipelines about 30 percent (50 BCMs of 150 BCMs) of the gas that it sells annually to customers west of Ukraine. Political tensions appeared to cloud over this fundamental commercial reality, which will not change for several years at the earliest. With both countries' reputations suffering in Europe, Moscow and Kiev reached an agreement on January 19 on a ten-year contract. Among other things, the contract provides that Ukraine will pay 80 percent of the "European price" for gas in 2009 and move to the full European price in 2010. Gas flows resumed shortly thereafter.

DIPLOMATIC SNIPING

During 2008, Ukraine and Russia kept up a continual exchange of public sniping.

- In early November, Lavrov reacted to Kiev's decision to limit Russian television channels by asserting that the decision was political and stating that Russia would "protect the broadcasting rights of our TV companies . . . and insist on respecting the rights of Ukraine's Russian-speaking population."³⁹
- In November, the Ukrainian foreign ministry charged that the Russians were trying to change the maritime border in the Kerch Strait to Ukraine's disadvantage. The Russian foreign ministry rejected the assertions and charged the Ukrainian spokesman with "making disrespectful statements in regard to Russia."⁴⁰ Russia's unilateral decision in 2003 to build a causeway from the Russian mainland to Tuzla Island, legally and administratively a part of Ukraine, quickly became a minicrisis between Kiev and Moscow. The Russians stopped building the causeway, but the border between Ukraine and Russia in this area remains unresolved.

- Kiev's quest for recognition and condemnation of the Holodomor (the Stalin-engineered 1930s famine that killed between four and seven million Ukrainians) as an act of genocide became increasingly contentious. In declining an invitation to attend a November Holodomor commemoration, Medvedev sent Yushchenko a lengthy, publicly released letter asserting that "Ukraine has been using the tragic events of the early 1930s to achieve its political ends."⁴¹
- Kiev and Moscow have periodically blacklisted each other's politicians from entry.

GEORGIA

Yushchenko sided publicly with Georgia during the August conflict. The Ukrainian president traveled to Tbilisi on August 12, four days after the conflict began, to demonstrate support for Georgian president Mikhail Saakashvili and, in the process, further angered Moscow. Immediately following the conflict, Russian officials charged that Ukraine had provided arms to Georgia while hostilities were under way and asserted that Ukrainian personnel had manned some of the weapons, which Medvedev termed "a crime against Russian-Ukrainian relations."⁴²

POSSIBLE CONFRONTATION?

These issues will remain on the Ukrainian-Russian agenda in 2009, at a time when there is clear distaste between Yushchenko and the Kremlin, and the communications channels between the Ukrainian and Russian elites have largely broken down. Any of these issues could easily escalate into a diplomatic crisis. NATO and the Black Sea Fleet are the most sensitive questions because of the significant Russian equities involved.

In the event of a crisis, Moscow would be tempted to use its leverage. Playing the energy card, for example, could generate significant pressure on Kiev, especially during the cold winter months. The Russians would hope that a prolonged gas cutoff would fuel domestic tensions within Ukraine, though it could instead unite Ukrainians if Russia appeared heavy handed. If the Kremlin played its hand skillfully—that is, if it managed to fix the blame on Kiev—it could also create problems for Ukraine's relations with Europe. Germany, Italy, France, and other states receive 110 to 120 BCMs of Russian gas per year through pipelines

that run through Ukraine, and they are concerned about Ukraine's reliability as a transit state.

Military confrontation is unlikely. Most Ukrainians and Russians would be appalled at the prospect. As a practical matter, defeating the Ukrainian military, whose officers are more pro-West than Ukrainian society in general, would present a far larger and more difficult challenge for Russia than Georgia did.

But this does not completely exclude military conflict. Kiev's plans to upgrade its military presence on the Crimean peninsula increase the possibility of military-to-military friction. In August, had Kiev decided to station Ukrainian warships outside Sevastopol to block the return of BSF vessels, an explosive stage would have been set. An exchange of gunfire between Ukrainian and Russian warships, likely the result of miscalculation by one or both sides rather than specific intent, would have had huge unforeseen consequences for Ukraine-Russia relations and in Sevastopol, where the population largely remains loyal to the BSF.

