

UKRAINE RUSSIA

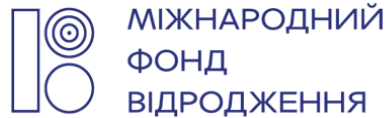


MOTIVATIONS, POTENTIALS,
PROSPECTS FOR DEVELOPING
RELATIONS

POLICY PAPER

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Ukraine – Russia: Motivations, Potentials, Prospects for Developing Relations

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Introduction

Ukraine and Russia have asymmetric potential in the military, economic, demographic and other domains. This will not change in the foreseeable future. However, this should not necessarily have a fatal impact on their relations. Nor does it make Ukraine doomed to being under Russian influence or mandate that Russia sacrifice its prospects of democratic development, human and material resources for bringing Ukraine back to its orbit of influence. A policy that is pragmatic and oriented at quality rather than quantity growth, and rational use of the potential and the key factors of Ukraine-Russia relations taking into account regional and international contexts can eventually lead to a model of peaceful coexistence that is respectful of vital interests and security reasoning of all parties.

Despite multiple formal recognitions of the principles of equal sovereignty and non-interference with each other's affairs, modern history of Ukraine-Russia relations has largely been defined by Moscow's desire to keep Ukraine in its orbit and Kyiv's attempts to walk away from the Kremlin's influence while maintaining economic benefits of cooperation with Russia. During the first two decades after the collapse of the Soviet Union, Russia recognized Ukrainian statehood, even if nominally. Since the late 2000s, Russia's leader Vladimir Putin has been denying Ukraine's statehood -- behind closed doors initially, then publicly -- considering it an artificial "creation of the Soviet epoch."

Hybrid Confrontation

Ukraine and Russia are now in a state of hybrid war that de facto started in the 1990s when Russia applied aggressive actions against Ukraine in economy, energy, politics, diplomacy, information, religion and mass culture. In 2014, it added military, terrorist actions and cyber attacks on top. This set of actions coordinated by Moscow is aimed at restricting Ukraine's sovereignty and ability to conduct independent domestic and foreign policy, establishing de facto control over the Ukrainian State, exploiting its territory and resources to strengthen Russia's strategic potential, and at reinforcing and expanding its influence in the region and globally.

Russia's motivation for conducting a hybrid war against Ukraine results from a specific interpretation of its national interests by the Russian leadership and a large part of its population that have never accepted a lower status of their state in the



hierarchy of international relations after the collapse of the Soviet Union. Additionally, a widespread mood in Russia is to blame its mistakes in state building, economic and social development on “external enemies”, and belief in Russia’s special civilization mission and a triune Russian people persists. This mix of motivations is closely linked to the way the Russian establishment views international relations via the concept of balance of powers in an archaic interpretation. It is additionally burdened by personal motivations of Russia’s ruling elite that sees a revisionist foreign policy as a way to consolidate popular support and stay in power.

For a long time, Ukraine’s resistance to Russian neo-colonialism was of hybrid nature. It combined the aspiration to walk away from Moscow’s political influence and attempts to preserve privileges in terms of fuel prices, access to Russia’s large market and the Kremlin’s support on Ukraine’s domestic political scene -- these attempts were often based on corruption ties. Additionally, Kyiv chronically underestimated the importance of building strong state institutions, consistent reform of its economy and social sphere, shaping of a pan-Ukrainian identity and quality training of managerial staff. Instead, Kyiv overestimated Ukraine’s geopolitical position, the factor of external support and the efficiency of references to international law and values.

In order to break out of this vicious circle of hybrid confrontation, Ukraine needs to design a realistic and consistent strategy with regard to the Russian Federation, focused on building a model of peaceful coexistence in the future that would take into account fundamental national interests and security considerations of the parties while not questioning independence, territorial integrity, and sovereign rights to its own foreign and domestic policy.

Strategic International Factors

There are several dimensions to the international factor in Ukraine-Russia relations. They are tied to the way Ukraine and Russia define their national interests; strategic vision of their place in the system of international relations, and relations with international alliances and individual states.

Ukraine's 2020 National Security Strategy lists the following priorities for Ukraine's national interests and national security: *"protect independence and state sovereignty; restore territorial integrity within Ukraine's internationally recognized borders; societal development, primarily of human capital; protect the rights, freedoms and lawful interests of Ukrainian citizens; European and Euro-Atlantic integration."* Euro-Atlantic integration stands for membership in NATO as specified in the Constitution of Ukraine and Art. 3 of the 2018 Law on National Security of Ukraine.

In Russia's 2021 National Security Strategy, Art. 25 lists the following national interests: *"1) preserve the people of Russia, develop human potential, improve life quality and well-being of citizens; 2) protect the constitutional order, sovereignty, independence, state and territorial integrity of the Russian Federation, strengthen defense of the country; 3) maintain civil peace and harmony in the country, strengthen lawfulness, eradicate corruption, protect citizens and all types of property from illegal claims, develop mechanisms of interaction between the state and civil society; 4) develop a safe information space, protect Russian society from destructive emotional and psychological influence; 5) develop Russian economy sustainably on the technological basis; 6) protect the environment, preserve natural resources and use natural resources in a rational manner, adjust to climate change; 7) strengthen traditional Russian spiritual and moral values, preserve cultural and historical heritage of the Russian people; 8) support strategic stability, strengthen peace and security, legal basis for international relations."*



