

NATIONAL INSTITUTE FOR STRATEGIC STUDIES

**DONBAS AND CRIMEA:
RETURN AT WHAT PRICE?**

Monograph

Abridged and translated from Ukrainian

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The war in Donbas and the annexation of Crimea are comprehensively studied in this Monograph. The research is conducted from the perspective of national security of Ukraine. Russia's military aggression is described as a stress-test for global and national security, and as a catalyst for Ukraine's foreign policy restart. Authors also analyze reasons and consequences of a temporary loss of control of some of Ukrainian territories. Particular emphasis is put on the position of Ukraine and approaches of the EU and Russia in the Minsk process for resolving the situation in Donbas. Reintegration terms and recovery priorities for Donbas are outlined. The ways to overcome social consequences of Russian military aggression against Ukraine are defined. Authors provide prognoses for development of situation in Donbas and Crimea with focus on possible scenarios of the future of Ukraine in a globalized world. The research is intended for politicians, political analysts, senior civil servants. The study results will be useful for national security researchers, as well as for conscious citizens.

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FOREWORD

(English edition)

*The world has never been so fragile,
the national security of Ukraine has never been so vulnerable.*

The ongoing crisis events in Ukraine could hardly leave anybody neutral. Indeed, true scholars have no right to withhold their opinion about it. In fact, there are many studies on topics of the “hybrid war”, Crimea annexation and causes of the current occupation of the territories in the eastern Ukraine. However, most of these studies are fragmented, focused on the past and muted about permanent threat of the “northern neighbor”. Meanwhile, this threat has become critical.

This is the main reason why we present the results of the comprehensive study “Donbas and Crimea: return at what price?” conducted by the scientists of the National Institute for Strategic Studies.

What is the focus of our research? Although, the title identifies key Ukrainian concerns, the study is about Ukraine as a unitary, sovereign state, its national security, and the role it plays in the global security environment as it struggles with existing challenges. This makes our book dramatically different from other works.

This is the first time when the loss of territories in Donbas, Crimea annexation, other threats to the national security and impact of the Soviet mindset are examined as integral parts of the one phenomenon – Russian imperialism. The book is based on the complex narrative of the analytical studies, strategic horizon-scanning and unconstrained search for the answers to the hard questions.

The central question for Ukraine’s future is “Should Ukraine recover annexed and occupied territories?” There is another dimension of the same concern “Should these territories be restored as Ukrainian?”

It is important to understand what is the cost of losing these lands before speculating about the ways and means of their recovering. Often, in the public discourse, we may come across an argument whether these territories were of any value for Ukraine. I do not see any point in such debate. Russian seizure of Donbas and Crimea has made huge damage to Ukraine.

Next question is “How much time may regaining of Donbas and Crimea take?” We have positive answers in the medium- and long-term prospect. Recovering of Donbas would look like a short-distance run, while Crimea would require a marathon. However, under certain circumstances it might be vice versa.

Addressing this issue of time, we have to acknowledge that the process of recovering of the lost territories stretches beyond Ukraine’s capabilities

and aspirations of the local population. Ukraine's position in the region also has implications, especially, our involvement in the armed conflict with Russia. Russian security and foreign policy is a major shaper of the future developments in Crimea and Donbas.

Now, undoubtedly, we see that Donbas and Crimea have no future inside the Russian state. It has already become evident for the people in the occupied territories. It has been tacitly admitted by the Russian authorities too.

Nonetheless, Russia is a formidable enemy. What are the limits of the Russian resilience and Kremlin's defiance? It is one of the hardest questions. If we want to find a clue, we have to look at the motives and ambition of the Russian actions for the last decade. What we know for sure is that Russia has long been preparing for the war and it continues to flex its "military muscles".

The driving force behind the Minsk negotiations is to find an exit strategy from the Donbas conflict and to force Russia to follow it. This goal also steered our study. Therefore, while reviewing current geopolitical situation, analyzing impact of armed conflict, seizure and annexation of our territory on the national security of Ukraine, we concentrate our intellectual efforts on building scenarios of the Minsk peace process.

What is next? In brief, future is about deoccupation and deannexation. Minsk agreements are valuable for Ukraine only from this point of view. Here we stand firmly because it is the issue of sustainable peace and Ukraine's survival.

Ukraine is not unique of being a state, which lost parts of its territory as a result of military aggression. On the other hand, history provides a lot of examples of how territorial integrity was restored. Since it is not possible to achieve this goal simply by waiting for the favorable international developments, we urge to prepare a comprehensive strategy of recovering lost territories and agree about relevant policy tools. For this purpose we use scenario building approach. Scenarios of regaining Donbas and Crimea, which readers would find in the last chapter of this book, make reference point of our study.

Researching of the complex issues of Donbas and Crimea is a highly risky and unrewarding endeavor. Situation on the ground changes every minute. Topics of concern are very heated with emotions and conflict provoking. Results of the study would rather meet broad criticism than enjoy support. Nevertheless, we have dared to write this book.

We are confident that Ukraine will never return to the past. We will not see the same Donbas and the same Crimea we used to know before.

That is why in this book we speak about "returning to the future".

We accept all risks of posing this question about Ukraine's future to politicians, scientists, civil activists and to all Ukrainians who do not shy to accept challenge of "returning to the future".

Recovering new Donbas and new Crimea in the new Ukraine has its value and has its price. Both are quite high for the Ukrainian nation. Shall we pay it?

Volodymyr Horbulin

**RUSSIAN ARMED AGGRESSION
AS A STRESS-TEST FOR GLOBAL AND
NATIONAL SECURITY**

CHAPTER 1.

ARMED CONFLICT IN UKRAINE: GEOPOLITICAL DIMENSION

*The chess board has been tilted,
and the pieces are shifting into different places.*

Paul Goble

Russian aggression against Ukraine, Crimea annexation and ongoing occupation of certain territories of Donbas ushered in a new era of stimulated international conflicts, reinforced the influence of current negative trends in the international security environment, and broke international legal foundations of the world order. Under the conditions of globalization, the return to the “rule of force” in international affairs (which Russian revanchist policy previews) introduces risk of the international system’s collapse and further uncontrolled threat multiplication.

Ukraine’s position on the world stage has undergone dramatic changes over the last year. This requires a thorough reconsideration of the key principles of our country’s foreign policy. Ukraine needs a clear foreign policy doctrine with the strategic objective of ensuring national sovereignty and territorial integrity, broken after the annexation of Crimea and armed activity in Donbas region.

Despite the hopes to overcome major contradictions, the end of Cold War brought in new challenges to the global security system. Elimination of a bipolar ideological scheme that determined the world order has not precluded the competition of the more advanced and up-to-date doctrines and strategies capable of establishing their own orders. Intensification of the struggle for domination between the modern world models leads to the emergence of new contradictions, which provoke new armed conflicts.

A modern vision of the world order and nature of the international relations are determined by the fact that the world’s geopolitical space is divided not so much between powerful countries and their areas of influence, but rather along internal stress-lines between the areas of stability, where rule of law and respect for human rights are

the priority, and the areas of uncertainty with their disrespect for the law, multiple local conflicts, overgrowth of criminal forces rule – everything that threatens security, stability and development of the human civilization. In Eastern Europe, the division line crossed former Soviet republics that, after the end of the Cold War, became a “buffer zone” between Russia and the EU.

Stimulation of the local conflicts reflects geopolitical competition between the great powers for resources and zones of influence. Although today’s conflicts are primarily internal, inter-ethnic or inter-religious in nature, external interference on behalf of the great powers very often contributes to conflict escalation, not conflict resolution. This tendency is vividly illustrated by the policy of the Russian Federation. Its active mediation in the conflict settlement in the post-Soviet area has not achieved any success, instead, it has led to escalation and confrontation. Having maintained its presence in the conflict areas, Russia gained additional instruments of influence on the situation in the respective former Soviet states. Moscow’s attempt to use the same approach in Ukraine has failed due to the lack of prerequisites for the emergence of interethnic or sectarian strife, which nulls void the tentative of description of the conflict in Donbas as the civil war in Ukraine.

There still remains a threat of the new conflicts emerging in the Ukrainian neighborhood as well as escalation of the simmering conflicts, reinforced by the interests of the shadow economy agents and international criminal organizations. The ongoing conflicts in Transnistria and Caucasus represent a particular threat due to Ukraine’s immediate proximity. In combination with Russian aggression this factor becomes particularly dangerous.

An arc of instability is being formed to the East and South of Ukraine, from Mosul to Donetsk, where uncontrolled transfers of manpower, military equipment and contraband flows take place. The existence of unrecognized and ungoverned territories in the immediate geographical proximity creates broad possibilities for further escalation of the conflicts and illegal activity like drugs and weapons trafficking or illegal migration. States located within the “arc of instability” are doomed to clash with these challenges that threaten their very existence and undermine their economic development, thereby causing their population to live in poverty. Combining the contradictions

in the Middle East, Caucasus and Eastern Europe into a single knot threatens with destabilization in the neighboring regions as well as with the engagement of the world greatest powers in confrontation.

On the other hand, the most stable Western flank, conservative and radical views are gaining momentum in the Central and Eastern European countries. They are nourished by uncontrolled migration flows from the Middle East (mostly from Syria) and Central Asia. These trends are threatening the existence of the Schengen zone, revival of the old ethnic and territorial conflicts in Europe, and even putting at risk existence of the European Union as a political actor.

Globalization processes, which promote awareness of principles of world unity and indivisibility of global security, demand the confrontation model of international relations to be replaced with a more civilized world order, based on effective cooperation of the major powers.

Nevertheless things are currently moving in an opposite direction and globalization sometimes nurtures chaosgenerating processes. In the past, Russian aggression wouldn't have drawn such attention, as it has in the globalized world. Still the system of the European and global security turned out to be powerless and ineffective, bringing into question the future of sustainable development on the continent. At the same time Ukraine is located at a hot spot of global powers' clash of interests.

The military and political situation in the European continent completely reflects global tendencies. Until recently **security environment in Europe** was determined by the supposition that the threat of a fullscale military conflict was low. It was also considered that combined effect of the new soft globalizationdriven security threats could have a devastating effect on the continent.

The world economic crisis has had a significant impact on the European security environment, policy of the major powers and international security organizations. Not only internal economical problems, but also danger of political instability entered the agenda of many European countries. All of the above creates additional challenges for European countries, potentially enhanced by the influence of the external threats, especially against a background of the significant reduction of the public expenditure on security and defense.

Still, the idea of diminished role of the hard security threats, especially in the European continent, proved premature. In the light of the Russian aggression against Ukraine, these threats are now being re-examined.

European security system underwent a test due to the aggravation of the overall situation in the world. The process of building a larger Europe after the end of the Cold War was accompanied by **the creation of new lines of division between the areas of stability and the areas of uncertainty.**

The European security system crisis does not herald an outright return to the Cold War period. The balance of power today is different. Until 1989, Western European countries were considered to be the main object of eventual Soviet aggression. Today the Russian aggression is directed against the Central and Eastern European countries, and Baltic countries, which are memberstates of the EU and NATO, and former Soviet republics, since the beginning of 1990 s remained in the “grey” security area – Georgia, Moldova and Ukraine.

The Central and Eastern European countries as well as Baltic countries have determined their internal and foreign policy priorities immediately after the collapse of the USSR, having received tremendous economical and political support, started out their way to the European and Euro-Atlantic organizations. With the financial and structural means of the latter, these countries carried out the implementation of the internal political and economic reforms. On the other hand, newly independent states that created the Commonwealth of Independent States (CIS) on the territory of the former Soviet Union in the Eastern Europe, Caucasus and Central Asia, in fact, spent two decades in the area of political uncertainty, either suffering from the Russian pressure or being completely dependent on Russia.

Policy of the West towards the CIS countries was ambiguous. On the one hand, democratic transformations were supported in these countries; on the other hand, the West tried to elaborate a **format of special relations** with these countries, taking into account transformation processes that were allegedly happening in the Russian Federation.

As it became clear, countries of European and Euro-Atlantic community made a serious mistake drawing upon the assumption that Russia was moving towards becoming a Western-type democracy. At the same time the **differentiation processes in the former Soviet territory were underestimated** and, as a result, former Soviet republics with European and EuroAtlantic aspirations, like Ukraine and Georgia, were treated similarly to the rest of the former Soviet countries, who have followed completely opposite foreign policy direction.

The basis for confrontation and crisis in the Ukrainian-Russian relations is in fact a conflict of values: the values of the authoritarian regime in Russia against the system of democratic values adopted by Ukraine. The globalization factor in conflict tensions is determined by the former Soviet states' choice of integration into the global macroeconomical system: directly as the sovereign states or indirectly through the Moscow-led Eurasian regional model.

Rejecting the possibility of US domination, the Russian Federation advocates the necessity of multipolar world order free from dictate of a single state or a group of states. In fact this advocacy has in mind just one goal: to outline and secure its own area of domination in the so-called Eurasian region. The Russian Federation still considers its immediate CIS neighbors as the area of its exclusive geopolitical influence. Russian foreign policy doctrine allows forceful intervention "to protect" the Russian-speaking population in other countries of the CIS, which was demonstrated in the course of the Russian-Georgian conflict in the August 2008 and during the aggression against Ukraine.

An inherent attribute of the Russian foreign policy in the current conditions is its attempt to preserve geopolitical control over the situation in the CIS countries, and these aspirations contradict the European integration course of Ukraine and other countries in this region.

Aggressive nature of the Russian foreign policy has not received a proper evaluation by the international community even after the Russian-Georgian War of August 2008. Reaction of the international community to the Russian-Georgian War and the further occupation of part of the Georgian territory was disproportionately weak. Both the U.S. and the EU intensified the policy of "engaging Russia" and ignored the increasingly aggressive plans and actions of Kremlin. Only today, amid the events related to the Russian aggression against Ukraine, this perception has started to change. The EU has to put together **a new concept of relations with the external environment and its Eastern neighbors in particular.**

At the same time the Russian aggression creates a dangerous international precedent that might be used by other powerful geopolitical players to expand their areas of influence. Such points of confrontation as the Middle East, the Taiwan Strait, the South China Sea and the Korean Peninsula might explode at any moment now. The Crimean scenario could become a model for escalation in the areas

of potential instability, because of the similarity of the key elements: focus of the leading states on the expansion of their areas of influence, existence of ethnic divisions on the crossings of the spheres of influence, presence of social, rebel and terrorist groupings, which could be mobilized to accomplish geopolitical objectives.

1.1. The system of international relations under Russian threat

In the postbipolar world, the present system of international security ensured economic stability and prosperity of the Western countries. Since 2011, this system has been facing new challenges and threats. Events in the Middle East and North Africa sharply stepped up security agenda in Europe and worldwide. Their overall influence on the world security could be largely compared to that of the September 11th terrorist attacks in the U.S. or the 2008 financial crisis. These issues have become a harsh test for the international community's ability to collectively counter emerging threats.

However, this signal was not properly acknowledged and, as a result, the EuroAtlantic community turned out to be unprepared for the new tests to the international security system in the consequence of Russia's actions. The Russian aggression against Ukraine disrupted the system of international relations that has been built over decades, violated the basics of regional and global security and, therefore, questioned the possibility of further sustainable development in the European continent.

The Russian intervention in Ukraine violates multiple international agreements that supported peace and stability in Ukraine and Europe: the UN Charter, the Helsinki Final Act of 1975, the Budapest Memorandum of 1994, and the NATO-Russia Founding Act of 1997. Although in December 2009 the U.S. and the Russian Federation reaffirmed guarantees of security for Ukraine as a non-nuclear state¹, it did not resolve the major problem of the efficiency and reliability of these international security guarantees.

However, the goals of Russia are not limited to Ukraine only. They are not even limited to the redivision of the spheres of influence

¹ *Common* statement of the Russian Federation and the United States of America regarding the expiry of Strategic Arms Reduction Treaty on December 4, 2009 [Electronic resource]. – Link: <http://www.kremlin.ru/news/6243>

in the former Soviet territory. The consequences of the world order disruption have a much larger impact. **Russia seeks for global revenge relying on its nuclear power status.**

Unpredictable behavior of a powerful nuclear state that refuses to respect international law and changes state borders for its own benefit has tremendously struck the world order established after WWII. Such processes might lead to creation of a new geopolitical reality with broken international relations and misbalances of the global political system in general. **Instead of the world order, a system of world chaos is under construction**, where players are hoping to control global destabilization processes. On the other hand, Russia's actions forces other international players to re-examine their own obligations to Russia. Possibilities of such reexamination go far beyond legal aspects and touch upon a wide range of strategic issues in the military, financial, and energy matters.

As a result of Russia's neglecting of her own guarantees to Ukraine under the Budapest Memorandum, global nonproliferation process is threatened. Since international guarantees given in exchange for the rejection of the nuclear arms are not viable, as the situation in Ukraine clearly demonstrates, **every state comes to the conclusion that it should rely on its own.** And the most effective way to protect oneself is to use nuclear deterrence. A state possessing nuclear weapons might be tempted to use it as a tool of imposing its will onto other states.

Uncontrollable proliferation of the nuclear weapons and means of its delivery is a threat for the certain countries, entire regions and under certain conditions for the whole world order. In this context Ukraine with its technogenically dangerous production factories (nuclear, chemical, missile, etc.) might potentially become a target of active interest of international terrorists.

Ukraine as a state that gave up nuclear weapons and suffered from the consequences of the Chernobyl catastrophe is not willing to renew its nuclear status even in the circumstances of the Russian aggression. But as a counteraction to these dangerous tendencies, Ukraine wants to combine efforts with other countries of the international community and insists on more significant guarantees of its security on behalf of the nuclear states.

The problem of nuclear arms non-proliferation gets a particular magnitude in the circumstances of globalization. Unlike the times of

the Cold War, when the two superpowers possessed nuclear weapons and maintained balance in the bipolar world, in the present times of multipolarity this factor plays a destructive role. Aggravation of this factor caused by the aspirations of certain regimes to develop nuclear weapons (or its components) stimulates interest to nuclear research and search for specialists in this field in other countries.

The threat of proliferation of WMD and nuclear weapons in particular, has acquired a very dangerous dimension in the context of events in and around Ukraine. Our country has demonstrated that **nuclear disarmament does not provide considerable security guarantees**. This precedent might push so-called “threshold states” towards faster development of their own nuclear weapons as a tool of nuclear deterrence of potential aggressors.

International security organizations have found themselves not ready for the crisis developing in Ukraine. Key elements of the European and EuroAtlantic security – NATO, EU, OSCE – are now looking for the ways to counter regional and global threats created as a consequence of Russia’s actions. Any delay becomes a benefit for the aggressor and further aggravates the international security environment.

The inability to make timely and proportionate decisions for settling crisis situations in the region demonstrates low efficiency of the present global and regional security mechanisms. It activates the agenda for reforms and adjustment to the contemporary tendencies in the world. The example of the UN Security Council (UN SC), whose activity was practically blocked by Russia, is elucidating in this respect. This fact renders void any attempts to settle Russian Ukrainian crisis via international security mechanisms.

The current situation in the UN SC reproduces the situation in the times of the Cold War when it was not able to adopt the resolution concerning invasion by the USSR-led Warsaw treaty member-states to Czechoslovakia and USSR invasion to Afghanistan. For now Russia is not only blocking the adoption of the UN SC resolutions regarding the crisis in Ukraine but it might as well become an obstacle in making the decision to send peacekeepers to the Eastern Ukraine in case of necessity. Russia can also negatively influence the content of the mission’s mandate if the decision is made.

UN mechanisms for countering aggression turned out to be inefficient in the situation when the aggressor is a veto-wielding

permanent member of the UN SC. At the same time almost unanimous support for Ukraine on behalf of the UN member-states and condemnation of the annexation of a part of its territory has a significant impact on international isolation of the aggressor therefore creating a barrier for the outflow of disinformation and lies from the aggressor.