This is not beyond the realm of the possible. In 1994 the Russians took control of a BSF research vessel and moved it from its port on the Ukrainian mainland; the Ukrainian coast guard gave chase and briefly opened fire.

It is far more likely, however, that a confrontation between Russia and Ukraine will be political or economic. Given the potential fissures within Ukraine and the tools available to Moscow, such a confrontation will inevitably have a domestic Ukrainian dimension.

FUELING TENSIONS IN UKRAINE

Moscow has an array of diplomatic, economic, intelligence, and other tools on which to draw if it wishes to spark internal Ukrainian frictions to elicit a more Russia-friendly policy or simply make things more difficult for Kiev. These include business interests. Although the exact figure is difficult to trace, in part because some Russian capital flows into Ukraine through third countries such as Cyprus, Russian companies have substantial investments in several important sectors. For example, Russian firms control four of Ukraine's six oil refineries, all of which depend on Russian oil imports.

Ukrainians believe the Russians are using various means to maintain influence in Crimea. They believe Russian special services are active in Crimea and elsewhere. The Russians, moreover, fund pro-Russian

nongovernmental organizations and media in Crimea, as well as offer scholarships to Russian universities. Pro-Russian organizations, such as the Russian Community of Crimea, the People's Front Sevastopol-Crimea-Russia, the National Front Sevastopol-Crimea-Russia, and the Crimea office of the Institute of CIS States, have strong financial and other links to Russia.⁴³ The Moscow city government has channeled funding to Sevastopol, for example, for housing construction. Kiev is monitoring Russian issuance of passports to Ukrainian citizens who are ethnic Russians, particularly in Crimea, in part because one of Moscow's justifications for its intervention in South Ossetia was the need to protect Russian citizens there. The number of passports issued so far appears to be relatively low (Ukrainian law bans dual citizenship).

Moscow keeps channels open to a variety of Ukrainian political leaders and parties. The presidential and possible Rada campaigns in 2009 offer Russia a fertile field in which to meddle. Moscow has in the past heavily involved itself in Ukrainian elections. Putin visited Ukraine on the eve of the first two rounds of the presidential vote in 2004 to make thinly disguised campaign plugs for Yanukovich. Russian involvement in subsequent elections has been less obvious, but reports abound of Russian money flowing to Ukrainian parties. Both Tymoshenko and Yanukovich in 2008 had lengthy private meetings with senior Russian officials, including Putin, prompting speculation that the Russians are seeking more Moscow-friendly policies in return for campaign funding or a benign Russian attitude during the upcoming elections.

Recommendations for U.S. Policy

As the Obama administration considers its approach toward Europe, it should maintain the goal of Ukraine's development as a stable, independent, democratic, and market-oriented country, increasingly integrated into European and Euro-Atlantic institutions. Such a Ukraine remains in the U.S. interest.

Developments within Ukraine and the Russia factor could, however, complicate pursuit of this objective in 2009. A more divided Ukraine will be less able to choose and implement policies needed to consolidate democratic and economic reform. It will have a more difficult time formulating a coherent foreign policy course with which the U.S. government can engage. In the extreme, a sharp internal cleavage within Ukraine, or major confrontation with Russia, could provoke a crisis.

Washington should shape its policy to take account of the political realities within Ukraine. This may require, for example, modulating support for Ukraine's integration into NATO, particularly on the timing of Ukraine's receipt of a MAP. Politicizing the NATO issue in a way that badly divides Ukraine or helps create conditions that put a leadership hostile to a Euro-Atlantic orientation into place in 2010 is not in the U.S. interest. Washington, moreover, will not be pursuing its Ukraine policy in a vacuum. Concern in Germany and other European countries about the negative Russian reaction to Ukraine's integration into NATO will limit how fast the NATO-Ukraine relationship can develop. The December NATO foreign ministers' decision, however, creates the possibility for Ukraine to pursue the goals of a MAP in the form of an annual national program.

The Obama administration should itself seek to improve relations with Russia. This does not mean ending support for strong relations with Kiev or Ukraine's integration into NATO. It will mean finding issues—such as reinvigorating nuclear arms reductions—where Washington can take serious account of Russian concerns.