Mentioned in the strategies of both countries as part of national interests, the current interpretation of “territorial integrity” is antagonistic and mutually exclusive by contrast to the period before 2014. For Ukraine, it is about returning sovereignty over Crimea and ORDLO that are temporarily occupied by Russia. For Russia, it is about cementing the “Russian status” of Crimea and countering attempts to “separate” it. It is not without reason that Art. 7 of the Federal Law of Russia On Security was edited in 2020 to include a provision on “stopping actions aimed at alienating part of the territory of the Russian Federation and calls for such actions.” The issue of Ukraine’s future membership in NATO is another important antagonizing factor. Art. 35 of Russia’s National Security Strategy refers to the “build-up of NATO military infrastructure near Russian borders” as “aggravation of military risks and threats to the Russian Federation.” Moreover, Russia’s President Vladimir Putin declared the issue of Ukraine’s membership in NATO a “red line” for Russia. At the same time, NATO membership is listed as a priority for Ukraine in its National Security Strategy. It is also recorded as a strategic vector in Ukraine’s Constitution.

The place that Ukraine seeks in international relations is defined in the Law on the Basics of Domestic and Foreign Policy. Its Art. 11 mentions “cementing Ukraine’s leading role in the system of international relations”, but this Article also makes it clear that this is about European regional rather than global ambitions: “As a European state, Ukraine conducts open foreign policy and aspires to equal and mutually beneficial cooperation with all interested partners -- primarily on the basis of the need to guarantee security, sovereignty and protection of territorial integrity of Ukraine.” Among other things, Ukraine plans to accomplish these foreign policy objectives by gaining membership in influential regional organizations, including NATO and EU.

The European regional focus is also present in Ukraine’s Foreign Policy Strategy enacted with the Decree of President Zelenskyy on August 26, 2021: “The objective of Ukraine’s foreign policy activity is to establish Ukraine in the world as a strong and authoritative European state capable of securing beneficial external conditions for sustainable development and fulfilment of its potential, economy and Ukrainian society.”

Ukraine’s 2020 National Security Strategy notes that “foreign policy activity of the state focuses primarily on ensuring independence and state sovereignty, restoring territorial integrity of Ukraine” (Art. 32); mentions strategic vector of EU and NATO membership (Art. 34); comprehensive cooperation with the US, UK, Canada, Germany and France aimed at “strengthening guarantees of independence and sovereignty, contributing to democratic progress and development of Ukraine” (Art. 35). It notes that, “in order to protect national interests and strengthen regional security”, Ukraine will develop strategic partnership with Azerbaijan, Georgia, Lithuania, Poland, Turkey, partner relations with other Baltic and Northern European countries, friendly relations with the countries of Central and South-Eastern Europe, pragmatic relations with Belarus and Moldova, and practical interaction with NATO member-states in guaranteeing security in the Black Sea basin (Art. 36).

Ukraine thus frames its tasks as a regional state, focusing primarily on protecting its national interests without clear leadership ambitions. This generally reflects the objective assessment of Ukraine's potential. The level of Ukraine's international ambition does not imply restrictions of Russia's sovereignty or exploitation of its resources. For the Russian Federation, the definition of it as aggressor-state and "a source of long-term systemic threats to Ukraine's national security" by Ukraine carries an antagonizing potential. But Ukraine acts as a party that is defending itself, its objectives do not include any aggressive plans. Quite on the contrary, they are aimed at "stopping the aggression and restoring Ukraine's territorial integrity within its internationally recognized state border based on international law" (Art. 39). In this case, the antagonism comes from the Russian Federation and the facts that it has violated Ukraine's sovereignty, territorial integrity and international law.

By contrast, Russia's global ambitions to strengthen its position as "one of the influential centers of the modern world" (Art. 3 of the Foreign Policy Concept of the Russian Federation) do not match its current potential. The structure of Russia's economy and exports predominantly relies on raw materials. Russia accounts for nearly 2% of nominal global GDP and its GDP per capita is below world average, ranking between 60 and 70 in the list of countries by this indicator. It has the ninth largest population in the world and negative demographic dynamics which even mass handouts of passports to the residents of the occupied parts of Ukraine, Georgia and Moldova fail to improve.

Military potential, especially its nuclear element, is the only factor by which Russia counts among world leaders. Therefore, Moscow has proactively worked over the past few decades to return the force factor to its past significance in international affairs, generating and stoking conflicts in various regions across the world. While it has accomplished some success in this, the potential of archaic balance-of-power paradigms in modern international relations is restricted by the objective growth of other parameters of states' power and by the fact that the top global actors, including the US, EU and China, are not interested in excessive rise of the force factor. In the long-term, Russia could find itself ill-served by the growth of the force factor -- it may boomerang on it given its accelerating technology lag and adverse demographic trends.

With the potential that does not meet its ambitions on the global arena, Russia views Ukraine as a de facto donor of strategic resources that it needs to increase its geopolitical weight to the level of a "global rival in Europe and the world." According to the Russian experts close to the Kremlin, Vladimir Putin believes that "the Russian power center will not have the critical mass" without Ukraine. Hence his belief that the collective West is "pulling Ukraine away" from Russia in order to weaken Russia, and hence his perception of the mere existence of an independent Ukraine as an "anti-Russia project." Vladimir Putin's position on independent Ukraine as a threat to Russia is close to the opinion that Aleksandr Dugin, an infamous Russian geopolitician, voiced

back in 1997. According to Dugin, the “existence of Ukraine within the current borders and with the current status of ‘a sovereign state’ is identical to a terrible blow to Russia’s geopolitical security, equal to an intervention in its territory.”

