

## **Yanukovych's Time Is Up in Ukraine; the West Must Prepare**

### **Opinion**

Posted by:

Posted on : 2014/1/31 11:11:48

**Aslund: "The conclusion is twofold. On the one hand, developments in Ukraine can become quite dramatic. On the other, the West can counteract quite effectively. However, in order to be effective and resolve the Ukrainian drama in a peaceful and constructive fashion, the West needs to engage in serious contingency planning right now and comprehend that Ukraine is the current top international priority."**

By Anders Aslund\* | January 30th, 2014 | 05:04 pm The Ukrainian drama has taken a drastic turn. President Viktor Yanukovych seems to be on his way out. On Thursday (January 30), he announced he was going on sick leave, but his illness has the feel of something indefinite. The faster he departs the better for Ukraine. But because of the dire financial and political situation throughout the country, with ramifications for relations between Europe and Russia, the West must focus immediately on Ukraine as the top international concern at this moment. Contingency plans for the demise of Yanukovych need to be put in place. Revolutionary times have their own logic that is very different from the logic of ordinary politics, as writers from Alexis de Tocqueville to Crane Brinton have taught. The first thing to understand about Ukraine today is that it has entered a revolutionary stage. Like it or not, we had better deal with the new environment rationally. A revolutionary situation comes with one well-known dynamic, that of a revolution eating its own children. Yet, this is not inevitable. Sensible forces can overtake the revolutionary dynamic. A rational political elite should try to get ahead of the train and drive it in a democratic direction. The first and most important point is that President Yanukovych is finished. Though duly elected in 2010, he cannot serve until the end of his term in March 2015. His fate was sealed in three steps. First, he initially campaigned for the European Association Agreement all fall, but then he refused to sign it under pressure from Moscow. That mercurial decision led to a popular uproar, including occupation of major public spaces throughout the country. Second, on January 16, he had the parliament adopt nine dictatorial laws, which could have put all the protesters in prison. The threat of a crackdown gave the opposition no choice but to stand firm. Yanukovych had transformed the struggle to a winner-take-all battle. By January 25, the opposition occupied the regional administrative headquarters in half the country. Yet, the opposition leaders still found it worthwhile to negotiate with Yanukovych in spite of rising protests from the radical right. On January 28, trying to salvage the situation, the parliament revoked its repressive laws and the cabinet of ministers resigned. Still, the political process was alive with demands for more from the government. Third, on January 29, Yanukovych committed a fatal mistake. He forced the parliament to vote for his version of an "amnesty" bill for political prisoners. Amnesty would only be given if the protesters first evacuated all the buildings they had occupied and ended their protests. The opposition, having lost all faith in Yanukovych's credibility, found his gambit unacceptable. Moreover, Yanukovych went to parliament himself and personally threatened recent defectors. Even so, he managed to mobilize only a slim majority of 232 votes and 226 were needed. With his recent actions, Yanukovych has effectively stopped the political process. The opposition is now focusing on one demand: his resignation. They also demand early parliamentary and presidential elections. Yanukovych is generally perceived to have stolen the parliamentary elections in October 2010, which were really won by the opposition, but he managed to

keep a lid on until now. The opposition is also demanding a reinstitution of the parliamentary-presidential constitution of 2004, which Yanukovich had his obedient Constitutional Court abolish in October 2010. But in reality, the only topic that the opposition is willing to discuss with him is the conditions for his resignation. Yanukovich's downfall is not really surprising. He has made every conceivable political mistake all along, confusing a steamroller approach with political strength. Among Ukrainian politicians, Yanukovich reminds me of Vladimir Lazarenko, Ukraine's prime minister in 1996–97, who lied patently while scaring everybody. Then he was suddenly gone. For laundering a now-paltry \$130 million, Lazarenko has spent a decade in California's overcrowded jails. I asked the wise socialist leader Oleksandr Moroz how this could have happened, and he told me in his usual forefront fashion: "He did not share."