Washington does not have to and should not concede Ukraine to Moscow's geopolitical orbit.

The new administration will need to have its strategy quickly in place. At the start of 2009, Ukraine is just months from a full-scale presidential election campaign and could be heading for parliamentary elections. The NATO summit will be held in April, and Yushchenko will look for early signals of support.

Washington's strategy for 2009 should continue to promote reform in Ukraine and its progress down a Euro-Atlantic path while accommodating political developments in the country. The principal message to Kiev should focus on the need for Ukraine to get its own house in order and to pick any fights with Russia carefully. Washington should be ready to caution Moscow not to underestimate the costs of an attempt to squeeze Ukraine too hard. The U.S. strategy should comprise five elements: reenergized high-level engagement with Kiev, measures to help minimize internal frictions, steps to help reduce Ukraine's vulnerabilities to Russian pressure, guiding NATO-Ukraine relations, and close coordination with Europe.

OVERALL ENGAGEMENT—RESTORE REGULAR HIGH-LEVEL DIALOGUE

The pace of high-level engagement between Washington and Kiev dropped dramatically during the Bush administration. In part this was related to problems with Kuchma in 2001–2004. However, after Yushchenko became president at the start of 2005, President George W. Bush and Vice President Dick Cheney each visited Kiev once and hosted Yushchenko in Washington twice. By comparison, President Bill Clinton and Vice President Al Gore visited Kiev five times in 1994–2000, and Kuchma made many more visits to Washington and the United States. Gore and Kuchma chaired a binational commission to oversee the U.S.-Ukraine agenda.

Personal relationships count when building influence with senior Ukrainian politicians. No senior American today, with the possible exception of Senator Richard Lugar (R-IN), has the weight and familiarity—and the concomitant ability to deliver tough political messages—as Gore had with Kuchma. That resulted from an interaction institutionalized by the binational commission. Regular engagement with Kuchma

gave Gore credibility and influence in Kiev beyond that which he would have been accorded as the American vice president. For example, in April 1997, Gore raised with Kuchma concerns over allegations of corruption on the part of his prime minister. Although it is unclear just how much impact the vice president's intervention had, the prime minister resigned two months later, reportedly under pressure of being fired.

The Bush administration ended the binational commission and downgraded its working groups. In part because of its intermittent contact, the Bush administration did not have particular influence with Yushchenko. Despite urgings by both Bush and Cheney in September 2008, Yushchenko did not ease off attacks on Tymoshenko and restore a more coherent line between the presidency and cabinet of ministers.

The new administration should institutionalize a high-level channel with Kiev. Ideally, this would involve Vice President Joseph Biden with the Ukrainian president and prime minister in a standing mechanism similar to the binational commission. Such a commission should have two objectives:

- Monitor the overall relationship and ensure that problems are worked and resolved in good time by the U.S. and Ukrainian bureaucracies.
- Build relationships with the Ukrainian president and prime minister, and with the senior opposition leader, in which candid, even tough, political messages can be conveyed with some confidence that they will have resonance. These could include cautions to Ukrainian political leaders not to exploit wedge issues in the presidential campaign that would further divide the country. This would also offer a channel for quiet advice on sensitive issues such as NATO and Russia.

MINIMIZE INTERNAL FRICTIONS

The administration should tailor its approach to help minimize internal frictions that could flare up and reopen the East-West divide within Ukraine.

URGE POLITICAL COHERENCE IN KIEV

A unified government—that is, political coherence between the president and prime minister—will have a far greater chance of coping with

internal frictions. By contrast, a divided government will likely fuel those frictions, especially in the context of the pressures of a presidential campaign, and will leave Ukraine less able to resist Russian pressure or meddling in Ukraine's internal affairs.

Washington thus should urge a greater degree of unity between the president and prime minister. Senior U.S. officials will need to be blunt on this with Ukrainian counterparts and should also regularly meet with the leader of the opposition to stress the need for unity on Ukrainian sovereignty and to avoid exacerbating internal frictions. This should be a central message to high-level Ukrainian interlocutors, even if Washington has modest expectations for its impact. U.S. officials may not be able to persuade Ukrainian politicians to forgo use of wedge issues, such as geopolitical orientation or Russian language, but they may be able to encourage lowering the temperature of the debate.