Russia seeks to prevent expanded engagement of the top global rival players in the sphere of its “privileged interests”. This includes stopping further eastward expansion of NATO and the EU, among other things. Russia is also trying to create a security perimeter around itself where it will dominate and be able to block access for foreign actors with A2/AD tools. Russia views the territory of Ukraine as a critical part of its zone of influence, including in the context of establishing the A2/AD network of zones along its borders, domination in the Black Sea, strategic launchpad for projecting Russia’s force into the European continent and the Mediterranean basin, and towards the Middle East. Its military campaign in Syria using the forces and tools based in the temporarily occupied Crimea confirms this.

Already in 1995, the Strategic Course of Russia with CIS Member-States, a document approved by a Decree of the President of Russia, set the task to “in interaction with the third countries and international organizations, achieve their understanding that this region is primarily the area of Russia’s interests.” After the Russia-Georgia war in 2008, Russia’s President Dmitriy Medvedev stated that his foreign policy would be based on the fact that “just like other countries of the world, there are regions where Russia has its privileged interests.” Following that rationale, Moscow sees as natural its interference with the affairs of other countries that emerged after the collapse of the Soviet Union and Russia’s right to veto cooperation of these countries with other international actors. In his commentary on possible conditions of Russia’s coexistence with the West, Russian expert Dmitri Trenin writes that “the new world order” can emerge “on the basis of regional balances” (de facto spheres of influence), recognition of Crimea as Russian, and Ukraine and Georgia quitting the idea of joining NATO and the EU while opting for just associated partnership with them.

Obviously, it is unacceptable for Ukraine to be viewed either as a donor for boosting Russia’s geopolitical role or a sphere of its privileged interest, or as an anti-Russia project. The first option implies the loss of agency for the sake of Moscow’s great power ambitions. The second option dooms Ukraine to an existential confrontation with a strong and tough rival that will, at the very least, divert the resources Ukraine needs to build a democratic, lawful, socially-oriented state with a developed economy and a high standard of living.

Oleksandr Lytvynenko, then-Director of the National Institute for Strategic Studies of Ukraine, offered a clear answer to Putin’s vision of Ukraine in 2021 at *Dzerkalo Tyzhnia* (The Weekly Mirror): “Ukraine is not a project aimed against someone or created artificially to serve someone’s interests. Our key goal is to build a free European society, a democratic lawful state, a modern developed economy. The

Constitution of Ukraine declares an individual and his or her life, health and dignity the highest social value.”

Ukraine will have to fight for its right to build such a state in an extremely difficult environment of asymmetric economic, demographic and force potentials with the Russian Federation. This requires efficient use of its few strengths and mobilization of efforts to boost additional strengths.