Similarly, Yanukovich has concentrated all power and wealth within a small group of young businessmen around his son Oleksandr. It is not just the general public that Yanukovich has alienated. By my count, Yanukovich's first government of 2010 contained nine oligarchic groups. Soon, the number declined to three, and now his government consists of no one but the "Yanukovich family." In the last month, Yanukovich has alienated his last allies: gas oligarch Dmytro Firtash, metallurgical oligarch Rinat Akhmetov, and the old Donetsk group of Prime Minister Nikolai Azarov. Who remains after you have betrayed all your closest friends? Nobody! The big businessmen complain bitterly in private of the Yanukovich family extorting them and taking over their properties for little or no payment. In the tax administration, ordinary officials are said to be no longer allowed to take the customary cuts while delivering all the extorted funds to the very top. Thus, the pervasively corrupt state administration also opposes Yanukovich. The same appears to be true of law enforcement, with the exception of 8,000 brutal riot police. During the weekend January 25–26, Yanukovich lost territorial control over the country. Opposition activists have taken over half the country. The regional unrest has spread everywhere except for the Crimea and Lugansk, the two most Russian regions. In the parliament, Yanukovich no longer seems to have the support of more than 125 out of 450 deputies. Similarly, opinion polls suggest about one-quarter of the population is with him. Only the Berkut riot police and some hired thugs still support him, but that is a very fragile base. The president has simply lost administrative and political control over the country.

**What Should the United States and European Union Do Now?** In the short term, the West should no longer call for negotiations between Yanukovich and the opposition. Rather the West should be ready to mediate in a negotiation to clear the way for his exit. For that purpose, the European Union should have a senior representative permanently posted in Kyiv during this height of the political crisis. EU Commissioner Stefan Füle would be the natural choice, having the greatest knowledge of Ukrainian leaders. Personal sanctions should be imposed against those who pursue violence, but this stage may pass fast. Yanukovich could depart in many ways, and it is hardly meaningful to speculate how. It is more fruitful to discuss what may happen after Yanukovich has departed. Presumably, a provisional government of all the opposition parties will be formed and new parliamentary elections held within three months. That parliament may in turn adopt a new constitution. President Vladimir Putin of Russia provided credits and ended multiple sanctions against Ukraine in his support of Yanukovich on December 17, 2013. Now he and other Russians are suggesting they will end their financial support and revive the prior sanctions that were lifted to discourage Ukraine's turning to the West. With Ukraine high and dry as a result of Russia's strong-arm tactics, the West faces a big agenda for Ukraine. First, Ukraine will face a severe financial emergency. The International Monetary Fund (IMF) needs to engage immediately with a provisional government as soon as one is set up. A depreciation of the Ukrainian hryvnia appears inevitable, but possibly it can stop at 9.5 to 10 hryvnia per US dollar, against the current 8.5 hryvnia per dollar. Public expenditures need to be frozen and dubious enterprise subsidies need to be cut. Taxes are already high and cannot be raised further. The previous favorable tax regime for small enterprises needs to be reintroduced to revive small entrepreneurship. Finally, gas prices

should be adjusted to costs and markets. Second, there must be a response to the likelihood of Russia imposing severe trade sanctions, presumably prohibiting all imports from Ukraine, as Georgia and Moldova experienced in 2006. Here the United States and the European Union need to react sharply both bilaterally with Russia and in the World Trade Organization (WTO). To reimpose sanctions would violate Russia's commitments to the WTO, and the West should prepare an appropriately severe response. Third, there must be a response in the likelihood of Russia cutting its gas supplies to Ukraine, as it did in January 2006 and January 2009. Since about half of Russia's gas supply to Europe still passes through Ukraine, such a step would be a serious concern for the European Union, which has ample legal means to retaliate against Russia. Indeed, Russia could lose its gas market in Europe if it carries out such an act once again. Ukraine is too big and strong a country for Russia to be foolish enough to consider any military intervention, especially on the eve of the Sochi Olympics. The conclusion is twofold. On the one hand, developments in Ukraine can become quite dramatic. On the other, the West can counteract quite effectively. However, in order to be effective and resolve the Ukrainian drama in a peaceful and constructive fashion, the West needs to engage in serious contingency planning right now and comprehend that Ukraine is the current top international priority.

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