COUNSEL UKRAINIAN LEADERSHIP ON HANDLING DIFFICULT ISSUES

Ukraine will be dominated by politics in 2009. In a situation in which Kiev is divided, it makes sense for Yushchenko to weigh carefully how to manage issues that might inflame internal tensions and provoke disputes with Russia. Washington should quietly counsel Yushchenko on choosing his fights with Russia in what will be a difficult political year.

For example, will Kiev be in a stronger position in 2009 or 2010 to press for the BSF's departure? The administration should fully support Ukraine's right to decide on the presence of foreign military forces on its territory. But in view of the line that Russia has drawn against discussing withdrawal now, political divisions within the Ukrainian leadership, and the potential of this question to spark passions in Sevastopol and Crimea, Kiev might consider deferring this issue for a year. Another issue is Ukraine's relationship with NATO.

Bearing in mind the Georgia experience, Washington must ensure absolute clarity in Kiev as to how much support it can expect in the event Ukraine ends up in a major confrontation with Moscow. Even if Washington's public rhetoric strongly supports the Ukrainian position, there may well be limits on the practical or political support that the United States is prepared to offer. Kiev must understand those limits. Yushchenko is a cautious politician, but the U.S. government must make every effort to prevent miscalculation in Kiev.

*INCREASE DEMOCRACY ASSISTANCE TARGETED
AT ENCOURAGING NEXT GENERATION POLITICIANS*

Ukraine's top political leaders seem unable to set aside politics for the national interest, as was evident during the Russia-Georgia conflict. It is not clear whether they will be able to do so in the future. The Rada, moreover, remains disproportionately populated by businesspeople, including those pursuing narrow parochial interests or seeking the immunity from prosecution that a Rada deputyship confers.

The U.S. government of course should work with whomever the Ukrainians elect. Washington should also increase democracy assistance with the goal of encouraging the development of a new generation of politicians able to focus on the national interest and provide more mature leadership. The assistance should be targeted on increased exchange programs to bring rising Ukrainian politicians to the United States and Europe, particularly central Europe and the Baltic states. The U.S. government should specifically, though not solely, target exchange programs toward politicians in Crimea and eastern Ukraine. It might consider pairing politicians from those parts of Ukraine with others from the west and the center on U.S. exchange tours, in order to foster personal relationships to span the East-West divide. This practice has been used with success in the past, for example, U.S. programs pairing Catholic and Protestant visitors from Northern Ireland.

To promote over the longer term a more open, transparent, and workable democratic system appropriate for the next generation of political leaders, U.S. democracy assistance programs in Ukraine also should

- facilitate work on constitutional amendments to remove current ambiguities regarding the division of authorities between the executive and legislative branches, and between the president and prime minister;
- promote serious anticorruption efforts, including greater transparency in politics, in ways that would reduce the impact of, or at least expose, corruption and Russian influence; and
- help political party development, so that parties come to be mass organizations based on shared interests rather than elite entities built around a few important personalities and particular business interests.

TARGET TECHNICAL ASSISTANCE TO PROMOTE ECONOMIC OPPORTUNITIES IN SEVASTOPOL

The local population in Sevastopol will not welcome the BSF's departure. There is little that the U.S. government can do to address historical and emotional links. U.S. assistance, however, should help generate new economic and business opportunities, so that the local economy will not face devastation when the Black Sea Fleet withdraws. Creating the prospect for a robust local economy following the BSF's departure would weaken local opposition to Kiev's plan not to extend the fleet's presence beyond 2017.

In this regard, the Department of Defense and U.S. Navy have considerable experience with alleviating the economic impact associated with the closure of naval bases and other military installations. The administration should draw on this experience and target technical assistance to national authorities in Kiev and local authorities in Sevastopol and Crimea to draft a plan for a post-BSF economy and to create conditions in which foreign and domestic investment flow to Sevastopol and Crimea to develop new business, industrial, and tourism prospects.

REDUCE VULNERABILITIES TO RUSSIAN PRESSURE

Washington should work actively with Kiev to reduce Ukraine's vulnerabilities to Russian pressure and leverage.