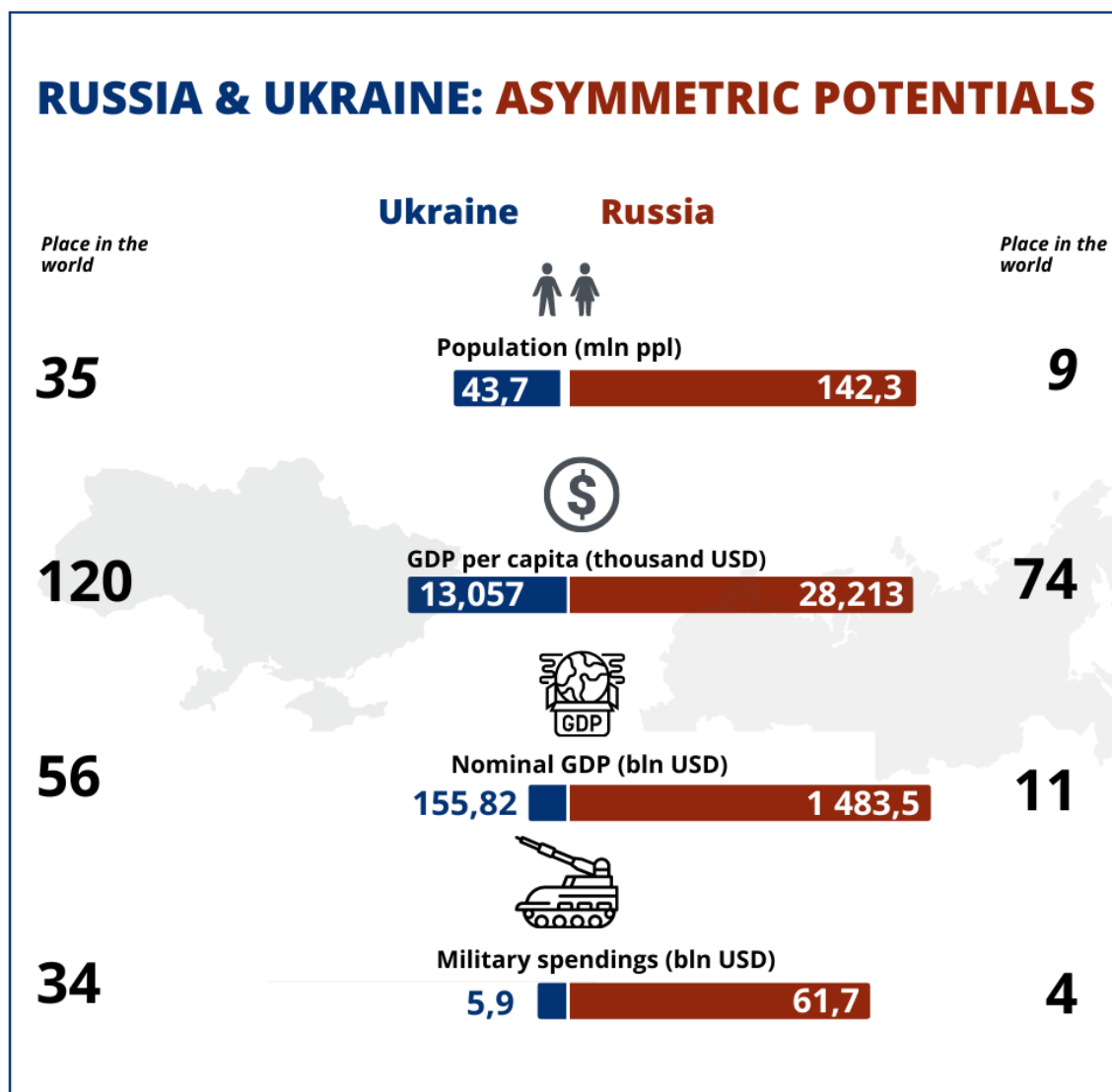
Asymmetric Potentials and Opportunities

By most key indicators, Ukraine’s potential is significantly lower than Russia’s in both absolute (justified by the fact that Russia’s population is more than three times larger than Ukraine’s) and relative terms. Ukraine’s nominal GDP is just 0.18% of the global GDP, or 11 times smaller than that of Russia. By GDP per capita, Ukraine ranks between 120 and 130 with US \$3,000 compared to Russia’s US \$11,000. Ukraine’s GDP (PPP) looks somewhat better, but it is still half of Russia’s with US \$13,000 versus US \$28,000 in 2020.

Just like Russia, Ukraine is experiencing negative demographic trends as its population declines and ages. It is nearly impossible to accurately calculate Ukraine’s population now. The latest census was held in 2001. Since then, Ukraine has experienced negative natural dynamics, mass emigration of workers, and Russia’s occupation of Crimea and ORDLO with the total population of nearly 5 million people, including nearly 3 million who have already received Russian passports (2 million in the occupied Crimea and almost 1 million in ORDLO). Ukraine’s State Statistics Committee estimated Ukraine’s population at 41.3 million people in June 2021, not taking into account the temporarily occupied Crimea. Ukraine could somewhat offset the demographic decline with high labor productivity. Instead, the actual productivity in Ukraine is half the world average, including that of Russia. The structure of Ukrainian exports is similar to Russia’s and also mostly relies on raw materials -- the difference is that fuels dominate in Russia’s exports, while the products of agriculture and metallurgy dominate in Ukraine’s exports. The share of Ukraine’s GDP invested in R&D is half of the share that Russia spends.

When it comes to military potential, SIPRI assessed military spending in Russia at US \$61.7bn in 2020, which was 10.5 times over Ukraine’s US \$5.9bn. Even without Russia’s nuclear potential, its armed forces are far larger than the Ukrainian army. Moreover, the key challenge for Ukraine is not so much about less quantity of

personnel and armament (a party that is defending itself can afford that) as it is about a serious gap in the quality of the military equipment. Additionally, Russia launched its military reform and modernization of the armed forces several years ahead of Ukraine, right after the 2008 Russia-Georgia war, and has achieved serious progress by now.



Ukraine began rebuilding and modernizing its Armed Forces only after the Russian invasion in 2014. Despite serious accomplishments, it needs to focus more resources and efforts on this. Art. 21 of the current National Security Strategy notes this: *“The current pace of rearming the Armed Forces of Ukraine, other components of defense with new (modernized) equipment fails to meet the need for the replacement of the key types of armaments and Soviet military equipment whose term of service will expire in the near future. The growing deficit of financial resources makes it more difficult to spend funds on production and purchasing of armaments and military equipment. Coupled with the imbalance of Ukraine’s and Russia’s military potential, this calls for a new military security strategy.”*

Ukraine's new 2021 Military Security Strategy rightly states that Ukraine has no ability or need to achieve military parity with Russia: *“Comprehensive defense of Ukraine does not seek military parity with the Russian Federation. This would lead to excessive militarization of the state and exhaustion of the national economy. Instead, it implies keeping a certain balance and synergy of military and non-military tools to ensure Ukraine's military security.”* This means that Ukraine should be prepared to inflict irreparable losses on its opponent, forcing it to quit escalation: *“Deterrence in the context of comprehensive defense of Ukraine calls for the readiness of Ukraine's defense forces, national economy, population and the whole state to counter armed aggression against Ukraine, enhancement of air defense capacity, creation of integral territorial defense, preventive measures to counter military threats, and achievement and maintenance of capabilities to inflict irreparable losses on the opponent, forcing it to quit escalation or stop armed aggression against Ukraine.”*

Experts in top international think tanks voice similar opinions. RAND's Brian Nichiporuk believes that “Ukraine should not necessarily be able to repel an invasion in order to deter Moscow. Instead, it should be capable of inflicting a high enough price on the Russian leadership (which, as you know, has interests both in Europe and Asia) for it to understand that it makes no sense as the damage is greater than the potential benefit.”

In this context, the international factor can seriously increase Ukraine's potential. With an efficient policy in place, it could compensate for Ukraine's lag behind Russia in the military and economic spheres to some extent.