Regardless of the fact that UN mechanisms have very low efficiency and acknowledging the impossibility to counter modern threats within a single country, Ukraine has reaffirmed itself as a responsible member-state of the UN ever since the proclamation of its independence. Ukraine remains one of the most active participants in peacekeeping missions under the UN mandate and has a will to actively use all possible UN means to stand by its national interests. Within the context of an actual war, electing Ukraine as one of the non-permanent members of the UN SC for 2016–2017 will become a new instrument of Ukrainian foreign policy and it will help in maintaining the conflict with Russia within the focus of the international political dialogue. This instrument will allow Ukraine to oppose the aggressor at a very high level putting forward the issue of recognizing Russia as a state sponsoring terrorism or raising in the U.N. Security Council the question of depriving Russia of the veto right. Ukraine is not overestimating the benefits provided by the non-permanent UN SC membership and is completely aware of the readiness of the Russian delegation to use its status to block Ukrainian initiatives unfavorable to Russia.

The current crisis has shown not only institutional weakness of the UN SC, NATO, the EU and OSCE. It also addressed tactical and strategic miscalculations in the estimates and perceptions of the post-ipolar security environment made by the abovementioned organizations and key international players.

The Russian aggression against Ukraine has disrupted the idea of constructing European security system and nullified one of the major achievements at the OSCE foundation – the Helsinki Final Act. The Act declared such international principles as sovereign equality, respect for the rights inherent in sovereignty, refraining from the threat or use of force, inviolability of frontiers, territorial integrity of states, peaceful settlement of disputes, nonintervention in internal affairs, respect for human rights and fundamental freedoms, including the freedom of thought, conscience, religion or belief, equal rights and

selfdetermination of peoples, cooperation among States, fulfillment in good faith of obligations under international law.

The systemic crisis in OSCE relating to long-lasting disputes between Russia and some of its memberstates significantly influenced the efficiency of the organization's activity in the military and political field. Russia has demonstrated that it is not willing to follow OSCE demands, for instance, regarding the withdrawal of its military troops from Georgia and Transnistria according to the Istanbul agreement of 1999. In addition, Russia accused the OSCE of applying double standards, being unwilling to consider realities and particularities of certain countries and threatened to leave the organization.

Since July 2007, Russia has imposed a unilateral moratorium on the implementation of the Treaty on Conventional Armed Forces in Europe. This action practically led to the destruction of the most efficient mechanism of the conventional arms control in Europe. A consensus still has not been reached. The absence of such control has facilitated the aggression in Crimea and concentration of significant Russian military force on the Eastern Ukrainian border.

Countries that are regularly criticized by OSCE (especially Russia, Belarus and some other former Soviet countries) have adopted a policy of complete disregard, counteraction and international devaluation of this organization.

Having annexed Crimea and conducted military aggression in the Eastern Ukraine, the Russian Federation violated the legal basis of OSCE existence. Today OSCE representatives take an active part in settling conflicts and conducting peace process according to the Minsk agreements. Since March 2015, the leaders of Germany, France and Russia agreed to address OSCE for assistance in the implementation of the latest cease-fire agreements.

The OSCE representatives conduct observation, giving remarks and recommendations regarding the situation in the occupied territory; however, these recommendations do not have serious impact on the successful settlement of the problem. Overall, the experience has proven that the capabilities of internationalization of the conflict settlement by means of OSCE have very low potential. Considerable improvements in the efficiency of OSCE are possible only under condition of its complete restructuring, extension of its mandate and significant support by the key international players and other organizations.

To sum up, Ukraine and key international organizations in Europe have a large share of common interests in the field of security. On the other hand, a disproportionately weak response of the West to Russian aggressive actions has stimulated the latter for even more aggressive and impudent actions, that have lead to a real war against Ukraine.

1.2. The traps of geopolitical miscalculations of the West for the global security

Specifics of the current security crisis are determined by the fact that it is developing in a globalised world, where mutual interdependence of actors is high. It demands increased responsibility from the actors of the international relations system. Neglecting international obligations made by powerful states and groups of states leads to dangerous consequences on regional and global scale, disrupts sustainable economic and social development.

The Russian aggression has revealed inefficiency and weakness of the European Neighborhood Policy. It turned out to be incapable of preventing or neutralizing the risks for Europe on both Mediterranean and East-European regions. Events in Ukraine have proved that instead of what was predicted by the European Neighborhood Policy to be a “circle of friends” bordering the EU, a “fire circle” of armed conflicts has ultimately emerged¹.

Aggressive behavior of the Russian Federation has also revealed insufficient effectiveness of the EU bodies. The European Union has always been focused on using soft power, and appeared to be unprepared to the situation that demanded countering hard power. It has not even shown proper effectiveness neither in opposing aggressive Russian diplomacy aimed at formalizing the Crimea annexation, nor in counteraction to Russian attacks on Ukraine’s sovereignty. Defensive aspect of the EU foreign policy does not envisage possibilities of rough and decisive actions in such situations. However the EU can be active in fighting unconventional regional threats that are one of the pillars of Russian tactics in the region, e.g. in energy, economy, and finance.

¹ *How to be good neighbors* [Electronic resource]. – Link <http://www.economist.com/news/europe/21597948-ukraine-biggest-test-eus-policy-towards-countries-its-borderlands-how-be-good>; Popescu N. First lessons from the Ukrainian Crisis / N. Popescu [Electronic resource]. – Link: <http://www.iss.europa.eu/publications/detail/article/first-lessons-from-the-ukrainian-crisis/>

For now the EU is resisting the aggressor by means of the economic sanctions that gradually become harder in response to new stages of aggression. The attitude of the European states towards Ukraine is becoming the most difficult test of their own capacities. The EU memberstates have different foreign and economical priorities. Some of them significantly depend on economical and political relations with Russia. Solid supporters of Ukraine include Poland, the Baltic States and Great Britain. Among the countries that are to some extent dissatisfied with prolongation of the sanctions are Greece, Cyprus, Hungary, Austria, Italy and Spain.

The attitude towards sanctions is not the only disagreement, which exists in the EU. United position concerning the need for political isolation of the Putin regime is equally important. The leaders of Hungary, Italy and Greece violate the unity of the EU by contacting the Russian president.

Germany's stance deserves special attention. Germany acts as coordinator within the EU and facilitates agreement in the transatlantic relations between the U.S. and the EU. Germany's stance is pragmatic: it puts the sanctions matter into dependence on the implementation of the Minsk agreements. Germany has firm position regarding Crimea occupation. Thus, the position of Germany in evaluating Russian role in destabilizing Ukraine also has the same duality like the stance of the EU. Russia is decisively recognized as the aggressor regarding Crimea annexation, however, the EU is not so categorical regarding the armed conflict in the East of Ukraine.

Gradually the EU and NATO start to realize the importance of the issue of response to information warfare threats from Russia. In August 2015 the European Commission established a task force with the purpose of taking steps in fighting propaganda, broadcasted by Russian media onto the East European countries. The task force was to develop information products, in Russian language too, and to provide support for the independent Russian-speaking media.

Despite the fact that relations with the East European countries are a very important direction of EU foreign policy, the EU still does not have comprehensive strategic perception of its policy in the region. Particularities of the East European region, which demand a balanced strategy of relations with the East European countries, on the one hand, and with Russia, on the other, are a serious challenge for the EU. The lack of

feasible Eastern policy concept is more and more evident. The EU's "Eastern Partnership" initiative, introduced in 2009 within the framework of the European Neighborhood Policy, covers Ukraine, Georgia, Moldova, Belarus, Armenia and Azerbaijan, but it is de facto oriented towards the old concept of the unity of the former Soviet territory, despite all the evidence of the opposite. Riga summit of 2015 proved that **the EU was not ready to embrace new geopolitical realities in Europe** and preferred to remain within the familiar framework. This fact complicates Ukraine's implementation of its European integration plans.

NATO will remain the key element of the European security in the short- and middle-term perspective. Taking into account the necessity of countering hard security threats, NATO's role in the European security grows increasingly. The EU security and defense organizations will further develop as previewed by the Lisbon treaty (including protection guarantees for every member-state). These bodies have to execute functions that would enhance NATO activity.

Since 2001 the Alliance's attention has been focused on the activity beyond Europe (Afghanistan, Somalia, Libya, etc.). Russian military threat has brought the risk zone back to the European continent. The key state of the Alliance – the U.S. – has to turn its foreign policy attention to Europe and revise its traditional role of the key European security factor.

The Russian Federation is not only trying to halt European integration of Ukraine but also to draw a dividing line between the Western countries and incapacitate the EU and NATO. So the ability to counter Russian aggression is a resilience test for both the EU and NATO.

The Russian aggression against Ukraine has revealed a weak spot in the defense system of NATO in the Eastern Europe and mad it to reconsider its capabilities in the region. For now the estimates are rather negative. Total military capacity of NATO considerably exceeds the Russian assets. However, compared with military strength of separate states of the Central and Eastern Europe and the Baltic region, Russian military strength is more powerful¹.

¹ *The Russian regular forces constitute 1 mln people and the biggest army of CE Europe is in Poland constituting 100 thousand people, the Baltic state have from 5 to 10 thousand people. Overall regular military force in the region has 290 thousand people meaning three times smaller than the Russian military. The Airforce of Russia, which is the key element, has considerable 1793 combat aircraft against 112 in Poland and 327 in all the member-states of the region. This disproportion will further aggravate amid the increasing defense spendings in Russia for modernization of the military and actual disarmament in Europe.*

With the exception of Estonia and Poland¹, the Central and Eastern European states have cut down defense spending in response to the economical crisis (regional average of 1.1 % of GDP with NATO standard level of 2.0 %). In case of the Washington treaty Article 5 (on collective defense) guarantees implementation, these countries do not have the necessary military capabilities.

As a consequence of the limitations made by the Alliance, a dual strategic reality has emerged. NATO has 3 million people in the military and 1.5 million of them are located in Europe. But only 10 % of NATO capabilities (300,000 people) are situated in the Central and Eastern Europe. Among 28 military bases in Europe 23 are situated in the Western Europe and only 5 – in the Central and Eastern Europe and in the Baltic region. American contingent is concentrated almost entirely in the Western Europe. Netherlands have more American military than all the countries of the Central and Eastern Europe. Among the 200 units of nonstrategic nuclear weapons there is not a single one present either in the Central and Eastern Europe, or in the Baltic States².

The Russian aggression has illustrated vulnerabilities not only of Ukraine's security and defense, but also weakness of the Eastern flank of NATO as well. The Baltic States are vulnerable to similar aggression, since they have Russian speaking minorities and Russia can potentially evoke its "right to protect the compatriots" in these states. Crimea should become a live example for NATO memberstates in the Central, Eastern Europe and in the Baltic region of what might happen if the Russian threat is neglected. This tactics of threats works: Western experts do not exclude implementation of the same scenario in the Baltic States in particular.

Some other risks have aggravated as well. NATO needs a more efficient protection system from energy, economic and informational warfare. These three factors make up the Russian tactics in the region. New technological challenges include finding a way to respond

¹ *Poland* has launched a 10 year military modernization program investing \$ 40 bln. Upon the completion of the program Poland will have the most powerful land-forces among the NATO member-states in Europe.

² *Central European Security After Crimea: The Case for Strengthening NATO's Eastern Defenses* of March 25, 2014 : Report № 35 / E. Lucas, A. Wess Mitchell, P. B. Doran, J. J. Grygiel [et. al.] [Electronic resource]. – Link: <http://www.cepa.org/content/casestrengtheningnatoseasterndefenses>

to A2/AD (*anti-access/area denial*) strategy, on which Russia is oriented while developing its air-defense systems and deploying tactical missile systems along its Western border.

The Russian maritime exercises in the Baltic Sea that coincided with the peak of Crimean events, threatening comments by Russian politicians and experts “concerned” about the wellbeing of Russians in Estonia, heat up the situation. Poland and Romania having common terrestrial borders with Ukraine expect military and humanitarian consequences in case of possible Russian invasion to continental Ukraine.

Intervention of Russian forces in Ukraine and annexation of part of its territory force **to reconsider the strategic provisions of NATO policy of the last decades**.

It has become clear that NATO members’ security was guaranteed rather by faith in the strength of the completed agreements than by military capabilities. NATO memberstates had to halt all military and civilian cooperation with Russia in response to the Russian illegal intervention to Ukraine and Crimea annexation¹.

Russia’s turning from a partner into an opponent forces NATO to lay aside its obligations in order to create ground for implementation of security guarantees for the Central and Eastern Europe and the Baltic States, if such necessity comes forth because of the Russian aggressive behavior. Abandoning the “three no’s” principle is a strategic necessity for correction of the force disproportion established in the Eastern Europe. This will be a source of long term consequences for the overall balance of power in the region and in the world and for the future activity of the Alliance.

As the Wales summit in September 2014 demonstrated, NATO wants to avoid excessive aggravation of the confrontation. At the same time NATO member-states understand that Russia’s actions demand multidimensional responses: in legal, operational, tactical dimension as well as in the dimension of search for the new conceptual approaches to transatlantic security. The Alliance is also looking for the new opportunities for cooperation with the EU in the security field.

Given the rapidly changing global geopolitical situation, the leading military and economical power of the world – the United States – is forced to reconsider the mechanisms of protection of their

¹ *Statement* by NATO Foreign Ministers, April 1, 2014 [Electronic resource]. – Link: http://www.nato.int/cps/en/natolive/news_108501.htm

geostrategic imperatives and to react more actively to attempts of some regional actors to achieve their geopolitical goals by destabilizing the existing world order.

Since 2008, the U.S. has been coordinating its foreign policy for the benefit of agreements and multilateral compromises regarding the security matters and stability and tried to abstain from the hegemonic policy and confrontation with other key international players.

This major trait of geopolitical transformation processes is the direction of the U.S. global policy of reformatting relations with China, Russia, the Islamic world and within the EuroAtlantic community. It influences the mode of settlement of the global disputes and, therefore, determines cooperation of the U.S. with other countries.

In the new world order, the U.S. retains the leading role in political processes; however, they try to do it using different, flexible methods relying not only on its own capabilities, but also on a wide engagement of other countries and integrated formations in accomplishing common tactical and strategic tasks.

The U.S. is focused on solving global problems trying to position itself rather as a referee of stability of international system than a participant in regional international relations.

Despite the declared “reset” policy, over the last years, tensions in the relations between Russia and the U.S. have increased. This was provoked by disagreements on a number of international issues such as NATO enlargement, Anti-Missile Defense in Europe, Syrian conflict, etc. The U.S. does not wish to recognize the Russian right to establish its own spheres of “privileged interests” in the former Soviet territory.

Changes in strategic environment in general and Russia’s revisionism in particular are listed in the National Military Strategy of the United States 2015 – a fundamental defense policy document.

The U.S. is ready to respond to the new negative changes in the international environment, to the new threats and challenges of dynamic and asymmetrical nature, and in particular to hybrid conflicts. Ever since the times of the Cold War, the U.S. clearly identifies countries of the world trying to reconsider key aspects of the world order. Their actions and increasing capabilities, in particular Iran’s and Russia’s endeavors to destabilize their regional neighbors, ability of North Korea to threaten the U.S. territories also “aggressive melioration activity” of China in the South China Sea create

threats for the American interests and national security. Losing their undeniable technological advantage, possessing relatively old nuclear arsenal, the U.S. at the moment does not have significant and efficient deterrence instruments. However, to maintain the balance of power it is going to exploit “preventive military presence” on the territories threatened by escalation of conflicts. To achieve this goal, the U.S. is ready to optimize the old coalitions and make new ones.

1.3. The proactiveness of Ukraine’s foreign policy in opposition to armed aggression

New challenges to the international security have a cross-border nature and require joint efforts of the international community to overcome them. Under these conditions the main task is to build a flexible and differentiated system of Ukraine’s relations with key international actors, corresponding to the challenges of the global world and contributing to strengthening the role of Ukraine in the world.

Finding the most appropriate international and national security model for Ukraine is becoming a priority. One of effective mechanisms for the formation of such a model at international level is strategic partnership, the potential of which is still to be unfolded for Ukraine.

Foreign partnership system of Ukraine is formed in accordance with the strategic modernization course of Ukraine and modern challenges of the globalized world. Sometimes the nature of these relationships may acquire vital importance for the existence and development of our state.

The strength of the strategic relationships is tested in conditions of deepening global and regional competition, intensification of the struggle for markets, the growth of negative trends in the financial sector. Redistribution of power in the world, rapid development of the new global powers on the background of the recession in Europe and the United States create additional challenges for the consolidation of the partner countries’ action and, at the same time, the possibility for the formation of new international partnership configurations.

Ukraine’s relations with its strategic partners constitute one of the key principles of our foreign policy. **Today the main task for mechanism of strategic partnerships is international assistance to Ukraine in countering the main threat to its national security the Russian aggression.**

Strengthening international security guarantees and preserving national sovereignty and territorial integrity are the key tasks of strategic relations between Ukraine and global states, among which the most weight has **the relationship with the U.S.**

In counteraction to the aggression Ukraine strives to engage current agreements with the U.S., in particular the Charter on Strategic Partnership, and using the intensification of interstate dialogue tools to offer new fields of cooperation, in order to join the global processes as a full-fledged actor.

Strategic format of bilateral relations between Ukraine and the United States started with the Common address by the Presidents of the countries on April 4, 2005¹ and was formalized in the Charter on Strategic Partnership on December 19, 2008². This document has secured the principles of bilateral relations, confirmed the importance of security assurances to Ukraine in 1994 and identified ways to strengthen cooperation in defense and security, as well as in the fields of energy, economy and trade, democracy, human contacts and cultural exchanges, as well as provisions for the implementation of enhanced program of cooperation in the security sphere.

The United States has been Ukraine's key partner in fighting Russian armed aggression. In this regard Ukraine has to set the achievement of a new higher level of cooperation with the United States as a priority task of foreign policy in the short-term perspective. Equally important is broadening possibilities of the bilateral cooperation with the U.S. in the military field with obtaining of major non-NATO Ally status.

Ukraine can also count on its European allies, including the United Kingdom, Poland and the Baltic States, and receive more support from the influential European countries, especially Germany, France, Italy.

Development of the strategic partnership relations between Ukraine and Poland, Romania, Turkey and some other countries is essential for stability in the Central and Eastern Europe and in the Black Sea

¹ *A New Century Agenda for the Ukrainian-American Strategic Partnership: Common Statement by President George W. Bush and President Viktor Yushchenko, April 4, 2005* [Electronic resource]. – Link: <http://georgewbushwhitehouse.archives.gov/news/releases/2005/04/200504041.html>

² *The U.S.-Ukraine Charter on Strategic Partnership: international doc. of December 19, 2008* [Electronic resource]. – Link: http://zakon.rada.gov.ua/cgi-bin/laws/main.cgi?nreg=840_140

region. Georgia and Moldova also have reasons for joint response to the latest threats, caused by Russian aggression, as their sovereignty has been violated and they also have association agreements with the EU.

Russian military aggression has created a unique opportunity for updating the regional partnership in the military sphere. Ukraine might act as initiator for expansion of GUAM cooperation to military and political level, to attract new partners, particularly Romania, Bulgaria and Turkey. If we talk about broader format, it would be also beneficial to create an informal association (with the participation of Ukraine and its responsible partners – Baltic countries, Sweden, Poland, Slovakia, Czech Republic, Romania), like the Little Entente after World War I as an example of the countries of the region have a different development, but common threats, coordinated policy to deter external aggression and enhance mutual security is also beneficial.

It is equally important for Ukraine to strengthen relations with those countries of CIS that do not support the Russian aggressive behavior and under certain conditions might support our country. Such countries as Belarus and Kazakhstan having multiple “Russian-speaking” enclaves on their territories are already concerned about the unpredictable behavior of its declared ally.

China’s position is very important for the successful settlement of the situation in Donbas. Embracing China’s respect for the choice, Ukrainian people has made in development, sovereignty and territorial integrity, legislative provisions of internal and foreign policy, Ukraine is calling upon China to facilitate by all means the settlement of the conflict and hopes for China’s impartial, just and responsible stance in this matter.