INCREASE TECHNICAL ASSISTANCE TARGETED AT PROMOTING ENERGY SECURITY

Ukraine's energy dependence on Russia creates a major vulnerability, particularly as long as Moscow subsidizes energy prices. The January 2009 gas dispute underscored this point. It creates a situation in which the Russians have leverage, and in which the Europeans, who are paying significantly higher prices, may have little empathy for Ukraine when gas disputes with Russia erupt.

Ukraine must act to enhance its energy security as a matter of urgency. It should put in place transparent arrangements for purchasing and transiting gas, and expand domestic sources of energy production,

including gas, oil, and renewable resources. Moreover, Ukraine needs to allow energy prices within Ukraine to rise to market levels. This will promote conservation and energy savings as well as encourage greater production of domestic energy.⁴⁴ Many analysts believe, for example, that Ukraine is capable of producing each year an additional 10 to 20 BCMs of natural gas domestically.

Washington should make technical assistance in enhancing energy security a focus of the U.S. assistance program. More important, this issue should be put at the top of the high-level dialogue. Ukraine's leaders have known for years the kinds of steps they must take; what they have lacked is political will. Senior U.S. officials must press them to act.

MONITOR RUSSIAN ACTIVITIES IN UKRAINE

Moscow has a range of tools for affecting developments within Ukraine. These include public diplomacy, local nongovernmental organizations and media funding, passport issuance to Ukrainian citizens, investments, covert operations, and use of organized crime links. Washington should monitor these and consult with the Ukrainian government, so that both have as good an understanding as possible of Russian activities within Ukraine and early warning of any surge to promote internal tensions. Russian activities regarding Crimea should be a special focus. The American presence post planned for Simferopol will give the U.S. government a better understanding of the political dynamics in Crimea.

Another facet of monitoring Russian activities should be encouraging European nongovernmental organizations to step up their presence in Crimea and eastern Ukraine. These groups can help address local problems, increase international eyes on the ground, and change broader perceptions about the West. The U.S. Agency for International Development (USAID) should develop proposals to direct funding to expand the presence of Western nongovernmental organizations in these areas, and Washington should encourage EU assistance programs to do likewise. The OSCE, whose original mandate in Ukraine focused on Crimea, maintains a project office in Kiev and should be encouraged to look at projects to support in Crimea and eastern Ukraine.

IMPROVE RELATIONS WITH RUSSIA

Although Ukraine will not be the dominant factor driving the U.S.-Russia relationship, improving relations with Moscow will reduce some pressure on Kiev. Better relations between Washington and Moscow can reduce Russian suspicions regarding American engagement with Ukraine. The Obama administration should test Russia's readiness for better relations by steps such as reviving strategic arms reductions negotiations, taking more serious account of Russian concerns regarding missile defense in central Europe, and urging Congress to graduate Russia from the provisions of the Jackson-Vanik amendment, all while maintaining a supportive position on Ukraine. Over the past fifteen years, better U.S.-Russia and NATO-Russia relations have given Kiev greater freedom to maneuver in pursuing its pro-Western course.

Should tensions spike between Kiev and Moscow, the administration should weigh whether diplomatic intervention—American or European—could help avoid or resolve a crisis. The U.S. government should be prepared to warn Moscow of the serious consequences if Russia were to try to open cleavages within Ukraine or encourage separatism in Crimea. The Russians should understand that those consequences would be far greater than those following the Russia-Georgia conflict.

The new administration should consider areas for possible U.S.-Ukrainian-Russian cooperation. The United States successfully engaged in a trilateral process in 1993 with Ukraine and Russia that produced the 1994 trilateral statement, under which Ukraine transferred all strategic nuclear warheads on its territory to Russia for elimination. Months later, the U.S. government offered to help resolve BSF-basing questions. Kiev welcomed the offer, but Moscow rebuffed it.

Washington has a direct interest in avoiding crisis between Ukraine and Russia. The 1994 Budapest Memorandum of Security Assurances, signed by the leaders of the United States, Russia, Ukraine, and the United Kingdom, extends Ukraine assurances regarding respecting its sovereignty and territorial integrity, refraining from the use or threat of force, and refraining from economic coercion. Ukraine has the right to convene consultations should it believe that these assurances have been

violated. Although Kiev has never invoked this right, it remains a tool that the Ukrainians could use to pull in Washington if Moscow pressures Ukraine politically or economically.