The Factor of International Support

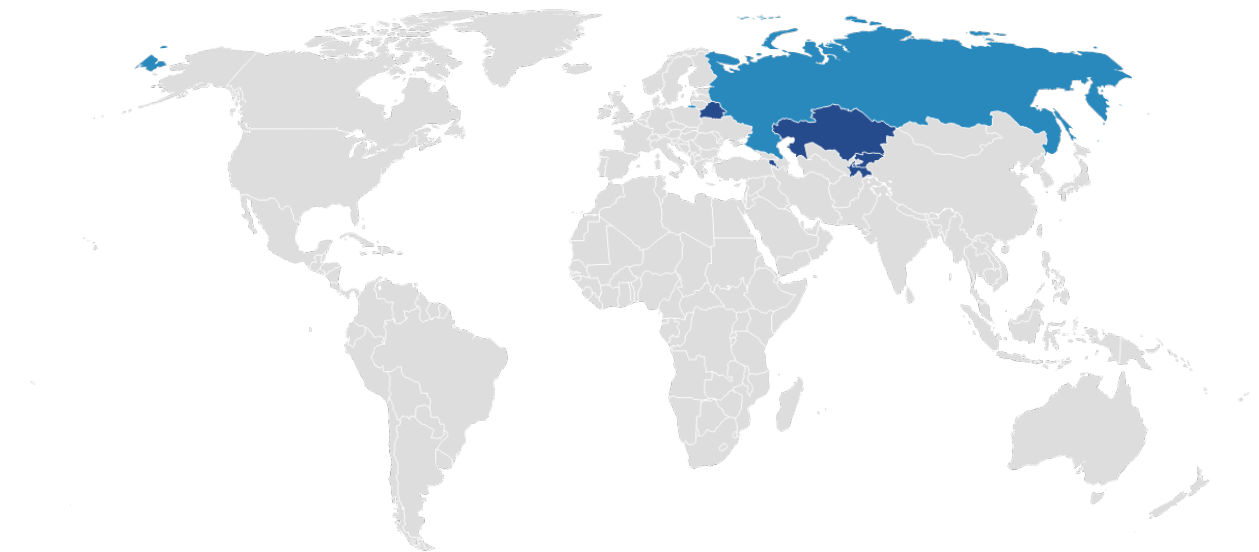
Alliances and coalitions always played an important role in international affairs, including by influencing the balance of powers of different parties. At the same time, Russia today has no strong allies, only a few satellites from the Collective Security Treaty Organization that are weak both militarily, and economically. The benefit of Russia's alliance with these countries is mostly in strategic access to their territory. Moscow tries to scare Washington with its potential union with Beijing from time to time. But this is an unlikely alliance since Russia would have to be a junior partner and a supplier of raw materials in it, a concern it partly exploits to justify the fact that it has seized approximation to the collective West.

Ukraine currently has no official allies. Despite close cooperation and partnership with NATO, it cannot count on Article 5 of the North Atlantic Treaty. However, the role of a non-leading regional player which Ukraine seeks now does not antagonize key international and regional players or most of its neighbor-states, which expands the opportunities to receive effective support from a wide range of interested international actors, including NATO and EU.

Russia's allies in the Collective Security Treaty Organization

The benefit of Russia's alliance with these countries is mostly in strategic access to their territory.

■ Russia ■ Other members



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By contrast, Russia's ambitions to be a global actor do not match strategic interests of any of the top global power centers, including China which is relentlessly expanding its presence in traditional zones of Russia's influence, including in Eastern and Central Europe, Central Asia, Balkans, Caucasus, Middle East, Africa and Latin America. In the movement towards a new bipolarity, Beijing is only interested in Moscow as a junior partner in the global confrontation with Washington -- and as a partner that is not strong enough to play its own game or to dictate its terms. A weakened Russia, as it is now, is far more fitting to Beijing's strategic interests compared to a Russia with the potential of the former Soviet Union. In this sense, Russia's ambition to absorb Ukraine in one way or another is of little interest for Chinese interests, even if Beijing is equally disinterested in a stronger US influence in Ukraine.

As a factor of deterring Russian revanchism, an independent Ukraine works well for the US as the global leader of the West challenged by Moscow. Kyiv can justly count on some benefits from this situation, but that must come with preserving a balance of interests and the agency of partners. Unsurprisingly, the US is the largest contributor of military aid to Ukraine. Since 2014, it has provided over US \$2.5bn of aid to Ukraine, including Javelin portable anti-tank missile systems, counter-battery radars, patrol boats, military vehicles, tactical, engineering and medical equipment, radio equipment, military training and more. The US is also a driver of support for Ukraine's security and military sector via numerous NATO trust funds and programs.

Close allies of the US, including Canada and the UK, are also proactive in providing political, economic and military support to Ukraine. The support of London got a new impulse after Brexit. In June 2021, Ukraine and the UK signed an agreement to build military vessels and two bases for the Ukrainian Navy. London will provide a loan of £1.25bn for this.

Neighbor-states, primarily Belarus and Moldova, have an objective interest in Ukraine's independence. If Russia were to swallow Ukraine, that would automatically mean their loss of statehood as well. Poland, Slovakia, Hungary and Romania are interested in having Russian troops away from their borders. A balance of power in the Black Sea tilted in favor of Russia does not benefit Turkey, Bulgaria and Romania. Baltic States and the countries of the Caucasus and Central Asia would face much stronger pressure from Moscow if Ukraine were to lose the defensive war for its statehood resulting from Russia's aggression. The support for Ukraine from Poland, Lithuania and Turkey has already seen a mutually beneficial boost via military-political and military-technical cooperation. It has good prospects in the future.

Vladimir Putin's aggressive political course has seriously damaged Russia's traditionally partner relations with Germany and France that remain committed to international law, including on inviolability of state borders, and are key actors in keeping the EU's sanctions against Russia in place while also providing serious support to Ukraine's reforms. A politically and economically difficult decision to cancel the sale of Mistral-class ships to Russia in 2015 was a strong signal in support of Ukraine from Paris. While Germany's determination in finalizing Nord Stream 2 brings serious security risks for Ukraine, the fact that Berlin is willing to discuss these risks with Kyiv and to seek compensators and guarantee mechanisms points to a serious change of how Germany perceives Ukraine's security problems.