Ukraine considers the European Union as one of the major allies in countering Russian aggression because the idea of the European integration was the propelling force of the Revolution of Dignity. In general, the EU is actively supporting Ukraine in the implementation of reforms, economic development, overcoming the consequences of the economic crisis and enhancing defense capacity. The EU governing bodies and most of its memberstates support Ukraine on its difficult way to political settlement of the Donbas crisis. There is no coincidence that the two “engines” of the EU – Germany and France – are the intermediaries in implementation of the Minsk agreements – complex process aimed at establishing peace in

Donbas. Contribution of France in maintaining the EU unity in sectoral sanctions and solid position regarding refusal to deliver the two helicopter carriers “Mistral” cannot be overestimated.

At the present moment one of important tasks for Ukrainian diplomacy is moving the relations with allies to a more practical dimension, developing cooperation not only in political field but also in economical, financial, military, technical, humanitarian, and other spheres.

Ukrainian national interests shall be rigorously defended on different international forums, even if Ukraine does not officially participate. It is very important, because if a resolution is adopted without condemnation of Crimea annexation and Russia’s actions in Donbas region Russian propaganda demonstrates it as international acceptance of the Kremlin’s actions. Thus Ukraine needs principled lobbyist-partners in all regions of the world. To create such a global network Ukraine can engage Ukrainian diasporas (the Ministry of Foreign Affairs and Ukrainian Embassies abroad shall elaborate an effective line of interaction with local Ukrainian communities and facilitate their activities) as a key element of political befriending and finding common interests that would harmonize foreign policy courses of both Ukraine and the partner-state (via analysis of national strategic documents, white papers, etc.).

In the frameworks of the European organizations (the European Council, OSCE) Poland, Lithuania and Sweden are traditional advocates of the Ukrainian interests. In the Asian-Pacific format of economical cooperation special relations should be built with Australia and Japan, and in Shanghai Cooperation Organization (SCO) – with Kazakhstan. Russia will try to use BRICS as a legitimate tool of enhancing its foreign policy. This fact is clearly demonstrated by simultaneous conduct of SCO and BRICS forum in Ufa in 2015. In this regard South Africa in the middle-term perspective shall become a key partner for Ukraine. It is important to pay attention to the protection of Ukrainian interests in such purely Moscowoperated regional structures like CIS (Azerbaijan, Moldova, Kazakhstan), Customs Union and Collective Security Treaty Organization (Kazakhstan).

A very important form of international support for Ukraine in the present circumstances is endeavors in elaborating common approach in making further diplomatic and economical pressure on Russia.

Sanctions imposed on Russia by the international community are unprecedented regarding the number of sanctions' participants and the scope of their actions. A crucial role here belongs to the sanctions imposed by the EU and the U.S. At the same time one should not underestimate sanctions imposed by Canada, Japan, Norway, Switzerland, Australia, New Zealand (a total of almost 40 countries of the world), as well as by the Parliamentary Assembly of the Council of Europe. The list of these sanctions covers personal sanctions against those involved in the aggression against Ukraine; economic constraints, in particular with respect to access to capital markets and the suspension of financing of international investment and financial structures of new projects on the territory of the Russian Federation; targeted sanctions on cooperation with Crimea and Sevastopol; sectoral sanctions, in particular with regard to the defense sector and the energy sector. Diplomatic sanctions have equally important influence: cancellation of the 2014 G8 summit in Sochi, suspension of the negotiations concerning Russian membership in the Organization for Economic Cooperation and Development and International Energy Agency; cancellation of the EU-Russia summit and regular bilateral consultations at the highest level; termination of bilateral negotiations with Russia on liberalization of the visa regime and signing new agreement on EU-Russian free trade zone; depriving Russia of trade privileges, provided by American Global System of Trade Preference, etc.

Sanctions have very significant effect on the Russian economy and it is possible to see with almost all key macroeconomic indicators. According to the Russian Ministry of Finance, the outflow of capital from Russia in 2014 constituted \$ 151 billion. According to Russian experts in 2015 Russia might lose another \$ 110–130 billion. In general, the curtailment of investments and capital outflows have led to the loss of one third of the total capitalization of the Russian stock market. The Russian market is losing credit and financial ties with the largest Western financial groups, which naturally leads to problems with the national currency. According to the Central Bank of the Russian Federation, the Russian gold and currency reserves since the beginning of 2014 decreased from \$ 520 billion.

Despite significant impact of direct and indirect sanctions, they are only part of the spectrum in terms of pressure on the Russian

Federation, which is gaining momentum and significantly enhances the unfavorable external environment for the Russian economy, undergoing a systemic crisis.

1.4. Challenges of the armed aggression as a catalyst for reset of Ukraine's foreign policy

The war in Donbas, provoked by the Russian aggression, has clear attributes of civilizational conflict. The favorable geographical position of Ukraine as a major transit artery, a sort of bridge between Europe and Russia was seen as a significant political and economic asset over the last two decades. But in terms of geopolitical confrontation it has become a source of the new problems.

Historically divided between spheres of influence of the different empires – Russian and Austro-Hungarian, even earlier between Moscow and Polish-Lithuanian Commonwealth – in the 21st century Ukraine has again become a target in the geopolitical game of the powerful states. On the one hand, the Western countries with liberal-democratic values, on the other – authoritarian Russia with strive for restoration of its traditional spheres of influence, revision of the current balance of power claiming the leadership role in the world politics. Ukraine is literally positioned between the rock and the hard place and risks becoming an arena for a longlasting geopolitical confrontation between Russia and the U.S.-led Western world.

Z. Brzezinski, a national security advisor to the U.S. president J. Carter, argued that Russia would not manage to restore the empire without Ukraine. At that moment in his book “The Grand Chessboard” he predicted a major conflict in the Eastern

Europe and former Soviet territory along the “Eurasian Balkans” line. The latent phase of his prophecy lasted somewhat longer, but solely due to Russia's economic and political weakness at the moment. However with the renewal of Russia's expansionism it threatens not only Ukraine, Belarus, Moldova, states of South Caucasus and Central Asia, meaning former Soviet territory, traditional spheres of Russian influence, but also neighboring states of the Northern, Central and SouthEast Europe. Since early 2000's, a number of ideologists who are thought to be behind this process, such as Dugin, Panarin, Kara-Murza, Starikov, Kunyayev, Borodin and some others, who are

known as advocates of the movement for a “new Eurasia”, have outlined in their works some scenarios, which we are being put in practice today. There are good reasons why Russian diplomats operate “facts” from the pseudo-historic works of the mentioned authors, creating a negative image of Europe in the perception of the Russians, appealing to the image of external enemy “threatening the Motherland”, preparing the population for a great war with the West for leadership in the world. Forced militarization of the people’s minds is going on today in Russia; preparation for the global war is taking place. They say that only war can change the balance of power and move the U.S. from the position of the world leader and world’s policeman. Ukraine is the cornerstone of the future of Putin’s Russian empire, Donbas is just used as a destabilization factor. Russia is ready to start new artificial conflicts with its own hands, foster hatred, provoke rebellions, even if rebellions, allegedly, target her.

The victory of the Revolution of Dignity destroyed this plan and became a catalyst for deep changes in the Eastern Europe. As a counterbalance to the autocratic model, promoted by Moscow on the post-Soviet territory over the last decade, Ukraine has ultimately chosen the path of building liberal democratic state. An indicator of irreversibility of this choice is the fact that civil society was the initiator of these changes. It also brought “flexibility” in the institutional basis of the state and made it better protected against external destructive influence. Thus, Ukraine has demonstrated an example of civil readiness to choose direction of foreign integration independently and use opportunity to force political elites to carry out the order. Like the population of the Central Europe supported joining the EU and NATO, vast majority of Ukrainians has set joining European institutions as their goal. Our Western neighbors for a couple of centuries belonged to Europe and Ukraine can set example for the countries that used to be pivotal part of the Russian Empire and the Soviet Union. Populations of Russia and Ukraine, just like all the former Soviet countries, have close humanitarian and cultural relations. The existence of independent Ukrainian model of development clashes with the ideological principles of the current Russian regime, which founded its legitimacy on the irreversibility of chosen “special” way by the ruling party.

Kremlin aggression in Crimea and Donbas is Russian reaction to the threat of Moscow’s monopoly on determining development model

on the post-Soviet territory. After three states – Ukraine, Moldova and Georgia – have signed the EU association agreement, the EU might be expected to start approaching with the other states participants of the current Russian integration projects. This process will not go on fast. As any powerful state going down the descent trajectory, the Russian Federation is determined to use its entire arsenal, military force in particular. Closed political system and defense spending priority demonstrate that Moscow is preparing for a long lasting confrontation. In this situation Ukraine must understand that an open conflict with Russia will remain a major challenge to its national security for the upcoming decades. Thus Ukraine must rely on unconventional instruments of foreign policy that allow it to become independent democratic European state unlike her authoritarian Eastern neighborhood.

In the context of destruction of current international security system, catalyzed by Russian aggressive foreign policy aspirations, Ukraine must find its own way to effectively ensure national interests. The most important issues for Ukraine are the security of state, sovereignty and restoration of its territorial integrity, which must be proved by reintegration of the temporarily occupied parts of Donetsk and Luhansk regions and returning of the annexed Crimea. In reaching these mentioned objectives our natural allies are our strategic partners in the West – the EU members and the U.S. Ukraine can get the most urgent and effective security guarantees from NATO membership, which shall become a priority strategic goal. In the nearest future Ukraine must use more actively all the available opportunities and instruments of the special partnership with the Alliance to create Armed Forces that are relevant to modern requirements and principles of warfare. Annual national Ukraine-NATO programs shall be reoriented toward adaptation of forces and capabilities of the national security and defense sector to the NATO standards and meeting other criteria to facilitate Ukraine's accession of to the collective defense system of the North-Atlantic Alliance.

Strong army is a compulsory joint element with the powerful diplomacy. The role of the Armed Forces of Ukraine has become critical in the on-going conflict, an actual war with the neighboring aggressor country.

Foreign policy of Ukraine should be based on proactive, not reactive response to the external events. Ukraine has to become a full-

fledged actor of the international relations system. The consistent foreign policy must be based on expansion of national (state, economic) interests and active protectionism. The category of national interests must be simplified and clearly determined.

Idea of “preserving sovereignty and territorial integrity” cannot become dominant in the set of our foreign policy national interests, since it focuses diplomacy on protection and not expansion, weakening our international stance. Instead, Ukrainian diplomats have to carefully appeal to the concept of strategic national culture. Ukraine has to finally stop trading its geopolitical location of a transitstate and become a subject, not an object of the international relations and obtain regional leadership.

In this regard Ukraine could absolutely be an initiator of widening the cooperation within the current regional institutions to military and political level. Of course, such decision demands political will of the EU and the U.S., not only Ukrainians, because of the possible reaction of Moscow. Creation of new regional alliances with Ukraine’s responsible partners: Poland, Romania, the Baltic States, Sweden, the Czech Republic, Slovakia, Bulgaria, Georgia, Moldova also has a good potential. Within the framework of such alliances members will be able to coordinate and regulate efforts in security and defense sector, organize combined military exercises etc. It is important that the initiative to form such alliances comes simultaneously from the most interested states – Ukraine, Georgia, as well as NATO memberstates: for instance Poland, Lithuania, countries immediately threatened by Russia.

Correctly using different available international instruments, having attracted on its side the old (the EU and NATO) and built new strong alliances in Europe, harmonizing its strategic priorities with the national interests of its strategic partners, having built the effective diplomacy, Ukraine will be able to do even more than successfully counter Russian external aggression on Ukrainian territory. Our state will have to travel a long way of restoration of the territorial integrity, reintegration of the occupied and annexed territories. This path will be full of hidden risks, but it will create prerequisites for sustainable state tradition that will make a great foundation for the future of the Ukrainian people.

Given the transnational scale of the threat, posed by the Russian aggressive actions against Ukraine, Ukrainian diplomacy has

to systematically and purposefully create and maintain a system of international relations with the purpose of achieving proper level of collective responsibility for international security. Only persistent efforts at international level, together with the active target engagement of international community and international mechanisms of deterring the aggressor, are able to significantly influence the localization and ultimate settlement of the military conflict on Ukrainian territory.

CHAPTER 2. COUNTERMEASURES AGAINST ANNEXATION OF CRIMEA AND TEMPORARY OCCUPATION OF THE PARTS OF DONBAS TERRITORIES

*You can take the city and win the battle,
but you cannot conquer the entire nation.*

George Bernard Shaw

2.1. Russian intelligence services in Crimea and Donbas: ways of repelling

Russia has been thinking about the annexation of Crimea since the collapse of the Soviet Union. In the last years of the USSR during the so-called the Novo-Ogaryovo process (Novo-Ogaryovo is a presidential residence near Moscow, where talks about reforming USSR took place) the Soviet leadership promoted official status of the autonomous republics. On March 22, 1991 the Crimean region of the Ukrainian Soviet Socialist Republic (SSR) was transformed into the Crimean Autonomous Socialist Soviet Republic (ASSR). At that time it was planned at the highest level that the Crimean ASSR would sign the Treaty of the Union of Sovereign States independently from the Ukrainian SSR. Falsification of Crimean history was carried out in the mass media and mass consciousness of the Crimean and Russian people. The demography of on the peninsula was changed by relocation of the army retirees from Russia to Crimea and to Sevastopol in particular.

After Ukraine gained independence, local Crimean authorities implemented assertive russification policy introducing artificial restrictions for education in official state language (Ukrainian), decreasing the number of the Ukrainian educational institutions and establishments, which used Ukrainian as language of teaching.

These actions has established a basis for the anti-Ukrainian and separatist sentiments in Crimea and a favorable environment for

the Russian intelligence services activity. The measures taken by the Security Service of Ukraine over all this period were not sufficient to stop these destructive processes.

The Kremlin does not deny that the annexation operation of the Ukrainian territory had been planned thoroughly for a long time. The preliminary preparation for the aggression is proved, particularly, by the adoption of the reviewed strategic documents and a considerable increase of the federal budget expenditure for developing and re-equipping of the army and the navy. The attack was carried out when Ukraine was weakened by the political conflict and its defense was undermined by the treason of Victor Yanukovich and his accomplices.

The first step in practical implementation of the Kremlin scenario of dismembering Ukraine were the Russian intelligence services efforts of establishing the “fifth column” that included politicians, officials, businessmen and pro-Russian civil activists with the support of the top officials of the Yanukovich’s regime. Before that the war scenarios against Ukraine were drafted only in theory, predominantly by the ideologists of Russian chauvinism: such as Aleksandr Dugin, Sergey Kurginian, Aleksandr Prokhanov and others. Using the agents of influence, Russia succeeded in assigning her loyalists to the major positions in the security sector of Ukraine: the Security Service (Alexander Yakymenko), the Ministry of Defense (Pavlo Lebedev), the Internal troops of the Ministry of Internal Affairs (Stanislav Shuliak), the Naval Forces (Denis Berezovsky).

For many years through its intelligence agencies Moscow has been creating and financing pro-Russian parties and movements in Crimea¹. These parties and movements have played a important role in the annexation of the part of Ukrainian territory. These local deputies, mayors and officials of the Party of Regions were the main accomplices of the aggressor and formed the absolute majority of the Crimean deputies who voted for the annexation.

Russian intelligence services also paid attention to certain organizations like “Night wolves”, a biker club, sponsored by the federal budget. In February 2014 members of this club participated in the

¹ “Russian Unity”, “Russian Block”, social organization “Russian commune of Crimea”, “Union” party, “Slavic party”, National Front “Sevastopol-Crimea-Russia”, Crimean section of International youth front “Proryv” (Breakthrough), Russian Commune of Eupatoria, etc.

socalled Crimea self-defense groups and played an active role in the events in Crimea. During the annexation they turned up on the peninsula with the Russian flags, intimidated people who stood up against the Russian intervention. “Bikers” patrolled roads, guarded buildings, occupied by the “little green men”, took part in the assault of gas distribution company and the assault of the Ukrainian Navy Headquarters in Sevastopol. Russian propaganda movie “Crimea. The Way Home”, demonstrated on the first anniversary of the annexation, states that “Night wolves” kidnapped and held as hostage one of Ukrainian military commanders.

Russian “bikers” assisted a group of former government officials in secretly leaving Ukraine for Russia, they also facilitated recruitment of mercenaries for the so-called Donetsk and Luhansk people’s republics (**hereinafter** – DPR/LPR).

In order to prepare basis for Crimea annexation and separatism in the East of Ukraine Moscow widely used capabilities of the Russian Orthodox Church and its “agents” in the Ukrainian Orthodox Church of Moscow Patriarchate.

In addition to formidable network of hostile agents, there were also Russian regular troops present in Crimea, reinforced up to 22,000 servicemen during the special operation of annexation of peninsula. At the beginning of the conflict Ukrainian troops in Crimea had only 18,800 servicemen. Russian and Ukrainian troops were relatively equal in numbers of military personnel and armament. However, the number of combat capable battalions of the Russian Army was 4.4 times higher than the number of the Ukrainian troops. In addition, during the operation Russian intelligence agencies with the help of the criminal gangs used disinformation, blackmail, threats, pressure, bribery and intimidation of Ukrainian military men, law enforcement servicemen and their families residing in Crimea, which resulted in a considerable number of defections.

These were the main factors, which determined evolvement of the conflict in Crimea.

The Russian intelligence agencies still actively operate on the temporarily occupied territory of the eastern Ukraine. Starting with deployment of terrorist groups and mercenaries and inspiring separatist actions, Russia occasionally shifted to sending its own regular troops. The armed conflict was supplemented with an unavoidable phenomenon – outburst of the organized crime activity.

Deprecating the language and culture of Ukrainian nation, dishonoring its heroes, Russian state authorities, mass media and religious organizations are trying to destroy political identity of Ukrainian people, ignite inter-ethnic and inter-religious hatred, and inculcate the feeling of weakness and national inferiority in the minds of Ukrainian people.

Russian intelligence services continue special operations against Ukraine aimed at discrediting the Ukrainian state authorities and their policies, disrupting of sociopolitical and socioeconomic stability in the country and ruining the process of democratic transformation. Forged democratic procedures on the temporarily occupied and uncontrolled territories of Ukraine were designed to show fake public support of the Russian agents of influence and to give them authority to represent people of these territories.

The conflict de-escalation in Donbas region puts forward the task of finding relevant mechanisms for countering non-military challenges and threats. The constant of this process must be unconditional provision of sovereignty and territorial integrity of Ukraine.

There are basic conditions of overcoming both military (direct) and non-military (hidden) threats and challenges to the national security of Ukraine (particularly, in the state security sector):

- unconditional and comprehensive cease-fire in particular districts of Donetsk and Luhansk regions;
- pullout of all heavy weapons by both parties;
- pullout of all armed foreign “volunteers”, illegal armed gangs, military equipment from the territory of Ukraine under OSCE supervision;
- restoration of the Ukrainian government’s control over the state border under OSCE supervision;

All of the above-mentioned conditions are mandatory in accordance with the Minsk agreements¹.

However, nonfulfillment of these conditions by DPR and LPR and the delay of the peaceful resolution process will demand from Ukraine to take a number of supplementary measures:

- preparing armed forces for possible terrorist’s invasion of the Ukraine-controlled territory;
- isolating separatists on the temporarily occupied territories;

¹ Set of measures regarding fulfillment of the Minsk agreements of February 12, 2015.

- intensifying diplomatic activity to build up pressure on the Russian Federation in regard to nonfulfillment of the Minsk agreements and to augment foreign support to Ukraine; and
- improving mechanisms of the Minsk agreements fulfilment and defining relevant countermeasures in case of nonfulfillment;

It is worth mentioning that the **temporarily uncontrolled section of the Ukrainian state border in Donbas region is used for the channels of illegal migration, smuggling of arms and drugs trafficking, etc.**

A considerable threat is presented by the activity of subversive groups, sent to destabilize situation in other regions of Ukraine (by means of attacks, robberies, use of explosives, etc) and generate an atmosphere of insecurity among population.