NATO-UKRAINE RELATIONS

Few issues over the past four years have generated as much heat in Ukraine's foreign relations or domestic politics as the country's relationship with NATO. Yushchenko's announced goal of NATO membership lacks support from significant elements of the elite and of public opinion, has drawn a fiery reaction from Moscow, and causes unease among many alliance members, who question how far Ukraine is prepared to take integration with NATO and potential Russian provocation.

At the start of 2009, Washington has three options. First, it can press NATO to grant Ukraine a MAP, perhaps at the April summit, hoping that allied leaders will defer to Obama's policy in a way that they did not for Bush in Bucharest. Second, it can urge that NATO-Ukraine relations be developed on the basis of Ukraine's annual national program, with added practical cooperation but deferring for a time the issue of MAP. Third, it can refrain from any push to deepen NATO-Ukraine relations.

The first option would require that the new president make a major diplomatic push with his NATO counterparts at the beginning of his term, with at best weak prospects of success. The third option would be a major policy reversal; it would send a disquieting signal to Kiev and embolden the Russians to continue their hardball tactics of the past year, in the belief that they could impose their will and fence Ukraine, and other former Soviet states, off from the West.

The Obama administration should continue to support Ukraine's integration into NATO. This is consistent with long-standing U.S. and NATO policy that the alliance should be open to any European country that meets NATO standards and can contribute to Euro-Atlantic security. Just as NATO integration underpinned the difficult democratic and economic transformations undertaken by Poland, Hungary, the Baltic states, and others that entered the alliance between 1999 and 2004, integration can also underpin Ukraine's transformation and broaden the area of European security and stability, which is in the U.S. interest. Ukraine already contributes to a number of NATO missions and

has forces and airlift capabilities that would be valuable for the kinds of expeditionary operations that are becoming the alliance's focus. Moreover, a democratic Ukraine securely anchored in the Euro-Atlantic community also might encourage Russia to strengthen democracy and pursue a cooperative, integrative course of its own.

Ukraine has made progress in terms of political, economic, and defense reforms comparable to that made by countries such as Romania, Bulgaria, and Albania when they received MAPs in 1999. However, given the realities of the ongoing political turmoil in Kiev and allies' reluctance to agree to a MAP for Ukraine, Washington should adopt the second option. Ukraine has the opportunity to use its annual national program to advance practical actions and reforms that will bring Ukraine closer to NATO standards. The annual national program can be filled with the content of a MAP, without the MAP title, a term that generates unneeded friction within Ukraine and in Ukraine-Russia relations.

Given the position of Germany and other European states against giving Ukraine a MAP now, it does no good for Yushchenko to press the alliance and be told no. Nor does it help the new administration's foreign policy to try to secure a MAP for Ukraine and lose on this question. The administration should thus suggest to Kiev that it proceed from the December foreign ministers' decision and develop NATO-Ukraine cooperation on the basis of its annual national program rather than pressing now for an explicit MAP.

Washington should work with Kiev to get the right content for its relationship with NATO. This means assisting Ukraine in developing a plan of cooperative actions, to be approved in its annual national program, that would deepen NATO-Ukraine relations. These should include additional exercises, exchanges, and formal meetings of the NATO-Ukraine Council. Washington and Kiev should explore new areas for NATO-Ukraine cooperation, such as dealing with cyber threats, which also could be incorporated into the annual national program.

Proceeding on the basis of an annual national program in 2009 is the best way for Ukraine to develop further its relationship with NATO while defusing, for now, the MAP question domestically and with Russia. In 2010, following the Ukrainian presidential election, the Obama administration should reassess its policy on NATO-Ukraine relations in light of the policy of the Ukrainian government. If the Ukrainian president and cabinet of ministers then seek a MAP, achieve

a greater degree of internal coherence regarding the NATO question, and are building support among the elite and broader population, the U.S. government should support Ukraine's desire for a MAP.