As a result, on one hand, Russia's aspiration to boost its status in the international hierarchy using Ukrainian resources poses an existential threat to Ukraine's statehood. On the other hand, this revanchist policy objectively contributes to stronger international support for Ukraine from global and regional leaders, and from neighbor-states that are not interested in a stronger aggressive Russia with its imperial ambitions.

It is important to keep in mind that while Ukraine can be a reliable partner and ally in deterring the Kremlin's revanchism and imperialism, it should not become an instrument of inflicting damage on the Russian people and State in what has nothing to do with repelling Russia's aggression and overcoming its consequences. Ukraine is interested in a democratic and economically developed Russia that is safe for itself and other countries, and in channeling Russia's political course in a constructive direction oriented at the well-being of the Russian population rather than at the power ambitions of its corrupt leadership that manipulates public opinion with propaganda and disinformation.

Economic and Domestic Political Factors

Despite the claims of Russian politicians that Russia has been helping Ukraine economically for decades (Vladimir Putin estimated that Ukraine saved over US \$82bn thanks to "low gas prices"), Russia has in fact been receiving serious benefits from economic relations with Ukraine by selling it huge amounts of fuels, as well as thanks to preferential access to the Ukrainian market for Russian business, not least through the "subsidized" gas schemes in which some top officials had their interest. With this privileged access, by 2013, Russian business had taken control of about half of Ukrainian regional power supply companies, a third of Ukraine's financial sector, a large part of industry and trade, two out of Ukraine's three biggest mobile operators, and popular mass media. In addition, Moscow exerted influence on a number of Ukrainian political parties and civic movements, nearly half of the Orthodox Church, a widespread network of agents of influence in government, special services and non-government organizations.

All this generated political influence over Ukraine and multibillion revenues for Russia, which it would not have received without protectorate in the Ukrainian government or in a fair environment with competition from global producers. Russia used to enjoy a great surplus in trade with Ukraine -- at US \$8.3-10.0bn in favor of Russia annually over 2010-2013, which objectively illustrated the benefit of economic relations with Ukraine for Russia. The desire to preserve preferential access to the Ukrainian market was an important reason why the Kremlin pressured the Ukrainian government in 2013, pushing President Yanukovich to reject the Association Agreement and DCFTA with the EU, which provoked the EuroMaidan and the Revolution of Dignity.

While Ukraine-Russia trade plummeted from US \$48.6bn in 2011 to US \$10.0bn in 2020, Russia remains one of Ukraine's top trade partners, ranking third in 2020 with 8.5% after the EU and China. Ukraine exported US \$5.3bn worth of goods and services to Russia in 2020 while importing US \$4.7bn worth of goods and services.

In some categories, such as energy carriers, mineral products and nuclear fuel, Ukraine is still heavily reliant on imports from Russia, and costs and transportation make looking for alternative suppliers difficult. In 2019 and January-September 2020, Russian coal accounted for 60% of all coal imported by Ukraine, and its petroleum products for 38%. Another 36% of petroleum products was imported from Belarus where the processing industry uses Russian raw materials. Over half of Ukrainian nuclear power plants work with elements produced in Russia even as diversification is ongoing: in 2020, Ukraine's Energoatom signed a new contract to supply reactor fuel to Ukraine with Westinghouse. 2020 and early 2021 saw political debates in Ukraine about importing electricity from Russia. On one hand, Ukrainian authorities are trying to avoid giving non-competitive privileges to some domestic producers. On the other hand, importing electricity from Russia is unacceptable from the political and security perspectives. A strategic solution of this problem calls for Ukraine's integration into the European electricity market.

TRADE BETWEEN UKRAINE AND RUSSIA

UKRAINE'S EXPORT TO RUSSIA IN THE FIRST HALF OF 2021 **\$1523,846 ML** STRUCTURE



- ferrous metals (24.9%)
- nuclear reactors, boilers, machinery (17.2%)
- inorganic chemistry products (17.2%)
- plastics, polymeric materials (5.6%)
- ferrous metal products (4.6%)
- electric machines (3.3%)
- salt; sulfur; earth and stones (2.6%)
- paper and cardboard (2.3%)
- ceramic products (1.8%)
- means of land transport (1.6%)

UKRAINE'S IMPORT FROM RUSSIA IN THE FIRST HALF OF 2021 **\$415,272 ML** STRUCTURE



- mineral fuels, petroleum and products of its distillation (53.3%)
- nuclear reactors, boilers, machinery (7%)
- plastics, polymeric materials (6.5%)
- ferrous metals (5.6%)
- aluminum (2.4%)
- rubber (2.2%)
- inorganic chemical products (1.9%)
- glass and glass products (1.8%)
- nickel (1.8%)
- other chemical products (1.6%)

Apart from being a large market, Ukraine is also important for Russia given the negative demographic trends in the latter. According to UN estimates, Russia's population may shrink to 129 million by 2050. With that, Russia will move from being the 9th most populated country in the world to 15th. This will not just undermine its already illusory chance for positioning itself as an influential power center in the modern world, but lead to a critical shortage of the workforce. In July 2020, Vladimir

Putin admitted openly that “it is obvious that, as Russia’s economy develops, we are already short of working hands, and this will be really noticeable soon. This is becoming a real, objective restricting factor for the country’s economic growth.” Vladimir Putin suggested counting primarily on those “who feel Russian in a broader sense” to fill up the workforce, and it is well-known that he counts Ukrainians and Belarusians as such people. Putin’s 2019 decree to simplify the issuance of Russian passports to the residents of the occupied parts of Donetsk and Luhansk oblasts can thus be viewed both in the context of pressure on Kyiv and laying ground for a possible full-scale military intervention under the pretext of protecting compatriots, and in the context of improving Russia’s demography.