The necessary countermeasures to the mentioned direct and hidden challenges must include:

- intensifying of intelligence and counter-intelligence activity;
- equipping of the state border with modern protection and control capabilities (“The Wall” project);
- organizing the territorial defense in the regions with the strategically important assets; and
- neutralizing Russian propaganda in mass media.

Russian aggression in Donbas region has also generated social and psychological challenges which will influence the temporarily occupied territories for a long period of time. One of the most important challenges not only for Donetsk and Luhansk regions, but for Ukrainian society in general is **desocialization**. Hybrid war, conducted by Russia, has great effect on the social, economic and cultural processes in Ukraine. It affects demobilized personnel of the Armed Forces of Ukraine and the National Guard of Ukraine and the population of the temporarily occupied territories.

Today a considerable number of volunteers and mobilized personnel do not have a full-time job or a legal source of income to support their families. Since Donbas and the neighboring territories are over-saturated with weapons there is a threat that some of the demobilized soldiers and servicemen, dismissed from law enforcement bodies as a result of lustration, might become dropouts (outcasts) or join separatists for financial remuneration.

An urgent task of the government is to immediately develop and implement a set of measures for re-socialization of the population

in Donetsk and Luhansk regions and servicemen who served in the Anti-Terrorist Operation (ATO) area, including assistance in getting full-time jobs in areas of permanent residency, medical care and psychological rehabilitation.

Poverty of the population is another consequence of the Russian aggression in Donbas region. According to experts' estimates of the EU and OSCE, about 30 % of the population on the temporarily occupied territories live in absolute poverty: they do not have income meeting the subsistence wage. This category includes, first of all, senior people, families with more than three children and people with special needs. The only source of subsistence for them is humanitarian aid.

This situation is actively used by the Russian intelligence services and mass media to foment protest energy of the population and channel it to fueling of anti-Ukrainian sentiments, hatred and further destabilization of the situation in the region.

Crime situation in the ATO area remains tense. The number of robberies, especially with use of firearms, is going up. There is also a threat that some armed volunteer formations that have not agreed to fall under the Ministry of Internal Affairs or the Armed Forces subordination might turn into extremist, criminal gangs. Bloody events near the Ukrainian Parliament on August 31, 2015 have shown that certain political forces make use of the ATO servicemen to destabilize political situation in the country.

Mergers between uncontrolled armed formations and radical political forces threaten with emerging "second" front-line in the hybrid war of the Russian Federation against Ukraine; thus, it would demand special response from the Security Service of Ukraine.

Since the Ukrainian government bodies, such as the Ministry of the Interior, the Security Service of Ukraine, the Prosecutor General's Office, courts, etc., are suspended in the parts of Donetsk and Luhansk regions, self-proclaimed leadership of DPR and LPR is now responsible for the security of the citizens on these territories.

New challenges and threats that Ukraine has been faced with since the beginning of 2014 have a long lasting nature. Due to complexity of aggression and its extensive influence on the national security of Ukraine it is critical to accomplish reform of the security and defense sector and continue its further development. The recently updated National Security Strategy of Ukraine and the Military Doctrine

of Ukraine have outlined major directions of the reform. Coordination of efforts of all defense and security agencies as well as efficient management of their capabilities and resources are among the crucial requirements for successful response to aggressive Russian policy.

In order to effectively tackle the new non-military challenges and threats, Ukraine must take a series of measures:

- to update the legislation covering intelligence and counterintelligence activity, elaborating the experience earned in ATO on the territory of Donetsk and Luhansk regions;
- to establish an efficient intelligence community;
- to set up efficient cooperation and information exchange with the partner intelligence agencies about issues of critical interest for Ukraine with respect to the foreign policy of enhancing country's European integration and intensification of cooperation with NATO;
- to advance Ukrainian intelligence activity in Russia as well as in the neighboring countries and globally;
- to reform effectively national law enforcement bodies and special services;
- to stimulate development of the defense industry, enhance national research and development capabilities and support R&D production ventures;
- to enforce anti-corruption efforts in the Armed Forces of Ukraine and other defense and law enforcement agencies.

2.2. The aspects of conducting Anti-Terrorist Operation

In April 2014 Donbas region faced an escalation of violence when armed groups of pro-Russian activists started to seize state administration and police buildings in towns, particularly, in Sloviansk, Bahmut (Artemivsk) and Kramatorsk. At the same time there was a large concentration of the Russian troops (about 50,000 personnel and a considerable number of heavy vehicles). The actions of the illegal armed groups proved that they were commanded by the professional military and foreign intelligence service officers who intended to destroy the territorial integrity of Ukraine (by creating "independent countries" or by annexing Donbas) or achieve a status that would enable them to have considerable influence on the decision making in foreign policy and national security of Ukraine.

Facing actions of the subversive armed groups and a threat of the open external aggression **government had to take adequate measures within the framework of Ukrainian legislation and international law** for the sake of national security¹, which included deterrence and repelling aggression², protection of the constitutional order and territorial integrity from attempts to forcefully change it, law enforcement, protection and safeguard of life, health, freedoms and legitimate interests of citizens³, fighting terrorism⁴, etc.

Guided by the Constitution of Ukraine, Law of Ukraine “On Fight Against Terrorism” Ukrainian authorities have adopted the decision to conduct Anti-Terrorist Operation on the territory of Donetsk and Luhansk regions (hereinafter – ATO) with available forces and capabilities of the Armed Forces of Ukraine (hereinafter – AF of Ukraine), the National Guard and Security Service of Ukraine (hereinafter – SSU).

The initial stage of ATO revealed a number of problems that showed insufficiency of the governmental bodies and law enforcement in preventing and tackling identified threats and flaws of poor organization and coordination of command within ATO.

In detail such problems included:

- insufficient awareness of the political leadership of the country about Russian plans and intentions concerning Ukraine (especially, on possibility of a direct armed aggression), which, consequently, resulted in government’s inability to see evident threats from the Russian side;
- irrelevance of legislation on national security and fighting terrorism to the existing threats and challenges;
- absence of relevant experience of the units of SSU and AF of Ukraine to deal with practical implications of the hybrid wars concept;
- low level of coordination from the single command center;

¹ *Constitution* of Ukraine [Electronic resource]. – Link: <http://zakon2.rada.gov.ua/laws/show/254%D0%BA/96%D0%B2%D1%80/print1399360584630698>

² *Law of Ukraine* on the Armed Forces of Ukraine of December 6, 1991, № 1934XII. – Chpt. 1, prgf. 2 [Electronic resource]. – Link: <http://zakon1.rada.gov.ua/laws/show/193412>

³ *Law of Ukraine* on the National Guard of Ukraine of March 13, 2014, № 876- VII [Electronic resource]. – Link: <http://zakon4.rada.gov.ua/laws/show/87618>

⁴ *Law of Ukraine* on counterterrorism of March 20, 2003, № 638IV [Electronic resource]. – Link: <http://zakon4.rada.gov.ua/laws/show/63815/print1433745230225807>

- advantages of the Russian reconnaissance-insurgent groups in training and special equipment (communication, reconnaissance, electronic warfare);
- spread of separatist sentiments among representatives of the local authorities (for instance, the deputies of Donetsk regional council called the central authorities not to carry out enforcement actions against terrorists); and
- territorial principle of manning and equipping the AF of Ukraine and regional units of SSU that restricted activity and efficiency of the servicemen who serve in the areas of residence of their families¹.

Among other significant factors that facilitated implementation of plans of the pro-Russian guerrillas, mercenaries, units of the AF of Russia and Russian intelligence services were:

- inconsistent national security policy of Ukraine (defense and security sector was reformed due to short-term situational objectives rather than national security requirements);
- support of the guerrillas by substantial number of Donbas inhabitants, who were brainwashed by the Russian propaganda and perceived Ukrainian servicemen as “Kyiv junta”, “punishers”, etc;
- absence (especially at the initial stages) of any media response to aggressive propaganda in Donbas region.

Later, successes of the Ukrainian Armed Forces in the ATO area and pressure of the leading Western nations² on Russia resulted in certain de-escalation of the armed conflict in Donbas.

It’s worth mentioning that in the course of the conflict terrorists regularly received material and financial assistance from the certain Russian enterprises and institutions. For instance, it has become known that leadership of the “Republican guard of DPR” was granted 1.5 mln rubles by “Trans-neft” for the purchase of uniform, sneakers, puffer jackets. These and other actions of certain enterprises and leadership of Russia has to be qualified as financing terrorism, which is a crime according to national law and in-

¹ Negative consequences of similar manning and equipping principle was one the factors that facilitated fast Crimea occupation.

² In this context an important factor is adoption Ukraine Freedom Support Act by the Senate of the U.S. in December 2014, this act invokes to provide military support to Ukraine and provides possibilities to impose new sanctions on Russia.

ternational conventions (namely International Convention for the Suppression of the Financing of Terrorism, 1999). Leaders of DPR and LPR regularly meet Russian officials, namely Vladislav Surkov, advisor to Russian president, to report and receive further instructions. For example, on June 25, 2015 Surkov met with “deputies of people’s council of DPR” in Rostov-on-Don. They discussed local elections in Donbas, opening of “Putin’s reception office” and implementation of other propagandist measures of influence on the population of the region. It has also become known that the Russian military recruitment offices have organized special recruitment sites for selecting and recruiting guerrillas from Russian population and sending them to Donbas. They have organized training camps within the AF of Russia facilities, manned by the military instructors of the AF of Russia. All these facts show Russian systemic governmental support of destructive processes in Ukraine. Russian financing and active promotion of terrorism in Ukraine has become an integral part of the conflict in Donbas region.

Improvement of the situation in the ATO area was achieved due to such measures as:

- establishment of the War office in the National Security and Defense Council that includes not only state leadership, but also leadership of the defense and law enforcement authorities¹.
- intensified intelligence and counterintelligence activity on the Russian direction;
- better financing and equipping of the defense and enforcement units with special equipment and vehicles (predominantly as a result of volunteers engagement);
- development of the national manufacturing of military materiel and armament;
- appointment of the General Staff of the AF of Ukraine and sector commands to command and coordinate action of the ATO forces;
- assigning ATO to military and law enforcement units from the western and central regions of Ukraine;
- establishment of the territorial defense battalions at regional state administration offices;

¹ *Regulation* on War office of National Security and Defense – Presidential decree of December 3, 2015 № 139/2015 [Electronic resource]. – Link: <http://www.rnbo.gov.ua/documents/384279.html>

- amending legislation about enhancing power of the state governmental bodies which are designated to fight with terrorism; and
- changing approaches to the organization of the counterterrorist measures (measures are planned depending on the real situation, level and scale of the threats, improved interdepartmental coordination and mutual understanding).

In June 2014 the Law of Ukraine “On Fight Against Terrorism” was amended and improved. Amendments clarified the definition of ATO as “a package of coordinated special measures aimed at anticipation, prevention and suppression of terrorist activity, liberation of hostages, provision of population security, neutralization of terrorists, minimization of terrorist activity consequences”¹. The Body of Interdepartmental Coordination Commission of Antiterrorist Center (hereinafter – ATC) was enlarged, the head of ATC was given authority to command forces and capabilities of all law enforcement and special agencies (under approval of the respective chiefs of agencies) in full-scale operations in the region of ATO.

Difficult operational situation in the ATO area in some districts of Donetsk and Luhansk regions has caused reconsideration of the certain provisions in the Code of Criminal Procedure of Ukraine. It was supplemented with a section that envisages special procedures of prejudicial investigation². Law enforcement bodies have gained authority for preventive arrests of individuals suspected in terrorist activity³.

According to the Law of Ukraine “On Fight Against Terrorism” ATC of SSU is charged with ATO organization and conduct as well as coordination of governmental counterterrorist activity. Direct command of

¹ *Law of Ukraine* “On amendments to the Law of Ukraine “On fight against terrorism” of June 5, 2014, № 131318 [Electronic resource]. – Link: <http://zakon0.rada.gov.ua/laws/show/131318>

² *Law of Ukraine* “On amendment to the Criminal Code of Ukraine and Criminal Procedural Code of Ukraine regarding special procedures of prejudicial investigation in the condition of military state, state of emergence or in the antiterrorist operation area of August 12, 2014, № 1631VII [Electronic resource]. – Link: <http://zakon3.rada.gov.ua/laws/show/163118/print1444320291503828>

³ *Law of Ukraine* “On amendments to the Law of Ukraine “On fight against terrorism” regarding preventive arrests of persons related to terrorist activity in the ATO area for the period of over 72 hours of August 12, 2014, № 1630VII [Electronic resource]. – Link: <http://zakon3.rada.gov.ua/laws/show/163018>

a particular operation, forces and capabilities is done by operation headquarters, headed by the SSU ATC chief¹. In order to increase efficiency of interdepartmental response to terroristic threats and the scale of terrorist activities it was determined that command of ATO can be carried out not only by ATC Chief (First Deputy Chief of SSU), but also by his first or second deputy chief of ATC who can be a representative of other state body or agency. Since May 2014, considering the progress of ATO in Donetsk and Luhansk regions, the position of ATO Commander has been taken by a Deputy Chief of General Staff of the AF of Ukraine.

In February 2015 the Law of Ukraine “On Civil-Military Administrations” was adopted to establish these administrations as interim state bodies in villages, towns, districts and regions, which act within SSU ATC, perform functions of the local authorities, maintain Constitutions and laws of Ukraine, provide security, public order and welfare to the citizens, participate in countermeasures against insurgent and terrorist actions, prevent humanitarian emergency in the ATO area².

Bringing hostilities to the end as soon as possible and post-conflict recovering of the temporarily uncontrolled territories Ukraine might implement a scenario of incremental countermeasures against Russian aggression, such as³:

- deterring and blocking the aggressor;
- squeezing out (if possible, throwing back) the occupants;
- transforming Ukrainian society and the post-Soviet space (if possible, the world order); and
- reaffirming of Ukraine as peacekeeping power in the post-Soviet space.

Implementation of the mentioned scenario demands relevant tactical techniques, which are being formed today, such as:

- reverse tactics (or ricochet tactics of indirect action), when a target of attack redirects the aggression energy on to the attacker, disrupting him and destroying him from the inside;

¹ *Law of Ukraine* “On fight against terrorism” of March 20, 2003, № 638IV [Electronic resource]. – Link: <http://zakon0.rada.gov.ua/laws/show/63815/print1444314022604610>

² *Law of Ukraine* “On civil-military administrations” of February 3, 2015, № 141VIII [Electronic resource]. – Link: <http://zakon0.rada.gov.ua/laws/show/14119/print1444314022604610>

³ *Horbulin V.* Ukraine and Russia: the tenth wave or the Chinese Wall / V. Horbulin, O. Vlasiuk, S. Kononenko. – Kyiv : NISS, 2015. – 132 p.

- tactics of “conflictogenic ricochet” envisages cultivation of the same disruptive factors, which caused unrest in the states suffering from aggression, inside the aggressor-state. Such technique is especially effective when the conflicting states are neighbors;
- “strangled by the victim” tactics demands from the victim-state to demonstrate by all possible means the readiness, will and determination to return the annexed territories, it will force the aggressor to spend considerable resources for their defense, exhausting it financially and mentally; and
- “selective destruction” tactics consists of causing the aggressor to suffer from not only maximum number of losses in men, but also losses in quality of men, meaning that people coming back from war back to the aggressor-state must be antisocial, criminal agents who will be “helpful” to cultural decline and degradation of the human capital of the country.

2.3. Media-manipulating technologies of Crimea annexation

*We're living in a time when all standards are turned upside-down...
Today the aggressor is the shepherd of peace,
and the beaten and hunted are the troublemakers of the world.
What's more, there are whole races who believe it!*

Erich Maria Remarque

The first steps of the Russian Federation that later caused the Crimea annexation were supported by the **full scale media coverage**, which had all elements of information and psychological special operation, prepared and planned in terms of goals, measures and consequences, and targeted primarily at Ukrainian, Russian and Western audience.

Major goals of this special operation were:

- demoralization of Ukrainian population;
- demoralization of servicemen of the AF of Ukraine and representatives of defense and enforcement agencies, prompting them to commit state treason and defect to the enemy side;
- distorting media perception of events in the minds of Ukrainian and Russian population, depriving these events of real reasons and cause-and-effect relationship; creating of impression that Russian actions have strong support among the population of South-Eastern regions of Ukraine;
- psychological backing of supporters of radical re-union with Russian in the eastern and southern Ukraine;

These goals were accomplished through almost all the media channels, in particular:

- traditional mass media: the press, radio;
- electronic mass media (TV);
- internet mass media (internet news, blogs, social networks).

All the methods of informational-psychological warfare were used starting from posting biased information and half-truth to presenting unhidden lies (fakes).

In the course of preparation for Crimea annexation and establishment of occupational regime Russia actively used a **considerable arsenal of propaganda technologies and techniques**.

Technology of **media blockade** was aimed at creating a media vacuum for the Ukrainian mass media in Crimea. Thus *covering facts* about events in Ukraine and Crimea had *no alternative* to providing one possible interpretation of events. Crafting media domination in the region, Russia did not stop using forbidden tools. Concerning *contextual blockade*, the blocking control of media space by the Russian media included: control of naming of events and facts (for instance, calling the annexation “return of Crimea”) that wipe out the perception of aggressive nature of Russian actions; visual image control (showing no image of local citizens dissatisfied with the annexation); control of the event interpretation consistency (all the information materials were subjective comments of the Russian correspondents, editors’ boards or edited separate opinions of experts with phrases torn out of the context which practically is **a kind of censorship**).

Using mediators became very popular with Kremlin controlled media. In different situations and for different social groups and tiers they chose different informal leaders, political actors, representatives of religious confessions, cultural, scientific, art, sports, military figures. Every group of society was targeted by certain kind of authority.

One of the most effective techniques of disorienting people was technology of **anonymous authority**. The Russian media quoted documents, announced expert estimates, reported data and other materials necessary for better persuasion without revealing the name of the authority source.

Russian media used “**Stop the thief**” technique to discredit Ukrainian government. Russia has initiated hype around a problem in Ukraine and directed popular dissatisfaction at the Ukrainian authorities.

The “**halo effect**” technique has been used multiple times. This technique envisages visits by Russian *cultural, sport and political celebrities* to Crimea. It promoted the status of Russian efforts regarding the return of Crimea and legalization of so-called Crimean referendum.

Russian media met all requirements of response timing and imminent coverage of events. Thanks to **primacy effect** (when the first interpretation always dominates while other interpretations either approve or disapprove it; it becomes difficult to oppose first interpretation as time passes), they successfully shaped impression of the events as they wanted.

Russian media often use **participation effect** for “on the spot reports”. This effect allowed the media to distort reality by broadcasting reports cut and edited in the desired way. Illusion of authenticity made strong emotional impact and imposed feeling of reality of the events.

Systematic repetition of the same definitions and phrases is an example of **classification** technique. With the help of classifiers that describe objects and events, information is formatted in a special way for the addressee to make him/her unconsciously accept the imposed definition of the situation. First of all, it is about words and word combinations describing “positive and meaningful position” (“*restoring peace and stability*”, “*our Russia-speaking brothers*”, “*great Slavic people*”). Second, it’s about “contrasting” words aimed at negatively describing the opponent (“*fascist coup*”, “*Bandera’s state*”, “*Ukrainian extremist politicians*”, “*Ukrainian nationalists*”).

Feedback technique providing for reaction of the recipients to certain events was also largely present in the Russian media messages. The Russian media actively informed about numerous rallies in support of Crimea secession from Ukraine that were artificially staged. A bright example of this technique is direct online communication of people with president Putin; the so-called “direct lines” were nothing but well-rehearsed and well-staged performances. Another display of this technique is pseudo-surveys; it is a way of shaping public opinion but not its real reflection. The questions are asked in a way to make a “true” opinion about a problem.