Such support would likely complicate U.S.-Russia relations. While respecting Russia's legitimate security interests, U.S. policy should ultimately uphold the right of Ukraine to determine its own foreign policy course, including its right to enter alliances of its choosing. Over the course of 2009, new U.S. approaches to Russia on issues such as strategic arms reductions and missile defense could change the substance and tone of relations between Washington and Moscow, creating a more positive context for Ukraine to develop its relations with NATO and for managing the discussion of NATO outreach to former Soviet states on the U.S.-Russia agenda. It would be useful to reiterate to Moscow that a decision to extend a MAP is not a decision to extend an invitation to join the alliance. The latter would require further reforms by Ukraine and support by a significant portion of the populace.

It is also possible that, following the 2010 election, the Ukrainian government could decide to adjust the pace of its relations with the alliance. In that case, Washington should accept and support the Ukrainian approach.

COORDINATION WITH EUROPE

COORDINATE WITHIN NATO ON UKRAINE POLICY

The Obama administration should work with NATO allies to develop support for a substantive and content-filled annual national program for Ukraine, building on the December foreign ministers' decision. Washington should also work for agreement on appropriate language for the April NATO summit reaffirming the Bucharest summit language declaring that Ukraine will become a member of the alliance. NATO might also consider new language to make clear that, although ready to take account of legitimate Russian interests, the alliance does not agree that Russia's declared privileged interests give Moscow a right to dictate the foreign policy choices of its neighbors. The U.S. government should also urge NATO allies to bolster their bilateral links with Kiev. By extending invitations to Yushchenko and Tymoshenko

for visits to NATO capitals, the United States and other NATO members can easily signal political support for Ukraine and strong NATO-Ukraine relations.

The objective of these measures should be to reassure Kiev of the West's and NATO's interest even if the alliance is not prepared to agree to a MAP in the near term. A second objective should be to signal Moscow that NATO does not accept a Russian red line fencing Ukraine off from Europe. The administration will rapidly need to engage allies on this in light of the approaching NATO summit.

Particular attention should be focused on Germany, which has led the opposition to a Ukrainian MAP. Bush's lame-duck status made it easier for Chancellor Angela Merkel to say no on an issue of substantial importance to the president at Bucharest. The dynamic will be different in 2009. With Obama at the start of his term, allied leaders may be more inclined to accommodate his views. The administration should use this opportunity to secure strong German support for practical actions to give content to the December ministerial decision as well as other measures to make clear the alliance's interest in Ukraine, even absent a MAP.

The Germans, moreover, have significant experience in dealing with the departure of Russian military forces—in the early 1990s—and the resulting economic impact. Washington should explore with Berlin whether helping develop economic alternatives for Sevastopol could be an issue for trilateral cooperation between the United States, Germany, and Ukraine.

URGE A MORE FORTHCOMING EU APPROACH TOWARD UKRAINE

Washington should continue close consultations with the European Union on Ukraine. EU-Ukraine relations have broad support within Ukraine and appear less provocative to Moscow. In the run-up to the April 2009 NATO summit, Washington should urge Germany and other NATO members who also belong to the European Union to consider how EU-Ukraine engagement might be stepped up to offset not providing Ukraine a MAP in the near term. The European Partnership Plan offers the European Union a vehicle for doing so.

An ideal goal would be to persuade the European Union to offer Ukraine the membership perspective that Kiev desires. This is most

likely unattainable. A more achievable goal would be accelerated negotiation of the EU-Ukraine association agreement and the related free trade arrangements. Another step would be progress toward a more open visa regime. Washington and Brussels should also coordinate USAID and EU assistance programs to mitigate internal frictions within Ukraine.

Coordination with the European Union in 2009 regarding Ukraine should benefit from the Czech Republic and Sweden holding the EU presidency. Washington will have partners who are interested in Ukraine and sympathetic to its Westward aspirations.

With these policies, Washington can help Ukraine manage its internal frictions and relationship with Russia. The policies will reduce the prospect of a broadening internal cleavage or a Kiev-Moscow clash that would, at minimum, set back U.S. hopes for Ukraine's future development and, in the extreme, pull Washington into a major Ukraine crisis. Given the tensions within Ukraine in 2009, the Obama administration should devote an early review to these and other measures to help Ukraine avoid a major internal crisis or clash with Moscow.

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