Ukraine, unfortunately, is now difficult to compete with Russia economically. Therefore, hundreds of thousands of Ukrainian citizens still work in Russia despite the ongoing war. To bring them home, Ukraine needs a more attractive investment and business development environment that will lead to new jobs with competitive salaries. Still, Ukraine as a state already has some competitive advantages over Russia now: a democratic regime, even if not flawless; much more individual freedom; media pluralism, and visa-free travel arrangements with the EU. In order to build a model of relations with Russia that would guarantee Ukraine’s sovereignty and independence, Ukraine has to “shape a more attractive social model that will ensure more freedom, justice, better protection of human rights and economic efficiency.”

The Russian government used aggressive policies against Ukraine to legitimize its autocratic and corrupt regime in the eyes of the Russian citizens and to mobilize their support. Just like with the Second Chechen War in 1999-2000 and the war against Georgia in 2008 where military campaigns amidst mass propaganda helped boost support for Vladimir Putin to 84-88%, military occupation of Crimea amidst mass “patriotic” propaganda from Russian media in 2014 helped his rating grow to 83%. However, this factor does not have an unlimited potential. Experts believe that Vladimir Putin should not count on a new military campaign against Ukraine to boost his rating that has once again plummeted since the “Crimea is ours” euphoria.

Another relevant factor is the Kremlin’s determination to present Ukraine as a negative model for the Russian citizens and member-states of its integration initiatives in order to persuade them that democracy with its right to mass protests and cooperation with the West is not an option for the former Soviet republics as it leads to the collapse of economies, impoverishment and internal conflicts. The potentially successful development of a democratic European Ukraine is considered by the Kremlin regime as an existential threat to its political control over Russia and to Russia’s integration prospects in the post-Soviet space. If Ukraine succeeded, it would obviously become an inspiring model for the citizens of Russia and its satellites, whom propaganda is now persuading that there is no alternative to the autocratic model and Russian integration projects. Elmar Brok, ex-Chairman of the European Parliament Committee on Foreign Affairs, once pointed out rightly that “if Ukraine becomes a

democratic and economically successful country with the rule of law... this will be a catastrophe for the Kremlin.”

This situation is a challenge and an opportunity for Ukraine. A challenge is that the Kremlin will keep working to undermine Ukraine’s economic development and hamper its reforms. An opportunity is that this factor stimulates support for Ukraine for international partners that are interested in Ukraine as an inspiring model of the benefits of democracy and market economy for the citizens of Russia and the entire region. In a way, Ukraine’s defeat on this path would be a symbolic defeat of the Western development model.

Conclusions and Recommendations

Undoubtedly, Ukraine’s main priority in the foreseeable future is to terminate the aggression and to defend its independence and sovereignty. At the same time, since war is a way for Russia to impose its own vision of the model of relations with Ukraine, removing the reasons for the aggression and preventing risks of escalation in the future calls for finding a mutually acceptable model of coexistence that will not question Ukraine’s independence and sovereignty.

When shaping its policy on Russia, Ukraine should keep in mind that there are currently no grounds to believe that the Kremlin will drop its ambitions to return the entire territory of Ukraine into the Russian orbit of influence for as long as Moscow sees this as potentially possible. Russia will be ready to return the Ukrainian territory it currently occupies only once convinced that returning Ukraine to its orbit of influence is no longer possible and a change of the regional/global balance of power makes further occupation of the Ukrainian territory unjustifiably expensive and redundant from the point of view of the Kremlin strategists.

Without trying to be comprehensive or exhaustive, but rather aimed at highlighting a number of important aspects in designing Ukrainian policy on Russia, the proposals listed below for various areas and the foreseeable future are recommended to be taken into account by experts and the authorities in charge.

Expert work

- Ukrainian experts and academics should focus more on **researching the domestic political, social, economic, demographic, environmental and humanitarian situation in Russia**, while government bodies should support such research. Among other things, Ukraine needs comprehensive objective research of Russia's fundamental national interests, including the security aspect, in order to look for answers that will not counter or undermine Ukraine's national interests.
- **International experience of how states with asymmetric potential live side by side** is worth researching in detail to explore certain similarities in constructing an own mutually acceptable model. More attention should be paid to studying the **positions and interests of the third parties** that already influence or could potentially influence Ukraine-Russia relations. This expertise can make **the engagement of international support for Ukraine more efficient**.
- Sustainable peaceful coexistence of Ukraine and Russia serves fundamental interests of both nations, so it will be important to find a **mutually acceptable security model** in the future that will take into account risks and security considerations of the parties **without questioning the sovereign right** of every party to its own foreign and domestic policy. Obviously, for such a dialog to take place at the official level, Russia's aggression should stop and deoccupation of Ukrainian territory should take place. However, it would already make sense to start **an expert dialog**, including with experts from international partners interested in stability and safety in the region.
- **Changing the paradigm of treating Ukraine** as a former Russian province that is lost temporarily in the confrontation with the collective West and should be returned to *Ruski Mir* -- **a paradigm that currently prevails in the Russian political and expert environments** -- is an extremely difficult but important task for Ukraine in the future. A comprehensive approach should be used to find a way to communicate to the target audiences in Russia that its current policy on Ukraine is wrong and has no future, while offering to focus on real and actual challenges faced by Russia that keep it increasingly lagging behind global leaders and push it to the sidelines of civilizational development. Target audiences in Russia should be offered a model of Ukraine-Russia relations that could boost progress of both nations and states while preserving their sovereignty and own paths of development, rather than casting them into a medieval fight for territory and population which the Kremlin is imposing today.