The **statement of facts** technique was also widely applied in messages of the aggressor state. Desired events were reported by media as subtle facts. This kind of manipulation is usually done in the form of news or opinion poll results to decrease the viewers’ critical thinking

and perception of information. To make such messages look authentic, media often engaged opinion leaders: well-known journalists, political experts, sociologists, etc.

An extremely popular tool of the Russian media was the “**witness of event**” technique, which was sometimes used to provoke emotional resonance. Mass media prepared a report based on random interviewing of people, using their selected speeches to construct necessary content and emotional associations. Particularly powerful effect was achieved due to use of the ordinary people comments.

False analogy technique, which is based on the human habit to think with the help of analogies/cause-effect cliches, making sometimes false connections, was also used by the Russian journalists. As a result, the recipients extrapolated events from the past onto current events that had absolutely no relation to the first ones.

Emotional resonance technique was applied very actively to inflame anti-Ukrainian sentiments among broad audience. To enforce emotional impact of a message it was constructed by details that were easy to remember and digest. Dmitriy Kiselyov’s TV news show is an excellent example of this technique. Using certain intonation, the so-called “emotional tuning”, he comments actions of the Ukrainian officials and deliberately induces indignation of the audience toward the targeted group.

Applying the “**psychological shock**” technique, the Russian media demonstrated “violent” actions of the Crimean Tatars against the pro-Russian citizens of Crimea. The goal of this technique is creating powerful influence on the subconsciousness of the Russian-speaking population of Crimea and poisoning their minds against the Crimean Tatar minority. Multiple attempts to destabilize the situation on the peninsula by inflaming anti-Islamic attitudes have resulted in accusations of Spiritual administration of Muslims of Crimea, Mejlis of the Crimean Tatar People and other organizations in their financial and religious connections with “radical Islamic organizations”.

Events **commenting** technique, which is about establishing required context of events with the help of selected facts and comparisons, was massively used by the media. Message about a fact was always accompanied by the commentator interpretation that provided the audience with “rational” explanation of the fact or event. Selection

of facts was carried out to strengthen/weaken statements. Importance of events, directions of trends and scope of events were hyperbolized by manipulation of comparative materials.

“**Outflanking**” technique, which allows to include facts, which are inconvenient or unpleasant for local audience for the audience, in the propaganda materials, creates illusion of objectivity and impartiality.

“**Routine story**” technology was used to adjust people to explicitly negative information. This technology allows mass media to maintain illusion of objectivity, but at the same time it **devalues the meaning of certain “inconvenient” events**, creates the impression that negative event has little significance and it’s not worth attention and moreover public appraisal.

Another manipulating technique, used by the Russian media, was diverting attention. Propaganda effectiveness grows when it is used combined with entertainment element. Propagandist pieces in Russia were broadcasted during entertainment shows for housewives, radio shows for taxi-drivers in different countries of the world where the myth of “non-Ukrainian Crimea” was constantly repeated.

The **perspective** technique, used by the Russian media, provided the right to speak only to the one party of the conflict establishing one-sided perspective. Almost all messages of the Russian media about Ukraine had negative context while information about Russians and the “little green men” had practically no negative context.

One of the most frequently used techniques, accompanying the Crimea annexation, was constant repetition of the same statements. It forms a habit in the population to perceive these statements as the only truthful ones. In this case **media influence is aimed not at ideological position, but at daily consciousness of the citizens.**

Double standards were used in the substitution technique, which makes use of substitutes with positive connotation (euphemisms) to name explicitly negative events and vice versa. This technique was mostly used for **creating positive perception of the fact of annexation.**

Breaking news was applied to increase anxiety and weaken psychological resistance of the Crimean residents. Since the feeling of constant crisis strongly increases power of external persuasion of the people and diminishes the ability of critical thinking, almost all the news blocks in Russian media broadcasts had a breaking news nature.

“Poisoned sandwich” allowed Russian media to hide positive information between negative information, for instance hiding destructive factors of the activity of pro-Russian “defenders” in Crimea.

Analysis of media support of the Crimea annexation requires to pay special attention to **president Putin’s rhetorics**. It perfectly demonstrates the **content evolution of his statements and the hidden agenda behind them**. First, Putin (press conference of December 19, 2013) said that he **was not going to deploy troops in Crimea or annex it to Russia**. The statements gradually change until the very admittance of **the decision that the troops, indeed, were deployed to Crimea** with “purely good intentions”. Finally, in March 2015 in the movie “Crimea. The Way Home” president Putin **frankly admitted that in February 2014 he approved the decision on “conduct of special operation to return Crimea”**. Thus Russian president was an **active participant** of the “media aggression” and manipulation of public conscious in the course of forceful annexation of the Crimean peninsula to Russia.

Thus, Crimea annexation by the Russian Federation is a result of a long lasting and purposeful propagandist activity of the Kremlin. Russia engaged different media resources (TV, Radio, Internet) to create necessary media field and inability of the Crimean local government to react adequately and timely to the first signs of violation of the basic rights and freedoms and inability to control the media space have led to the present situation.

From the moment of Crimea occupation Russian authorities have carried out active steps toward establishment of the authoritarian media regulation on the peninsula. This fact reflects the general media policy of Russia, which perceives media environment not as a territory of the principle of freedom of speech and expression but rather as a tool to secure ruling elites from any kind of dissent from opposition or protest forces.

CHAPTER 3.
UKRAINE, THE EU AND RUSSIA
IN THE MINSK PROCESS OF RESOLVING
THE SITUATION IN DONBAS

*There are thousand ways of peaceful conflict resolution
between countries and the only way of settlement of a problem
through the war if the peaceful ways are under threat.*

Aaron Vigushin

Background of the Minsk process

In September 2014 and later in February 2015 Ukrainian government with the active support from the Western states (U.S., France and Germany) and the political leadership of NATO managed to achieve political agreements on consecutive steps toward political and diplomatic resolution of the situation in the East of Ukraine.

Despite the accusations of “betrayal of national interests”, it must be understood that Ukraine objectively needed it at that stage of the political-military situation. At least the country was buying time to build effective Armed Forces, reform the security and defense sector, update strategic documents on the national security and defense, receive foreign defensive and financial support. Time, gained due to the Minsk process, and a chance to find political resolution of the armed conflict emanating from the Russian aggression were key benefits of the Minsk process and we have to use them effectively. While the country is looking for political settlement, it should also enhance its defense capabilities, develop border security (terrestrial, maritime and aerial) and a new model of the state survival in the circumstances of a long term military challenge, posed by neighboring Russia.

We cannot omit the fact that the Minsk agreement process was very complicated. The critical requirement and the first point of the agreements, which provides for the logic and chronology of further actions of the parties, is immediate and comprehensive

ceasefire in some districts of Donetsk and Luhansk regions. Nevertheless, backed by the Russian regular troops, the so-called Donetsk and Luhansk people's republics (**hereinafter** – DPR/LPR) combatants violated the ceasefire many times. Until the early October, practically every day Ukrainian Armed Forces and law enforcement units, stationed in the in ATO area, suffered casualties. The agreement to release and exchange of hostages and illegally detained people due to the “all-for-all” principle (point 6 of the Minsk agreements) is also not fulfilled. By middle of May 2015 the terrorists have held 399 hostages, while 11 citizens of Ukraine have been detained or imprisoned in Russia. These matters complicate progress in dialogue on other points of the Minsk accords, since they are directly connected to the accomplishment of the initial steps.

It is difficult to ignore the fact that separatists not only systematically break their commitments on agreed matters, but also disrupt common logic of the peace process (for instance, neglecting fulfillment of the primary points of the Minsk agreements). Thus, implementing Minsk agreements in the wrong order would not only fail to resolve issues of armed conflict, restoration of territorial integrity and sovereignty of Ukraine, but also generate formidable long term threats to the national security of the country.

It is obvious that Russia's attempt to ignore the Minsk agreements or interpret them arbitrarily is caused by violation of the Budapest memorandum on Security Assurances of Ukraine's territorial integrity and sovereignty of Ukraine and impunity for aggression against Georgia in 2008. Therefore, atmosphere of mutual mistrust has been impeding Minsk negotiations process for almost a year of the conflict in the eastern Ukraine.

Since October 2015 the Minsk process has entered a more or less meaningful phase. At the same time it is worth mentioning that hostilities Donbas, which had lasted for a year, transformed into protracted latent armed conflict. Main belligerents have exhausted their resources and ideas regarding resolution or further escalation of the conflict. Ukraine, the EU and the Russian Federation are key players that can actively influence conflict settlement process. At the same time the conflict considerably influences these actors, causing changes in their agendas and behavior.

Russia

For Russia the military conflict in Donbas, which was seen as “a little victorious war”, appeared to be a geostrategic failure that practically dragged unprepared Russia into the new “cold war” and caused international political semi-isolation of Russia. Moreover, Russian experts admit that contrary to Kremlin’s expectations, military aggression against Ukraine achieved completely opposite results, which can be viewed as an obvious sign of Russia’s weakness, vulnerability of the state and ruling elites in particular.

After having being successfully tested in Crimea, hybrid warfare has shown its inefficiency in Donbas. Today Russian elites have only partially recognized this fact, although sense of a catastrophe is already there. The economic blockade of the temporarily occupied territories imposed by Ukraine, despite conditional and semi-transparent regime of restrictions, achieved its goal – the responsibility for welfare of these territories is increasingly burdening Russia. There is no doubt that these separatist’s “republics” have always lived for Russian money; however, until now they used their ambiguous status to drain resources from Ukraine.

The economic blockade has driven separatist “militia” and their Kremlin masters into a corner. Humanitarian convoys, initially planned as a propagandist move, have suddenly become a real demand, since in the occupied territories people desperately needed humanitarian aid. The regular convoys perfectly illustrate this fact. If on the early stages there were just one or two convoys a month, then, in 2015 three or four humanitarian convoys were sent within the same period of time.

The problem is worsened by the fact that separatists themselves (especially their leaders) systematically steal the convoys’ cargo. According to French reporter P.Sotirel, the leadership of DPR/LPR embezzled and sold out almost 50 % of all the Russian humanitarian convoys.

DPR/LPR leaders were not prepared for comprehensive administration of the controlled territories. It was another problem for the Kremlin. Moscow is forced to maintain not only permanent contingent of the military advisors, but also bureaucrats. It’s worth mentioning that the problems with the local people who must implement Russia’s will were caused by Kremlin’s traditionally unscrupulous selections of men and means to conduct such the foreign operations.

Paternalistic behavior model of Donbas population, cultivated particularly by the the Russian media, now plays against Russia. This model is founded on the deep belief that all major public goods are supplied by transcendental figure of “father”, which is not represented by Vladimir Putin. The key demand for acquiring these public goods is good behavior (“behave well” and “obey”). In this regard people who supported creation of DPR/LPR truly believe that they behaved well and, consequently, would demand Putin to fulfill his obligations according to this informal agreement.

However, these are just some problems emerging in the context of more serious troubles of the Kremlin. One of such issues of concern is uneasy business with the Russian “volunteers” (imagined and real) who are currently fighting in Donbas. It can be noticed that the Russian leadership is no longer tolerate these combatants, since one of the Moscow’s demands, which is regularly stated before the DPR/LPR leadership, is to establish separatist’s border guard troops. The task for these troops is not to guard of the line of division with Ukraine, which would be evident, but to control border with Russia. It is demanded in order to prevent returning of voluntary fighters with Russian citizenship back to Russia. Obviously, until recently the Russian Federation has not found the way out of this problem, although it tried hard. In the meantime these men, who have combat experience, know how to use weapons and want to use them and who killed people in the recent past are left with nothing to do. If they come back they might reflect negatively on the current political and economic situation in Russia, which would undermine Russian leadership (statements of Ihor Strelkov-Girkin vividly illustrate this idea).

It would not be reasonable to expect that these former combatants could stage mutiny. However, there is possibility that their activity will substantially aggravate risks of violent crimes and breed inter-ethnic tension. These risks seem to be even more probable, since the Russian leadership is pre-occupied with the Ukrainian crisis and a search for the way out of the foreign political zugzwang, which to some extent diverts their attention from certain domestic troubles (for instance, in the North Caucasus).

In the past Kremlin tried to solve internal problems disbursing more money earned by super profitable oil and gaz exports. Now this situation deteriorated and it is a direct consequence of the events in Crimea and

Donbas. The Western economic sanctions introduced against Russia are efficient, no matter what Moscow do to convince Russian citizens they are not. Restricted access to the low-interest loans, sharp devaluation of the ruble, systemic economic crisis – these are only the initial consequences of the Western reaction to Russian uncivilized behavior on the world stage and, particularly, to Russian invasion to Ukraine.

As time flows, domestic problems will become more serious because without profound modernization Russian economy (it is evident that there is no modernization, while talks about import substitution industrialization is all but another Potemkin village¹) will be based on further extraction of the natural resources of the country and depend on unstable and fluctuating foreign markets and falling energy prices. Trade turnover between Russia and the EU (its major trade partner) has fallen by third. Putin's attempts of attracting oligarchs' money back to the country have failed. In 2014 the outflow of the capital from Russia set record of \$ 150 billion. From March 2014 till March 2015 Russian foreign currency reserves fell from \$ 475 billion to \$ 360 billion² and there is no sign it would stop. That is why Russia is trying so hard to lift the sanctions and looking for any chance to succeed.

In general, this brings us to another huge dilemma of Russia – its relations with the West. It seems that the Russian leadership strongly believed that country's energy resources, nuclear arsenal and important role in resolution of certain international problems and crises (in Iran, Syria, Lybia) protected them from the American and European threats and pressure. The reality appeared to be quite different, which made tremendous blow to Russian elite's ambitions. The relations with the West are spoiled so much, that even Russian experts agree that the country is forced to exist in this new international reality and accept its long-term perspective without foreseeable progress, unless the issue of Donbas is resolved.

¹ The phrase “Potemkin village” (also “Potyomkin village”) was originally used to describe a fake portable village, built only to impress. According to the story, Hrigoryi Potemkin erected the fake portable resolution along the banks of the Dnieper River in order to fool Empress Catherine II during her journey to Crimea in 1787. Modern historians are divided on the degree of truth behind the Potemkin village story.

² *Galbert S. A Year of Sanctions against Russia – Now What?* / Simondde Galbert [Electronic resource]. – Link: https://csis.org/files/publication/150929_deGalbert_SanctionsRussia_Web.pdf

Experts of the Russian Council on Foreign Affairs acknowledge that “simple” resolution of the Donbas crisis by Russia (that is a direct military intervention to accelerate the development of events) would have catastrophic consequences for the foreign policy, since it will cause irrevocable destruction of the relations between Russia and the West. Therefore, the confrontation scenario is the most perilous.

It’s worth considering that Russian attempts to shift from relations with the West to relations with the East, namely China, have not brought significant practical results. It can be explained by the fact that the Russian share in the PRC external trade is not as big (it is exponentially smaller than the American share) as Chinese share in the Russian external trade. Furthermore, Western sanctions against Russia also play role: on the one hand, China does not recognize them judicially; on the other hand, it has to accommodate to them.

China masterfully and more persistently takes advantage of the Russian weakness and its lack of maneuver capacity, imposing demands on Moscow. The most striking example are business negotiations about energy transportation project “Power of Siberia”, when every new statement of “Gazprom” shows results of Beijing’s hard bargaining with explicitly weakened partner. Scarcity of investment resources for the promising pipeline projects, caused by enduring decline of GDP, makes arduous geopolitical talks with PRC harder.

Natural gas leverage is losing its relevance. Consistent decrease of the Russian gas import by Ukraine and Europe coupled with China’s intention to develop its own technologies of shale gas production and decrease hydrocarbons import, might force Russia to reconsider its geostrategic doctrines, which look at energy resources as powerful tool of expansionist foreign policy.

However, all above mentioned does not allow suggesting that Russia is ready to abandon its policy toward Donbas completely. The Kremlin cannot accept the military defeat of DPR/LPR because it would mean the biggest evident failure of Russia on the post-Soviet space and threaten all other Moscow’s re-integration projects in Eurasia. From the Kremlin’s point of view, DPR/LPR are long-term agents of instability, which in synergy with other factors should undermine Ukraine and destroy it from the inside.

For instance, an obvious task of “Novorussian militia” (although the opinion of the Russian military experts about these troops is rather

disdainful) is to inflict losses on the AF of Ukraine in order to weaken our army and its morale, and aggravate internal political situation and social tensions in Ukraine. Despite the fact that Russia keeps concentrating huge forces on the border with the controlled dual separatist enclave of DPR/LPR, it is unlikely that it will risk to end conflict in Donbas by decisive full-scale military intervention. The reason behind such assumption is that the consequences of such hostile actions are highly ambiguous from both military and foreign policy assessment. Russian military operation in Syria (that immediately became mainstream topic of the Russian mass media) should be considered as evidence that Moscow refused to go for urgent military resolution of the Donbas crisis.

In general, it can be stated that Russia as a player that provoked crisis in Ukraine has lost its pace and influence over direction of events and started long-term game to keep status quo. Nevertheless, we should be aware of possible Russian extraordinary decisions that could have some tactical success. However, such decisions traditionally resulted in strategic weakening of Russia, which is a general problem of strategic culture inherent to the Russian Empire, the Soviet Union and the Russian Federation.

Today the main goal of Russian policy toward occupied territories of Donetsk and Luhansk regions is forcing Ukraine to accept the “satellite state” scenario. It presumes signing beneficial for Russia separate peace agreement, neglecting interests of the Western partners, accepting Donbas autonomy, refusing to regain Crimea. Such “reconciliation” would deprive Ukraine of much of its independence and it would tie Ukraine’s historical destiny to the historical destiny of the Russian Federation¹.

It is rather remarkable that Russian efforts of scenario implementation in Donbas and in conflict with Ukraine, especially its propagandist activity, resulted in shrinking of the options available to Russian authorities in domestic politics. Moreover, today we can observe, up to a point, how “tail wags the dog” – outstanding “86 % of Russians” would not “understand” their leadership if anything but “total victory” scenario, which is the “satellite” scenario, is sought and accepted.

¹ *Five scenarios of Ukrainian-Russian relations* [Electronic resource]. – Link: http://gazeta.dt.ua/internal/pyatscenariyvdyukrayino_rosiyskihvidnosin_.html

The European Union

Conflict in Donbas not only has impacted Russia but also forced the European Union to reflect on its reaction toward crisis. It is important to understand that conflict in Donbas has pulled Europeans out of placid process of self-development. Crimea and Donbas have forced them to become part of irrational (in their opinion) conflict and abandon their policy of maneuvering toward ambiguous positions and neutral assessments. It could be observed by changes in the official EU statements: starting from cautious “concerns” and “alerts” in the beginning of the conflict, today European political elites regularly use such definitions as “Russian aggression”, “Kremlin propaganda”, “annexation”, “tribunal”.

The Donbas conflict has caused a number of internal and external troubles that influence EU and its member states. “With few exceptions, European governments do not think or act strategically. And since they do neither, how then can they have the ambition to shape foreign policy, especially on the EU level?” – states Judy Dempsey, non-resident senior associate at Carnegie Europe and editor in chief of “Strategic Europe” blog. She points out: “Another conclusion is that instead of the EU forging a common strategic outlook, the union has achieved the opposite. Ambition, if it exists at all, is inward looking and based on the national level, on narrow interests, on short-term goals. Ambition seems to have little to do with projecting a strong EU even though this is precisely what the union should be doing”¹.

Another problem is Russian anti-Western “International”. Astonished Europeans are realizing that many of their multiple internal conflicts, advent of radical political movements and other difficulties are not just “points of concern” but elements of well-thought system of subversion targeted at the West, built by Russia in last 10 years. Alexander Genis, journalist and host in “Radio Svoboda” eloquently points: “The Kremlin allocates considerable funds to parties and movements in the West that are openly not loyal to the Western institutions and work to ruin them. However, host countries of the “dissenter” parties do not take any legal measures against them because

¹ *Dempsey J.* Europe’s Pathetic Lack of Foreign Policy Ambition // Judy Dempsey’s Strategic Europe. – 2015. – Aug. 7 [Electronic resource]. – Link: <http://carnegieeurope.eu/strategieurope/?fa=60952>

authorities do not consider relations between such parties and Russia to be criminal. There is also an opinion that Russian financial and ideological support of radical opposition in the West might compromise the opposition itself"¹. Russia, indeed, created new edition of the “Communist International” of European scale (similar to Stalin’s Comintern of 1930–1940), which significantly influences the policy of certain countries and EU. The configuration of this new “International” is not linear, as stated in the work of P.Pomerantsev and M.Weiss “Menace of unreality: information, culture and money as the Kremlin weapons”², because in every important region or country Russia has different face (from rough authoritarianism to “soft” engagement).

In this regard, if in the Soviet times such penetration of the West was carried out within framework of ideological cooperation with the left-wing political parties, today strategic intentions of Russia are fundamentally different from former “self-limited” policy. Now Kremlin is focused on attracting all the spectrum of political movements: beginning from fascist and neo-Nazi movements to Eurosceptic and anti-globalist political projects. Practically the only common point of these movements is the “Die the EU!”- motto and disintegration of the European community.

Moscow is not even hiding its role in these processes. In March 2015 an “International Conservative Russian Congress”³ was held in Saint-Petersburg. It was a gathering of people considered by their own countries to be neo-Nazis. Russian leadership not only turned a blind eye on this fact, but also supported the organization of this event (for instance, Saint-Petersburg police blocked any protests regarding this event, even one-man protests). Another significant event happened in September 2015. This time Moscow hosted international expert discussion “Dialogue of the Nations. Right for Self-Determination and Construction of a Multipolar World”. It was organized by Anti-Globalist movement of Russia that won a grant

¹ *New International* [Electronic resource]. – Link: <http://www.svoboda.org/content/transcript/27137843.html>

² *Menace of unreality: information, culture and money as the Kremlin weapons* [Electronic resource]. – Link: https://openrussia.org/s/tmp/files/Menaceof-Unreality_RUS.pdf

³ *Rally of “Russia’s friends” in Saint Petersburg outraged antifascists* [Electronic resource]. – Link: http://www.bbc.com/russian/russia/2015/03/150322_russian_conservative_congress

of 2 mln rub. from the National Charitable Fund. This event brought together representatives from many countries, who see their goals in organizing separatist movements in their respective countries. Undoubtedly, these movements are insignificant in political terms at the moment but with the Kremlin financial support the situation might change dramatically.

Only after events of 2014 and Russian attempts to influence the East European policy of EU the scale of Moscow infiltration within the political elite of the EU became visible, especially in certain countries (from Greece or Czech Republic to France and Germany). There is no doubt that Kremlin's supporters were well known before but nobody could imagine the scale of such influence. The Kremlin invests big money in these projects directly or indirectly bribing experts, former officials and politicians from the European countries. Not only certain members of the European Parliament, but also entire political parties in some countries (for instance, "National Front" in France or "SYRIZA" in Greece) turn out to be under intensive Moscow "care", which is trying to destroy European unity. Since two influential politicians, Marine Le Pen and Nicolas Sarkozy, who enjoy high level of public support, directly endorse Putin, France is short of becoming the main launching site for Moscow policies toward EU.

It is worth admitting that Brussels ostentatious desire to pretend that the scale of this bribery is inconsiderable originates from not rational calculations. It seems that Europe, its political leaders still perceive Russia through their knowledge and experience gained about this country in the mid-1990s or during "perestroika". They still have not realized how much Russia has changed; however, future of the European project could depend on quality and the speed of Europe's reaction to this new reality.

The Donbas conflict is also an economic and social challenge for the EU, which together with US has taken a kind of responsibility for Ukraine. This serious conflict, entering a long lasting phase, undermines Ukrainian economy, which, consequently, requires regular financial infusions, new tranches and loans. It is obvious that the longer conflict lasts, the higher is the price of the occupied territories' reintegration in Ukraine. The state does not have "extra money" for restoration of a very vulnerable region and no necessary funds are foreseen even in the middle term perspective. Russia has never been

interested in the development of Donbas region and it was demonstrated within the first couple of months of the conflict by plundering or dismantling for illegal transfer to Russia of every more or less attractive and modern industrial enterprises, flooding coal mines, destroying infrastructure, etc.

Meanwhile EU (in the context of Ukrainian crisis, mostly Germany) is facing more internal problems from bail out of Greece to refugee crisis and war in Syria. All of this will demand not only demonstrating of unity of the member states (which is evidently going to be harder), but also providing considerable financial infusions. Since mentioned troubles “here and now” influence life of Europeans and draw lion’s share of attention and efforts, the half-destroyed Donbas is seen as a rather distant problem.

In opinion of experts on the German-Ukrainian relations, Germany is reviewing foreign policy priorities and depth of its engagement in settling all sorts of international crises: “For now Germans are rather sceptical about the scope of Germany’s participation in settling different international crises. If twenty years ago 37 % of Germans were against such engagement and 62 % – supported it, nowadays the figures are completely opposite – 37 % – “for” and 60 % – “against” <...>. Putin remains an abstract threat to most of Europeans, whereas Asad is not any more. <...> there are different opinions concerning Ukraine. Some people think that the most important is to resolve the conflict and “shade” Donbas conflict with at least some political settlement, others are convinced that this conflict should not distract Germany from the rest of Ukraine and from the transformations that started, but haven’t sustained yet”¹.

In addition, the Donbas conflict is also a large-scale problem in terms of number of the displaced people. In fact, facing a sudden influx of refugees from the Middle East and Africa, Europe can now better understand the problem Ukraine had, dealing with the displaced people without European funds and institutional capabilities. It’s not yet clear who should learn and teach in this case.

In the meanwhile the EU should understand that, although Ukrainian displaced people are settling around Ukraine and Russia, but under certain condition they might start moving to European

¹ *Berlin* said: “To work for the elections!” Link: http://gazeta.dt.ua/international/berlin-skazav-na-vibori-_html

countries. According to data published by *Rzeczpospolita*, only in the first six months of 2015 approximately 411,000 Ukrainians were employed in Poland: “It’s not a matter of will to hire foreigners, it’s a necessity. For many companies, for instance, in manufacturing and logistics workers from Ukraine are the only way to cover the lack of personnel that exists as a result of many Polish workers moving to Germany and Scandinavian countries to do the same job for salary which is three-four times higher”, – explained K.Inglot an employee of an Employment agency.

Another problem is EU internal disagreements, regularly emerging amid further perspectives of prolongation and/or intensifications of the sanctions against Russia. Individual member-states, those economies are largely dependent on the trade with Russia, almost openly declare their unwillingness to participate in this format of pressure because it is done at their cost. Prime-Minister of Slovenia M. Cerar believes that “the introduced trade limitations cannot resolve the problem”¹. Hungary is very careful when speaking about the sanctions policy: “Sanctions will be on the agenda again at the end of the year and I really hope the conflict will be settled and we will start a new page. Since Europe needs pragmatic and strategic relations with Russia, we will lose an incredibly important factor of our strength and competitiveness”², – stated Péter Szijjártó, Minister of Foreign Affairs of Hungary in September of 2015. The statement of Bulgarian Prime-Minister Boyko Borisov was even more concise: “The sanctions cannot give any good for either of the states ... we’ve become innocent victims, having no desire, and moreover having no goal to make relations between Bulgaria and Russia chilly. I pray to God that big leaders (of the EU and the U.S.) faster settle their business and cancel the sanctions.”

Thus, naturally, European companies (especially the big businesses), despite the adopted political decisions, are looking for the ways to get around the sanction confrontation between the EU and Russia. For instance, on June 18, 2015 “Gazprom”, *E.ON*, Shell and

¹ *Prime-Minister* of Slovenia statement regarding cancelling sanctions against Russia [Electronic resource]. – Link: http://lenta.ru/news/2015/07/27/anti_sanctions/

² *MFA Hungary*: The EU will lose power without cooperation with Russia [Electronic resource]. – Link: <http://ria.ru/world/20150905/1231298886.htm-#ixzz3mwSxF8Fz>

OMV signed a Memorandum of intentions that envisages the construction of two natural gas pipelines of the “Nord Stream II” with the capacity of 55 billion m³ of gas per year. The pipeline would start in Russian coast going through the Baltic Sea to the German coast. Another example: “Gazprom” and Shell have decided to continue common development of Yuzhno-Kirinskoye gas field that was placed in the U.S. sanction list in August¹.

Similar situation is observed with the powerful players on other markets. For example, after Crimea annexation all chain supermarkets of the French “Auchan” were simply transferred under management of the “Auchan-Russia”: “It is an internal matter. Crimea became Russian territory. “Auchan-Ukraine” had no possibility to manage the stores. We are concerned not about politics but rather about our customers and employees”, – the representatives of the company stated².

Thus, in spite of “war of sanctions” business is business as usual, even if it deals with aggressor responsible for killing thousands of Ukrainians and hundreds of Europeans, passengers who died in catastrophe of the Malaysia Airlines flight MH17. After the Dutch experts finished report about this tragedy, it is impossible to deny evidence saying that “it is not clear who shot down the plane”.

Meanwhile it is impossible to turn a blind eye on the matter that sanctions have become an important issue of the European internal debate about the EU foreign policy.

In this regard, as stated by the European analysts³, sanctions should not become a “barometer” of Russian behavior in Ukraine: “tenacity and firmness of the sanctions are more important than the intensity in each of the point”. The goal of sanctions is not even the regime change in Moscow because it is unlikely that permanently empire-minded Russia suddenly reconsiders itself. The goal is to demonstrate that the West is dissatisfied with the Russian behavior and, consequently, restricts its space for maneuver.

¹ “Gazprom” and Shell will develop Sakhalin regardless of the sanctions. [Electronic resource]. – Link: <http://www.pravda.com.ua/news/2015/09/30/7083090/>

² In the rear area sanction wars: how foreign companies survive in Russia [Electronic resource]. – Link: <http://www.forbes.ru/kompanii/301647-v-tylu-sanktsionnoi-voiny-kak-inostrannye-kompanii-vyzhivayut-v-rossii>

³ Liik K. The limits and necessity of Europe’s Russia sanctions / Kadri Liik [Electronic resource]. – Link: http://www.ecfr.eu/article/commentary_the_limits_and_necessity_of_europes_russia_sanctions3091

However this demonstration is getting more complicated (it can be seen by behavior of the leaders of individual countries and businesses) and demands increasingly growing effort from Brussels. In addition, there are also difficulties synchronization of American and European sanctions. As some American experts reasonably put it, Europe and Europeans feel they are losing more than America and this perception provokes argument about sanctions: “Although sanctions cost Russia a lot, they are also impacting European economies significantly. Europe-Russia trade – about € 285 billion in 2014 and € 326 billion in 2013 in two-way trade – is expected to decline sharply in 2015: 30 per cent decline could be projected due to the data available for the first six months of the year. Europe-Russia trade could, therefore, shrink by about € 80 billion in 2015 and cost Europe about € 30 billion in lost exports to Russia. Those amounts are significantly higher than what Iran sanctions cost the European economy and markedly greater than the cost of Russia sanctions to the American economy”¹. The same experts state that the real goal of the sanctions is not to influence Russia’s behavior (what was of limited success) but “buying Ukraine time for domestic consolidation and reform”. If Ukraine doesn’t use this chance to get things right, it will be more difficult for the EU and US to maintain sanctions against Russia: “The role of sanctions will be radically changed if Ukraine collapses. They would be pointless in such case”².

Ukraine

Ukraine has a chance to get out of this situation with dignity. It can be stated that, for the time being, this conflict does not have military solution. It does not mean that Ukraine should ignore permanent Russian military threat. This threat is a real long-term reality of our lives, realizing this problems will determine the survival of our country, especially, if we consider announced multibillion modernization of the Russian Armed Forces adopted in December 2014 by the Military Doctrine of the Russian Federation.

¹ *Galbert S. A Year of Sanctions against Russia – Now What? / Simondde Galbert* [Electronic resource]. – Link: [https://csis.org/files/publication/150929_de-Galbert Galbert_SanctionsRussia_Web.pdf](https://csis.org/files/publication/150929_de-Galbert_Galbert_SanctionsRussia_Web.pdf)

² *Galbert S. A. Year of Sanctions against Russia – Now What? / Simondde Galbert* [Electronic resource]. – Link: https://csis.org/files/publication/150929_de-Galbert Galbert_SanctionsRussia_Web.pdf.

Although reforms in the security and defense sector have started, approach to managing the security sector as comprehensive system has not been developed yet. It is quite telling that one of the major tasks of the Ukrainian military policy (as it has been defined in the Military Doctrine) is “establishing of the integrated security and defense sector as the key element in the military security system and integrating its capabilities for timely and effective response to existing and possible threats”. Thus the government understands urgency of this problem.

It is also true for the “strategic culture” in general and, in particular, for interaction between the security and defense bodies (that is still organized to meet the peace time, not war time demands). Despite government’s efforts, defence procurements are still the matter of serious concern, which obstructs genuine large-scale re-equipment and rearmament of the AF of Ukraine. At the same time, due to efforts made over the last two years, the current capabilities of the AF allows them to repel any attack of separatists except for the direct and full-scale Russian military intervention.

Russian aggression pulled Ukraine and our elites out of the “comfort zone” characterized by a set of illusive and idealistic views about the world politics and pushed toward reconsidering themselves in terms of classical theories of political realism and “Realpolitik”.

“Future is thoroughly disarmed present”, – brothers Arkady and Boris Strugatsky wrote. Ukrainian policies – foreign, internal, military are roughly brushing off the unrealized irrationality of the “past”, which is substituted by realized rationality of the “future”. For instance, the choice of NATO is no longer a topic of ideological debates in Ukraine; it is an increasingly deeper realized security demand in the context of the real state of military and political situation. In the same manner, Ukraine will use rational prudent approach in resolving the conflict in the East, acting from a firm and pragmatic stance.

Such unexpected pragmatism and balanced firmness of Ukrainian authorities caused the biggest shock not only to Russian leadership, but also to our Western partners. While the West accepted that, Russia keeps holding up for the image of Ukraine as some sort of “inferior state” (as Putin once said). However, such approach does not allow Russia to see the real situation.

This is the reason for the clear and comprehensible Ukrainian position: strategically, we must not engage with the Kremlin policy

and, tactically, we must avoid Russian scenario in Donbas. It has become evident that “return at any cost” leaves no chances for Ukraine. Undoubtedly, alternative radical scenarios (“let them go”) are also far from being constructive. However, it’s clear that there will be no Donbas reintegration under the Kremlin’s conditions.

*The problem of the occupied territories
in the terms “friend” – “foe”*

From purely economic point of view the occupied territories have already lost their attractiveness for Ukraine. Practically, we have learnt to live (it is not always easy) and develop our economic strategies without them and implement trade, economic, financial and monetary projects without their resources.

The Donbas conflict had another serious psychotherapeutic side-effect (a sort of trans-regional catharsis): the long lasting, nurtured by regional elites and cherished by people, myth of “who feeds whom” was busted by rough collision with real life. It is increasingly better understood by the population of the occupied territories.

The peace settlement in Donbas as a national problem is not only about establishing ceasefire, although it is the most important task in the name of saving human lives. The twelve months of war have fundamentally changed the region, in particular, the territories under control of separatists, assisted by the force of foreign power. It is difficult to make up even rough estimate of the problems, which Donbas and Ukraine are about to face in the nearest future due to insecurity on the line of contact. If Ukraine tries to manage all those problems, it is yet unclear who will be dealing with the problems on the “isolated districts of Donetsk and Luhansk regions”, burdened with the “special status”.

It should be understood that neither separatists would not get busy with any problem as well as Russian, since it faces a lot of troubles caused by events in Crimea and Donbas.

Among the challenges and threats, generated by the Donbas crisis, we must admit considerable redistribution of the social roles, value and professional prestige. For many years Ukrainian society had an ambiguous attitude toward military. With the start of aggression and emergence of combat capable Armed Forces such attitude practically disappeared. However, as a result of shutdown of many enterprises and entire sectors of economy (as a consequence of the war) Ukraine

is facing serious socio-class mutation. For instance, this problem has had impact on socioeconomic role and economic-social value of “mining trade”, which had played a role in the country’s life and political process for many years. Members of the so-called “creative class”, whose financial and social position is tightly correlating with the overall economic situation in the country and whose contribution is highly demanded in the developing economies may become victims to this negative tendency.

There are also growing concerns about increase of intolerance in the society. Classical dispositions “friend-or-foe” are shifting and switching in conditions of conflict and, sometimes, traditional divisions become useless. In this situation the criteria for definition of “friend” or “foe” often lose their traditional foundation and become dynamic and subjective. In the end it enforces divisions in the society and urges necessity to re-integrate it.

The problems of the displaced people are also in this list of troubles. There are not only socioeconomic problems of their re-settlement, but also issues of mutual socio-psychological adaptation of the displaced people and local inhabitants in the places where they have to live together. There is nothing strange that social tensions periodically happen, since large numbers of people are forced to leave their homes and abandon their traditional ways of life; moreover, they have to find themselves in the new social environment.

We cannot but mention problems (although these are more vivid in the conflict region) of senior people. There is an issue of increasing number of orphans and homeless people. Since state welfare system was destroyed it may add to growth of criminality. Another factor that escalates this double trouble is a whole complex of issues related to socialization of youth and re-socialization of those who survived in a “furnace of war” (disabled people, etc.).

Another problem that should be mentioned is the communication. First of all, it is the communication between “Ukraine” and those pro-Ukrainian citizens on the occupied territories. Although there is prevailing opinion that all the pro-Ukrainians have already left the occupied territories, it is not quite relevant. It is rather psychological attempt to disregard obvious truth: there are many people there, who sincerely love their country and do not wish to live under occupation. There are many educated and intelligent people with critical

thinking (teachers, scientists, cultural figures and other) who must be contacted in order to prevent them from feeling abandoned by their own country. We cannot afford losing citizens for the same reason we cannot afford “giving away” territories to the aggressive neighbor.

Under pressure of negotiations

We are facing the crossroads where interests of the stakeholders often go in almost opposite directions. Each of them is pressed by internal problems, caused by the Donbas conflict, and, no matter how strange it may sound, by the ways of its resolution.

Ukraine possesses the most consistent stance. The Minsk agreements, provided that they are completely fulfilled, might open the way for the political resolution of the crisis. The problem is that our opponents want to implement the agreements in their own order and in the way which is the most beneficial for them. Ukraine has made a significant contribution on the resolution of the crisis by agreeing to launch a group on political issues. It does not mean that the initial Minsk agreements are forgotten: first of all, complete cease-fire, pullout of heavy weapons and pullout of all foreign mercenaries and troops from the isolated districts of Donetsk and Luhansk regions. Without these steps chances to settle the crisis peacefully are quite vague and blurred.

Of course, no elections are acceptable without fulfillment of these conditions. From the strategic point of view, Ukraine has a much more realistic approach toward the occupied territories than it used to be. There is no doubt that we are not going to cede our territories. We will stand for our territorial integrity till the very end but it doesn't mean that we will play by someone else's rules. Thus the only matter we can discuss is the certain order of the local self-government in the framework of the Ukraine's territorial administration. Moscow still hopes that in the course of the dialogue about a “special way” and “special status” it will manage to force Kyiv to take care of all the economic consequences of the Donbas restoration while Russia would determine its policy. However, this is Kremlin's even more serious mistake than evaluating Ukraine from retrospective of country's capabilities in 2013.