Security policy

- Decreasing the likelihood of escalation of Russia's aggression against Ukraine requires consistent implementation of the course as described in Ukraine's current Military Security Strategy. This course is to build **comprehensive deterrence capabilities that can inflict irreparable political, economic, military and other losses on the opponent**, make it quit escalation/aggression as possible losses from it will be far greater than benefits. Special attention should focus on defense and security sector reform to increase their potential and interoperability with defense and security sectors of NATO member-states.
- Given the asymmetrical military potential between Ukraine and Russia, **Ukraine's security policy in the context of relations with Russia must include the international component**. This component should offer security guarantees for Ukraine and mechanisms to enforce these guarantees under the available international formats and/or new ones developed with implementability in the short-, mid- and long-term prospects in mind.
- Ukraine should **effectively use the objective interest of the top global and regional actors and neighbor-states** in preserving its independence and deterring Russia's aggressive revanchist policy. It should strengthen and contribute new more ambitious substance to regional security initiatives, such as the Lublin Triangle or the Ukraine-Turkey Quadriga Format, engage proactively in the work of the Bucharest 9, and work on new regional security formats that will not counter Ukraine's course towards NATO membership.
- –n the context of Minsk's growing political dependence on Moscow and the accelerating integration of Belarus with Russia, **risks grow that the Belarusian territory and security forces will be used as part of Russia's hybrid war against Ukraine**. Officially, the initiative of escalation or an armed provocation could come from the Lukashenka regime, which would make proving that Russia is involved more difficult. Ukraine should take reinforcing its northern frontier very seriously and initiate an international discussion of the growing security threats from Belarus and Moscow's destructive role in this, including at the OSCE and UN Security Council.

Deoccupation policy

- Both international formats, such as the Normandy Four and others, and national strategies for deoccupation of ORDLO and Crimea should be rooted on the firm principle whereby **deoccupation policy and restoration of Ukraine's territorial integrity cannot be achieved at the price of restricting its sovereignty** in domestic or foreign affairs. Restriction of

sovereignty will in no way help Ukraine return effective control over the occupied territory. Instead, it would make the entire state more vulnerable.

Economic policy

- In cooperation with the expert community, the ministries and government agencies in charge of the economy should do in-depth research to explore the **optimal parameters and scale of Ukraine-Russia economic interaction, taking into account its impact on the whole range of Ukraine-Russia relations, primarily the security component.** In areas that are risky for Ukraine's national security, such interaction should be decreased and options should be found to replace imports and diversify markets/suppliers. If spheres are identified where cooperation could objectively diffuse the risks of confrontation in bilateral relations, it would be worth looking at the prospects of increasing such cooperation to a scale that is safe for Ukraine's sovereignty.

Energy policy

- **Abolishing Ukraine's dependence on Russian energy carriers,** including buying electricity, coal etc. from Russia, is a matter of its national security. A strategic solution for this challenge calls for Ukraine's full integration into the European energy community.
- While countering the launch of Nord Stream 2 or limiting its use, Ukraine should already prepare for a potential need to **supply the amounts of natural gas it needs without Russian transit** and virtual reverse flows. It **should not postpone solving this issue until its contract with Gazprom expires in 2024.** Once Nord Stream 2 is launched, Moscow can perfectly decide that stopping transit via Ukraine and paying the penalties to Kyiv under the current contract is an acceptable price for leaving Ukrainian population and industry without gas and provoking a crisis of utilities and economy, and socio-political destabilization. In order to avoid Western sanctions, an "incident" or a "terrorist attack" in Ukraine's gas transit system or in the Russian segment of the pipeline leading to Ukraine could be used as pretext for stopping the transit.

Humanitarian and information policy

- The problem of Ukrainian hostages and political prisoners detained or jailed illegally in Russia and the occupied territory has de facto vanished from the agenda of international mass media lately, which results in less attention of the international community. **Ukraine needs to mobilize efforts to free its**

illegally detained and jailed citizens under the international law, diplomacy and media frameworks.

- **Establishing Ukrainian identity while preserving national unity** is an important task for Ukraine's humanitarian policy in the context of relations with Russia. The Kremlin propaganda is trying to present an artificial clash between "Ukrainian identity" and "national unity", although national identity in the sense of the way citizens identify with their political nation organically forms national unity in European practice. For example, a citizen of France is French regardless of the ethnic background. The models of Switzerland, Belgium and other countries with the regions that are densely populated by different ethnic groups are irrelevant for Ukraine with its largely homogenous population.
- Ukraine has accomplished some success in countering Russian propaganda and disinformation at home and internationally in a joint effort with partner-states. Still, the population of Russia remains within the framework of the narratives produced by the Kremlin propaganda. While a large part of the Russian population deliberately shares and supports the Kremlin's aggressive revanchist policy, Ukraine should -- jointly with its foreign partners -- **seek an opportunity to communicate with the part of the Russian society that does not support this aggressive foreign policy and realizes that it should live peacefully with a sovereign Ukraine** based on the principles of good neighborhood and respect for international law. Among other things, this should include contacts with political and expert communities, representatives of civil society, human rights advocates and independent med