In this regard Ukraine is ready to choose the toughest scenarios, including the “Wall” scenario, when separatists and the Kremlin are left alone. Preventing this scenario is the main goal of Moscow's po-

litical and propagandist efforts. Even if Ukraine held a referendum on this matter (it would demand significant changes in national legislation and international law), Moscow would be the first to protest. Accepting DPR/LPR and assuming responsibility for the restoration of the territories would be an economic suicide for Russia. Russia is not even able to support Crimea, which was occupied without a single shot and any destructions. Russian central subsidies are regularly cut, while numbers of dissatisfied Crimeans are increasing.

Besides Ukraine and Russia, there are other countries that are deeply engaged in the conflict. Their relations and their strategic goals also influence the settlement of crisis. Ukraine, indeed, is grateful to the European countries for their support and unity of their position toward Ukrainian troubles. Kyiv clearly understands how difficult it was to achieve it. Nevertheless, it is clear that EU feels discomfort with the sanction regime and it tries to find ways to deescalate tensions making sanctions conditional on progress of implementation of the Minsk agreements. However, deescalation is not possible until Russia stops using its confrontational rhetorics and supporting separatists and starts to take real steps toward peace settlement. If Russia decides to implement peaceful scenario, it would demand guarantees about Crimea annexation. However, Europe (and the rest of the civilized world) would not be able to provide them because “forgiving” such obvious violation of the key principles of the international law makes it difficult to see that anybody (for instance, Russia has demonstrated its neo-imperialistic territorial claims) will respect them in future. Hence, formidable offender (in this case – Russia) must be seriously punished.

This contradiction between understandable egoistic desire to settle relations with Russia and impossibility to abandon legal stance about Crimea and Donbas puts Brussels and many European countries in a very complicated position.

At the same time this situation has some beneficial consequences. For instance, timely and active European support of Ukrainian efforts in harmonization of our practices with the respective European practices in the sphere of the territorial administration and constitutional reform. Constitutional process, especially its important component of decentralization, is based on the classical European concepts of inter-regional relations.

However, in case of constitutional reform EU and Ukraine are facing heavy uncovered Russian pressure. In its inherent manner Russia is trying to impose on Europe its rules and win concession in all the key issues (for instance, regarding “special” conditions for isolated districts of Donetsk and Luhansk regions). It is actually a traditional tactics of the Soviet and Russian diplomacy, which, in essence, means taking incompatible position and standing by it till the end¹. The purpose of such “uncompromising stand” is to force the opposite party to find reasoning of proposal that was considered unacceptable by majority of Russian counterparts. However, now such tactics leads only to escalation of confrontation between Russia and the West, therefore, the new Cold War is becoming increasingly probable.

Speaking about new “cold war”, we should understand that both parties (the West and Russia), involved in the conflict, face emerging problems with different criteria of success and different resources. Russian elites do not make a big problem of it (at least at the tactical level), hoping for a general geostrategic revanche². They also consider that the new Cold War will evolve according to the rules of the previous “cold war”; meanwhile Russia see itself as the USSR that has learnt lessons and corrected major mistakes.

However, such estimates are obviously false. Russia is much weaker than the USSR (in terms of resources and territories). Russian dependence on the global economy is much higher than in case of the Soviet Union, thus the Western economic pressure is more effective. Apart from that Russian leadership is missing the most important: the USSR, despite all its giant capabilities and resources, lost the war. To a great extent it was economically exhausted by the arms race. However, it is the same thing Russia is betting on right now. It is indicative that the only opportunity Russia can use to threaten economically developed West is regression to methods of XIX-XX centuries. At the time when all developed countries solve their conflicts and disputes in different dimensions (economic, cultural, informational, humanitarian), Russia has just managed to produce

¹ *James Sherr*. Hard diplomacy and soft coercion: Russia's influence: [transl. from English] J. Sherr – Kyiv: Zapovit, 2013. – P. 69.

² *Horbulin V.* “Hybrid war” as key instrument of Russian geostrategic revanche / V. Horbulin // Strategic priorities. – 2014. – № 4. – P. 5–12.

the deadborn idea of “Russian world”. This concept may develop into the refined orthodox pan-Slavic fundamentalism and at some stage face prohibition in developed countries as nazi ideology which threatens to turn everything into “radio-active dust”, repeating the ideological clichés of North Korea.

In conclusion, all of above mentioned depends on resolution of the Donbas crisis and search for the ways out for all major actors, since the situation in the region remains extremely complicated. Reluctance of Moscow and the separatists of DPR/LPR to conduct a rational dialogue about peace settlement (gradually fulfilling the Minsk agreements) creates a stalemate situation of an “endless dead-end” that practically does not have a way out. However, Ukraine is more likely to benefit from this delay.

Nevertheless, the problem of Donbas crisis solution not only escalates situation in the ATO area, but also increases tensions at the geo-strategical level of the new Cold War with ambiguous consequences for all of its parties. Europe is still trying to believe that the situation can go back to “as it was before”. However, it is impossible – over the past year and a half Ukraine has lived through much and paid very high cost for this lesson of “real politic” to accept retreat into the past.

There is a huge problem of what would happen after January 1, 2016. The Minsk agreements were designed until this date, thus there would be vacuum of political agreements. Recently President of Ukraine has expressed his opinion on this matter¹. Still we must have a coherent, real and mutually acceptable action plan for future. This plan (or strategy) should be accommodated to the multiple possible developments and political agreements that may have significant impact on the resolution of crisis. On the other hand, such plan must include key settlement priorities of our country.

Indeed, it is impossible to draft this plan without comprehensive understanding of the situation in the occupied territories and evaluation of scope of disruption of the cooperative ties between these territories and the rest of our country. We still do not have complete picture what we have lost on the temporarily occupied territories (in terms of economy, policy, information, security). We only partially

¹ *The Minsk* agreements must be fulfilled in 2015 – Petro Poroshenko [Electronic resource]. – Link: <http://www.president.gov.ua/news/minski-domovlenosti-maybuti-vikonani-u-2015-roci-petro-po-3597412359>

understand what policy should we conduct in the temporarily occupied territories and we barely think about the problems these territories are struggling with after the Russian aggression. Basically, we are talking about a major review of the conditions before the occupation and the current state of the territories.

However, it is only a part of the answer. Another important component is the strategy of recovering of these the territories and reflection on how we are going to co-exist after their return under Ukrainian control. It demands to develop a kind of master plan toward the temporarily occupied territories which includes the full range of the crisis aspects.

There is still no comprehensive approach to estimate the cost of recovering and understand problems we will face on our way to the reintegration and after it is successfully achieved. Thus, evading these questions, we would have difficulties in explaining these perspectives in the occupied territories.

The political dialogue initiated in Minsk is only the beginning. Without understanding its key issues and problematic “turns” it becomes incredibly difficult to hope for its successful conclusion.

CHAPTER 4.

RESOURCE LOSSES AS A RESULT OF HOSTILITIES

*Failure is simply the opportunity to begin again,
this time more intelligently.*

Henry Ford

Massive resource losses caused by Russian aggression dealt a shattering blow on Ukraine's national economy, which was already heading into recession. This considerably weakened economic security, deepened macroeconomic imbalances, and critically slowed the dynamics of socioeconomic development.

Acceleration of the real GDP decline since the 2nd half of 2012 testifies to the systematic and structural nature of the economic crisis enhanced by external aggression. According to the results of the 2nd quarter of 2015, real GDP declined by 14.6 % yearly (Fig.). The fastest rates of real GDP decline in the 2nd quarter of 2015 were recorded in construction (by 25.6 %), mining industry (by 22.2 %), refining industry (by 21.8 %), wholesale and retail trade (by 20.4 %).

Since the 2nd quarter of 2014, final consumption expenditure has been showing a disturbing downward trend. As a result, final consumption expenditure decreased by 22.8 % in the 2nd quarter of 2015 with respect to the same period of 2014. It should be pointed out that in 2012-2013 the GDP decrease was nevertheless accompanied by a slight increase of final consumption expenditure (Fig.).

Ukraine's export potential rapidly decreases and supply of Ukrainian goods to foreign markets keeps dropping. This is a consequence of a rupture of internal cooperation ties, an inability to deliver export products due to military conflict, etc. Despite the fact that the reduction in real exports of goods and services was first recorded in the 3rd quarter of 2011, the beginning of large-scale losses could be traced to the 3rd quarter of 2014, when the decline rate began to be measured in double digits. Despite a slight slowdown, the decline remained at a critically high level of -22.5 % in the 2nd quarter of 2015 (see Fig.).

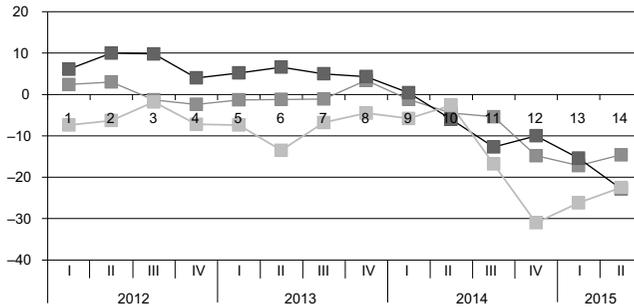


Fig. Dynamics of real GDP of Ukraine in 2012–2015, % to the previous period

Source: State Statistics Service of Ukraine.

Under external aggression population’s purchasing power critically reduced. Average monthly salary in Ukraine has been decreasing since mid-2014. Combined with high inflation (49.9 % in the first 9 months of 2015), this undermines the purchasing power and significantly worsens the living standards of the vast majority of population. The loss of income has increased significantly since the beginning of 2015 due to sharp devaluation. In January-August 2014 the real salary decline rate was – 3.1 % compared to the corresponding period of 2013; however, in January-August 2015 this process accelerated by 23.2 %. Interestingly, in January-August 2015 the highest decline rate in real salaries was in the Luhansk region -33.3 %, and the lowest – in Donetsk region -11.4 %.

The pressure on employment, caused by downsizing due to the closure of many industrial companies, placing employees on unpaid leave or withholding salaries, significantly increases social tension and inclination to protests. The total numbers of employed population in

Ukraine in 2014 decreased by 11.4 %, the figures for Donetsk and Luhansk regions are -11.0 % and -13.3 % respectively. As of July 1, 2015, the number of registered unemployed in Donetsk region amounted to 22 700 people, and the load was 17 people per vacancy¹.

Military threats, macroeconomic instability, sharp loss of purchasing power both of population and the corporate sector are primary causes for contraction of investment activity. Thus, reduction of capital investment in fixed assets in 2014 reached 24.1 % compared to 2013. In the first half of 2015 the decrease of this indicator amounted to -9.2 % in respect to the already low 2014 base.

Worsening forecasts of Ukraine's economic growth by international and national rating agencies indicate of a significant decline in economic security. Its current state is determined by the total impact of the economic recession, which began before the Russian aggression, as well as by the impact of Crimea annexation and Donbas hostilities. Obviously, it is impossible to tell the losses of the national economy between these components apart, and thus their combined effect, caused preeminently by Russian military aggression in Donbas, will be considered. The most significant challenges to the economic security of Ukraine are now the following.

1. Forced militarization of the economy. The government is obliged to maintain defense expenditure at a level necessary to strengthen the country's defense capacity and to give a due rebuff to the aggressor. Overall in 2015 about 80 billion hryvnias was directed to security needs (compared to 55.8 billion hryvnias in 2014). These expenditures account for almost 16.0 % of total state expenditures and for about 5.0 % of GDP. Despite directing these resources not only to counter the current threats, but also to the development of defense industry, there remains a danger of deepening imbalance of the ratio between military and civil sectors of the economy. Further increase in expenditures on security sector would mean the establishment of wartime economy in Ukraine. The shift of resources to defense needs restricts the development sources of other segments of the economy. Therefore, the allocation of significant financial, material, technical and human resources to the security sector should be considered in a civil economy development strategy.

¹ *Short summary of socioeconomic development of Donetsk region in January-August 2015* [Electronic resource]. – Link: <http://donoda.gov.ua/?lang=ru&sec=04.01.03.04&iface=Public&cmd=view&args=id:29901>

2. Reduced export capacities. Performance degradation of major export-oriented companies located in Donbas and launch of multiple restrictions on Russian market demonstrated the imperfection of the current model of foreign economic activities of Ukraine. When total Ukrainian foreign export of goods dropped by 13.5 % in 2014, compared to the corresponding period of the year before, in Donetsk it dropped by 32.3 % and in Luhansk – by 46.3 %. In 2015 the situation has further worsened. In January-August 2015 Ukrainian export of goods dropped by 39.9 % compared to the corresponding period of the year before, Donetsk region's export of goods dropped by 61.9 % and Luhansk region's – by 94.4 %. While in 2013 Donetsk and Luhansk regions together provided 25.2 % of export of goods, in 2014 it was only 19.1 %, and in 2015 their share in the total Ukrainian export dropped to 10.6 %. The significant influence of these two regions is a result of high concentration of metallurgy, machine industry and chemical industry enterprises that traditionally made up the overwhelming share of Ukrainian foreign trade.

Russian policy of restrictions on certain kinds of goods¹ supplied from Ukraine and active implementation of import substitution projects have caused a decrease in Ukrainian export to Russia in 2014 by 33.7 % and in January-August of 2015 by 57.5 %. This fact negatively influenced overall dynamics of foreign trade because of the weak geographical diversity of trade by certain product groups².

3. Incomes to budgets of all levels reduced due to downsizing of the taxpayers' base. The particular consequences of military aggression included:

- destruction and/or damage to fixed assets;
- shrinking number of business entities and forced shutdowns;
- employment downsizing;
- reducing salaries and payroll;
- accumulation of tax arrears;
- relocation of taxpayers to other regions, etc.

¹ In 2014–2015 Russia introduced restrictions for importing various goods made in Ukraine in particular: candies, chocolate, dairy products, kitchen salt, alcohol beverages, canned vegetables, canned fruit and canned fish, household chemicals and other products; in addition Russia blocked the transit of Ukrainian sugar to the Central Asia.

² In January-August 2015 Ukraine exported 30.3 % of its total machinery industrial products, 37.9 % of products by oil and chemical industry, 11 % of metallurgy products.

According to expert estimates by the National Institute for Strategic Studies, direct losses of consolidated budget due exclusively to the Crimea annexation and occupation of Donbas in 2013-2014 amounted to 100 billion hryvnias, including more than 80 billion hryvnias in tax revenue.

4. Massive increase in social expenditure due to external aggression. Despite external and internal challenges, the state continued to execute its social security functions. Today the state provides social security for citizens who were forced to leave the occupied territories. In particular, in 2015 3.4 billion hryvnias were assigned to direct financial support for internally displaced persons. However, due to objective circumstances the amount of unpaid social support in 2014 constitutes 19.6 billion hryvnias in Donetsk region and 14.6 billion hryvnias in Luhansk region. 2015 State budget envisaged a subvention of 300 million hryvnias for infrastructure rehabilitation in the controlled territories of Donbas.

According to the Ministry of Social Policy of Ukraine, social security units of regional administrations and those of Kyiv city administration, 1,505,570 persons, or 1,183,079 families from Donbas and Crimea have been registered as of September 28, 2015. 534,830 families applied for financial aid, and 505,425 of them were entitled to such financial aid. Overall 2.47 billion hryvnias¹ was transferred to the aid recipients.

According to the Pension Fund of Ukraine (PFU), 1,060,000 out of 1.2 million pensioners living in temporarily uncontrolled territories of Ukraine, were registered in social security agencies and addressed the PFU in order to receive pensions. At the present moment they have already started to receive them on Ukraine-controlled territory². A separate block of expenditure is the social spending for social security, health care protection and support for ATO combatants and their families. 2015 Budget provided 2.6 billion hryvnias for the ATO combatants' benefits and support for internally displaced persons (hereinafter – IDPs), and another 0.9 billion hryvnias in interbudgetary transfers to support displaced persons.

5. Decrease in domestic resource and raw materials potential of the energy sector. Coal production in Donbas region, where

¹ *Registered* 1,505,570 persons [Electronic resource]. – Link: http://www.mlsp.gov.ua/labour/control/uk/publish/article?art_id=182036&cat_id=107177

² *Nicholas Shambir*: The issue of rising the retirement age is not considered [Electronic resource]. – Link: <http://www.rbc.ua/ukr/interview/nikolayshambir-vooprospovysheniipensionnogo1438956192.html>

over 80 % of Ukrainian coal mining is concentrated, has decreased. A number of mines that produce valuable anthracite coals are occupied by terrorists. These factors cause insufficiency of coal supplies at thermal power plants, undermining the functionality of the whole energy system of Ukraine. Ukraine is still forced to import coal: in 2013 the share of coal in imports of mineral fuels accounted for 9.2 %, in 2014 – for 11.7 % and in January-July 2015 – for 16.4 %. Ukraine's opportunities to start production of shale gas and coalmine methane are significantly limited. The development of such gas fields could lead to complete substitution of Russian imported gas within several years, which is a priority of the national energy policy.

6. The slowdown in technical modernization of the real sector of Ukraine's economy happens due to the aggravation of the deficit in domestic metallurgical and machinery products. The decline in production of the metallurgical and machinery industries, much of which is concentrated in Donbas suffered significant damage and destruction due to the hostilities. This slows down the modernization and restoration of community facilities and gas transportation system, construction of roads, bridges, renovation of rolling stock and road facilities of the “Ukrainian Railroads”, as well as that of old metal fund of other industries of Ukraine.

In addition, metallurgy companies are in a serious shortage of raw materials due to increase in scrap metal export. According to metallurgy and mining industry trade union of Ukraine, the deficit in scrap metal in the first 6 months of 2015 amounted to 445,000 tons (25 % of the needed amount) and the export of scrap metal amounted to 800,000 tons. Thus state budget receives less money, as 1 ton of scrap metal export contributes 10 euro to the budget, while a company melting 1 ton of scrap metal into steel contributes 2,100 hryvnias in taxes¹.

7. Destabilization of the banking system as a result of:

• *deposit withdrawals*. In 2014 the total outflow of individual funds from Ukrainian banks amounted to 126 billion hryvnia or 29 % of the amount at the beginning of the year, including 53 billion hryvnias (-21 %) and 9 billion US dollars (-40 %)². In January-August 2015 the

¹ *Metallurgy* employees association requests to stop the scrap export [Electronic resource]. – Link: <http://www.minprom.com.ua/news/192990.html>

² *The analytical* report of the National Institute for Strategic Studies to President's Annual Message to Verkhovna Rada of Ukraine “On the internal and external situation of Ukraine in 2015” [Electronic resource]. – Link: http://www.niss.gov.ua/public/File/2015_book/POSLANNYA2015_giper_new.pdf

banking system lost 24 billion hryvnias of population's deposits or 6 % of the sum they had at the beginning of the year. Relatively positive dynamics (compared to the previous year) is explained exclusively by hryvnia exchange rate fluctuations. Separate calculations in hryvnias and US dollars¹ point to a loss of 22 billion in national currency (-11 %) and 3.6 billion in US dollars (-26 %) in private deposits.

Thus, *reduction of the individual funds has slightly slowed down in 2015 compared to the previous year; however its pace remains threatening for the stability of the banking system.*

- *frozen credit activity and loan portfolio reduction* are caused by decrease in banks' resource potential. Separate calculations in hryvnias and US dollars² give reasons to believe that in the first 8 months of 2015, the loan portfolio of the banking system has reduced by 53 billion hryvnias (-10 %) and by 4.4 billion US dollars (-15.0 %).

In the situation of declining business activity, shrinking industrial production and exports, and the overall GDP decline, *the Ukrainian economy requires a significant amount of credit, desirably long-term, cheap and in local currency. However, this goal cannot be achieved while the bank liabilities' reduce.*

- *quality decline of the loan portfolio.* Under the hostilities in the east of Ukraine, amid deteriorating foreign trade environment and dropping payment discipline of borrowers, the share of overdue loans in the total loan portfolio is increasing. As of January 1, 2014, this share in the whole banking system amounted to 7.7 %, on January 1, 2015 it rose up to the level of 13.5 %, and as of September 1, 2015 reached 18.6 %³. Deteriorating loan portfolio quality immediately leads to two consequences. First, borrowers stop paying interest on problem loans on time and bank earnings consequently decrease. Second, it forces banks to create additional insurance reserves for problem loans out of the bank's expenses.

¹ *Annex* to macroeconomic and monetary review in September 2015 [Electronic resource]. – Link: http://www.bank.gov.ua/control/uk/publish/article?art_id=17608901&cat_id=58037

² *Annex* to macroeconomic and monetary review in September 2015 [Electronic resource]. – Link: http://www.bank.gov.ua/control/uk/publish/article?art_id=17608901&cat_id=58037

³ *Main indicators* of banks activity in Ukraine [Electronic resource]. – Link: http://www.bank.gov.ua/control/uk/publish/article?art_id=36807&cat_id=36798

Thus, while the banks' income is dropping and expenses increasing, both particular banks and the banking system in general become unprofitable. The financial results of Ukrainian banking system in 2014, which amounted to 53 billion hryvnias were the lowest of all the years monitored¹. In 2015 the negative tendency of unprofitability in the banking system continued. The current losses of the banking system in the first 8 months of 2015 amounted to 48 billion hryvnias².

- *increased national currency volatility as a result of clients' mistrust in the banking system.* According to a survey by Inmild, only 11 % of respondents keep the major share of their savings in banks, 7 % keep only a half and 49 % keep an insignificant part of their savings in banks. So, a third (33 %) of the respondents said that they had savings, but they didn't trust banks and kept the money elsewhere³;

- inconsistency between the deposit rate and the inflation rate. Consumer market price index reached 24.9 % in 2014. Despite the deflation recorded in July and August, the index reached 41.4 % in the 9 months of 2015⁴. Inflation forecasts of different organizations and experts vary considerably (in particular the National Bank of Ukraine forecasted 44 % inflation rate)⁵, but in any case the rate will be higher than in the previous year. However, the deposit rates of Ukrainian banks fluctuate in the range of 15-25 %, which is considerably lower than price growth rate. Thus, when choosing a savings instrument, individuals do not always prefer bank deposits, instead they keep their funds in cash, foreign currency, and bank ingots, invest in real estate, etc.

8. Declined competitiveness of the national transport system and rapid loss of Ukraine's transit potential. Deliberate destruction of Donbas infrastructure by the terrorists, their continued control of some territories in Donetsk and Luhansk regions, including Rus-

¹ *The analytical report of the National Institute for Strategic Studies to President's Annual Message to Verkhovna Rada of Ukraine "On the internal and external situation of Ukraine in 2015"* [Electronic resource]. – Link: http://www.niss.gov.ua/public/File/2015_book/POSLANNYA2015_giper_new.pdf

² *Main indicators of banks activity in Ukraine* [Electronic resource]. – Link: http://www.bank.gov.ua/control/uk/publish/article?art_id=36807&cat_id=36798

³ *One-third of Ukraine's population does not keep their savings in commercial banks* [Electronic resource]. – Link: <http://interfax.com.ua/news/economic/292257.html>

⁴ *Consumer price indices by region in 2015* [Electronic resource]. – Link: <http://www.ukrstat.gov.ua>

⁵ *The inflation report for September 2015* [Electronic resource]. – Link: <http://www.bank.gov.ua/doccatalog/document?id=22249640>

sian-Ukrainian border areas, lead to further loss of transit potential of Ukraine, decrease in export and import traffic and impede Ukraine's integration into European and global transport system. Ukraine is losing its position as a transit country on the international market of interstate and transnational routes services for cargo and passenger transport, in particular on the major direction Europe-Asia. In 2014 only, the volume of goods transit by rail, which carries 81 % of transit goods in the country, decreased by 13.3 % compared to 2013 (excluding the temporarily occupied territory of Crimea and Sevastopol). In January-June 2015 decrease in rail transit amounted to 13.9 % compared to the same period of 2014. However, the amount of processed transit cargo by the mainland ports of Ukraine in 2014 decreased by 12.1 % compared to 2013 and in 9 months of 2015 it dropped by another 13.4 %.

Effective countermeasures against the above-mentioned challenges to economic security of the state are only possible if the nation unites to fight foreign military and economic aggression. When countering the aggressor, national economy considerably depends on selfless work of millions of Ukrainians and their voluntary support. It increases state responsibility for timely resolution of problems in economic and social security.

Ukraine has already received significant support from international financial organizations and individual states. However, given the scale of the challenges and threats that Ukraine is countering for the sake of international security, this aid is not enough. Loans by international institutions demanding the cuts in public spending, including social needs, do not consider Ukrainian realities. Critically low living standards of most of Ukrainian population are caused by Russian military aggression, and today it is impossible to further reduce the living standards for humanitarian and moral reasons. It is also important to understand that Ukraine demands not the money infusion for restructuring financial liabilities, but a systematic investment plan of assistance (such as "new Marshall Plan" economic recovery and modernization).

CHAPTER 5.

SOCIAL CONSEQUENCES OF RUSSIAN ARMED AGGRESSION AGAINST UKRAINE

*[War] taxes both alike,
and takes the blood of the men, and the tears of the women.*

William Thakeray

Social consequences of annexation, aggression, and war are not less important than political and economic ones, but they are definitely more painful and concern all citizens of Ukraine alike: be it dwellers of the occupied territories, ATO combatants, or people living a regular life far from the battlefields.

War directly threatens people's lives and health, destroys living conditions, deprives of property and sources of income, increases the number of orphans, worsens accessibility of education and health care, causes forced migration. A major social challenge today is a sharp decrease in living standards of the population, which provokes growing risks of poverty, societal alienation, and escalated inequality.

Serious social problems the citizens of Ukraine are facing nowadays have not emerged out of nowhere and cannot be attributed exclusively to the direct consequences of war. These problems have been accumulating for years, albeit the war and ongoing economic crisis intensified them considerably. In the circumstances of war, significant human, financial and institutional resources are diverted to sovereignty protection and ensuring state integrity. This practically makes it impossible to improve social and economic well-being of the population. Besides this, external aggression has caused new extremely acute problems in social sphere that add up to those already in place.

The most serious of these problems are obviously the problem of internally displaced persons (hereinafter – IDPs), who now constitute no less than 3 % of Ukrainian population, and the living conditions of people residing on the territories where hostilities took or are taking place. War-inflicted loss of human life combines with the risk

of migratory outflow of people, leaving dangerous regions to escape war or to improve life conditions of their families by working abroad.

In this regard, social consequences of Russian military aggression against Ukraine include direct losses of life, destruction of industry and social infrastructure of the regions affected by hostilities. The consequences for the whole Ukraine are related to large-scale displaced persons migration, mobilization and social situation of ATO participants.

5.1. Sociodemographic losses

Migration losses. Around 3 million people live in the temporarily uncontrolled territories of Donbas. The total number of Ukrainian citizens who left the ATO area for other regions amounted to 973,100 persons according to the data of late October 2015¹. Several migratory waves were directly related to the frequency and intensity of warfare. 350,000 IDPs have been registered in the Ukraine-controlled territories of Donetsk and Luhansk regions, while the rest of IDPs left Donbas region. Establishment of centralized IDPs registration system is still not completed, so the real quantity of IDPs might be higher. Meanwhile, in reality part of the registered IDPs continues living on the occupied territories. Part of the displaced persons from the occupied regions seeks asylum in foreign countries. According to UNHCR, 353,500 Ukrainians addressed seven countries bordering Ukraine with refugee requests (Russian Federation, Belarus and Poland in the first place), another 569,200 persons had other grounds² for presence in these countries. Russian officials state much higher figures of those displaced from Donbas to Russia, however their data is not confirmed. Persons who have obtained or are going to obtain legal basis for EU residence are not likely to come back to Ukraine, and those who left for Russia are likely to remain in that country. People who are most likely to leave and never come back are the former Donbas residents born outside Ukraine and their children.

¹ *The State* Emergency Service of Ukraine. Interdepartmental coordination staff on social support of Ukrainian persons displaced from the ATO area and temporarily occupied territories [Electronic resource]. – Link: <http://www.mns.gov.ua/news/34232>.

² *United Nations High Commissioner for Refugees*. Regional office in Belarus, Moldova and Ukraine [Electronic resource]. – Link: <http://unhcr.org.ua/en/2011-0826065856/newsarchive/1244internaldisplacementmap>

Thus, confirmed migration losses of Donbas in 2014 – mid-2015 amount to over 1.5 million, and another several hundred thousand IDPs are not registered. Uncertainty regarding the perspectives of the ceasefire and control over the occupied territories will further increase the scale of migration processes.

Job losses. The number of job positions in Donbas economy as of 2014 constituted: large enterprises – 573,000 (80.3 % in industry); middle enterprises – 405,000 (51.5 % – in industry, 7.3 % – in construction); small enterprises – 213,000 (23.8 % – in commerce, 18.8 % – in industry, 10.7 % – in construction, 8.8 % – in farming); private entrepreneurs – 401,000. Lost jobs are estimated from about 50 % for large enterprises to 80-90 % for middle and small companies of the region. As a consequence, from 1.1 to 1.8 million work-capable persons in Donetsk and Luhansk regions lost their jobs and means of existence partially or completely¹. In February 2015 the number of salaried employees of all enterprises (not considering microcompanies) decreased by 952,200 people compared to the same period of the year before. Not employing new workers became a typical tendency, first of all for the mining companies. Business and economic activity sharply decreased, small and middle businesses closed up, more and more people left labor-market and refused active job search. As a consequence, 2 million of population became economically inactive.

Growing poverty as a result of loss of income. Losing jobs and income, complications in pension payments (or sometimes impossibility to receive these payments) incited growing poverty. Given the traditional household income structure in the region, loss of salary could not be even partially substituted by incomes from other types of work. During 2014 the Ukraine-controlled territories of Donetsk and Luhansk regions underwent a sharp increase in the scale of absolute poverty: income of 14.1 % (7.2 % in 2013) population of the Luhansk region had been lower than the subsistence minimum, in Donetsk – 14.6 % (4.4 % in 2013). Further decrease in real population's income in 2015 and impossibility to quickly stabilize the socio-economic situation in Donbas region allow forecasting further growth of absolute poverty² in these regions up to 30–40 %.

¹ *Groysman V.* Primary tasks to resolve problems of internally displaced persons and restore Donbas. [Electronic resource]. – Link: http://www.kmu.gov.ua/document/247598840/Donbas%20UKR_rew.ppt

² Below the subsistence line.

Majority of Donbas population (both of those who left and of those who stayed) momentarily lost everything they had: their jobs, homes, cars, country houses. Only a part of Donetsk (about 1 million persons, meaning 22 %) and Luhansk population (300,000 persons, meaning 16 %) had enough financial resources for more-or-less long-term relocation. However, in case of impossibility to return home or a complete loss of property as a result of the hostilities, even relatively well-provided population suddenly became impoverished, in some cases extremely. Only 10 % of the families from the ATO area (both those who left and stayed in the affected territories) maintain relatively stable financial state and do not require social support. These are mostly families who managed to use their savings (property, deposits, etc.) to change their accommodation or those who managed to preserve their sources of income or successfully found jobs on the employment market of the other regions. Meanwhile 90 % of the population of the ATO area either have become poor already or very vulnerable to this threat, because the developments in the East can deprive them of their scanty earnings or savings any minute.

Increased pressure on the state social security system. Loss of income and property, inability to substitute them with their own resources forces households to address the state social security system for help. Under ongoing reforms with the purpose to enhance targeting and increase the size of payments, considerable increase in financial pressure on the system is irreversible, because the number of beneficiaries and the size of financial help will grow simultaneously. Before the conflict, recipients of support to disadvantaged families in Donetsk and Luhansk regions constituted 0.1 % and 1.3 % respectively of all the recipients in the country. However, an average of about 3 % of the Ukrainian population – and 7-8 % in Donbas region – can become such recipients as a result of reforms.

It will demand considerable additional funds. As of August 1, 2015 an average monthly financial aid per family was 2,350 hryvnias, the population of Donetsk and Luhansk regions (Ukraine-controlled) will be entitled to over 4 billion hryvnias a year under the disadvantaged families support program.

5.2. Problems of IDPs

Probably the most important sociodemographic risks in Ukraine are related to involuntary displacement of hundreds of thousands of people, who were forced to leave their places of residence because of the Crimea annexation and hostilities in the East of Ukraine. Involuntary migration fundamentally differs from the voluntary migration, which is aimed at improving material and social status. On the contrary, forced migration causes loss of social status and destroys the welfare of population. Victims of war and aggression not only lost home, property, and job, very often some of them also lost friends and relatives and underwent severe psychological stress.

The first migratory wave of IDPs emerged in spring 2014 as a result of Crimea annexation. Most of displaced persons left the peninsula from March to August 2014. They were mostly politically active citizens, journalists, religious activists, students who wanted to continue studying in Ukrainian universities, and also persons whose professional activity was conditioned by Ukrainian law or based on Ukrainian licenses (lawyers, notaries, pharmacists, small entrepreneurs). Unwillingness to stay in the occupied territory has been the major motive of resettlement.

However, the beginning of the ATO in Donetsk and Luhansk regions caused a new, much larger wave of IDPs. While the first IDPs left Donbas because of political considerations, not supporting the self-proclaimed republics, the subsequent hostilities forced out thousands more to save their lives. According to the first data from Donbas, published in June 2014, there were 3,000 IDPs at that time. Every wave of hostilities caused new waves of displacement, larger in scale. The largest displacement waves happened in July-August and October 2014 and also in January-February 2015. People mostly left the ATO area spontaneously, with few personal belongings and little money, often under risk to life.

According to governmental information as of October 23, 2015 there have been 973,120 persons displaced from the ATO area to other regions of Ukraine. Among them 951,891 persons from Donetsk and Luhansk regions, 21,229 persons from Crimea and Sebastopol, 162,717 children, 476,882 disabled and senior persons¹.

¹ *The State* Emergency Service of Ukraine. Interdepartmental coordination staff on social support of Ukrainian persons displaced from the ATO area and temporarily occupied territories [Electronic resource]. – Link: <http://www.mns.gov.ua/news/34232.html>

According to the information of employment and social support agencies, the number of IDPs is actually higher than mentioned above. As of September 25, 2015, 1,506,000 IDPs were registered, among them 360,000 persons of work age, 888,000 pensioners, 190,000 children, and 63,000 disabled persons¹.

Even though the intensity of displacement as a result of certain progress of peace process has decreased, unreliability of the ceasefire together with destruction of former places of residence still stimulate the growing numbers of IDPs.

The state was not ready to resolve problems of internally displaced persons. Though the Chernobyl catastrophe also caused massive displacement of population at the time, this was of a smaller scale (160,000 displaced persons) and financial and organizational capabilities were more solid.

Over a short period of time Ukraine had to organize IDPs' registration, create support infrastructure, and develop the necessary legislation. It is necessary to admit that in the first and most difficult period the major responsibility was assumed by society, volunteer organizations and concerned people.

Complicated legislative process around determining the status and rights of the IDPs clearly indicates state unreadiness to resolve IDPs' problems. The first edition of the respective law on internally displaced persons adopted by the Parliament was vetoed by the President, because it allegedly was not in line with the Constitution and international standards of treating IDPs. The irrelevance of the numerous norms of this law could be illustrated by the fact that it defined IDPs as "internal migrants".

The current Law of Ukraine "On ensuring of rights and freedoms of internally displaced persons"² was adopted with a considerable delay only in October 2014. It provided for the IDPs' registration procedure and for the creation of Single database of this group of population. It guaranteed IDPs right for employment (including simplified registration system of individual or legal entities), eligibility for unemployed status, access to pensions, social insurance, social services, education,

¹ *Regarding* services provided to IDPs by the State Employment Agency [Electronic resource]. – Link: <http://www.dcz.gov.ua/statdatacatalog/document?id=351058>

² *Law of Ukraine* on "Securing rights and freedoms of internally displaced persons" of October 20, 2014 № 1706VII [Electronic resource]. – Link: <http://zakon2.rada.gov.ua/laws/show/170618>

securing voting rights, conditions for temporary or long-term accommodation, including programs for subsidized construction loans and accommodation purchase loans, protection against discrimination, right for voluntary return to the previous places of residence, etc.

A series of governmental acts have also had significant importance for the IDPs' situation. In particular, the procedure of obtaining status of unemployed for IDPs has been already simplified in July 2014¹. Government adopted mechanisms for allocating social aid and pensions on the basis of the actual location of an IDP. Since October 1, 2014 IDPs' registration has been launched with the target to create a respective database of IDPs. The government also adopted a decree "On allocating monthly targeted financial aid to persons displaced from temporarily occupied territories of Ukraine and ATO areas to cover accommodation expenses including utility bills"². The act envisaged financial aid for the period of 6 months and extension for another 6 months in case of a substantiated need. The size of the financial aid cannot exceed 2,400 hryvnias per family, this sum equals to two subsistence minimums and it's obviously scarce. The financial aid is not provided to IDPs who either have accommodation in other regions of Ukraine or a sum of 10 subsistence minimums or more in the bank accounts. Financial aid for work capable IDPs (with the exception of persons occupied in child care or disabled or senior persons care), who have not found employment over a period of two months after the date of financial aid allocation, is first decreased and then cancelled. In order to facilitate employment of IDPs, the Ministry of Social Policy of Ukraine has developed "2015-2016 Major guidance for resolving employment problems of internally displaced persons"³, adopted by the Parliament in July 2015. This act envisages creation of temporary jobs, targets innovative approaches such as non-standard work schedule or flexible hours to

¹ *The Cabinet* of Ministers of Ukraine. Act "On introducing amendments to the Order of registration and re-registration of persons in search of employment" of August 27, 2014, № 403 [Electronic resource]. – Link: <http://www.kmu.gov.ua/control/ru/cardnnpd?docid=248314703>

² *The Cabinet* of Ministers of Ukraine. Act "On provision of monthly target financial aid to persons displaced from temporarily occupied territory of Ukraine and the Anti-Terrorist Operation area for coverage of accommodation expenses and utility bills" of October 1, 2014, № 505 [Electronic resource]. – Link: <http://zakon4.rada.gov.ua/laws/show/5052014%D0%BF>

³ *The Cabinet* of Ministers of Ukraine. Act "On adoption of 2015-2016 Major guidance for resolving employment problems of internally displaced persons" of July 8, 2015, № 505 [Electronic resource]. – Link: <http://www.kmu.gov.ua/control/ru/cardnnpd?docid=248359035>

stimulate entrepreneurial activity of IDPs. Special attention is paid to professional education depending on labor market requirements.

One shall admit that practically every single document of the mentioned above aims at cooperation with international and non-governmental organizations including those uniting IDPs. Society leaders and experts evaluate legal acts, follow the effectiveness of their implementation, and make offers regarding changes and additions. Cooperation of international and non-governmental organizations ensures allocation of additional financial and organizational resources, incredibly scarce in time of crisis, for solving IDPs' problems.

Accommodation remains crucial and most acute problem for IDPs. According to the polls, 90 % of IDPs are currently renting private accommodation at their own expense. State financial aid cannot cover the full cost of renting at the moment. Only less than 10% are using state accommodation. The state provides accommodation for the IDPs in state health resorts, care homes, camps, and dormitories. As of September 2015, there were 723 locations with total capacity of 12,200 IDPs¹, which is obviously not enough in the present situation. Meanwhile, typical problems include financing of these locations and their unfitness for long-term residence, especially in the winter period. In addition, accommodation is often provided in rural areas, where its quality is poor, employment possibilities scarce, and industrial and social infrastructure lacking. Given that majority of IDPs are urban citizens, they are generally not willing to go there.

Provision of state accommodation support for IDPs is regulated by the Law of Ukraine "On ensuring rights and freedoms of internally displaced persons"² (chapter 9), which reads that IDPs have a right for provision of proper conditions for temporary or permanent residence; a right for temporary free-of-charge accommodation (given that IDPs are charged for utility bills) for the period of six months beginning from the IDP registration date, possibility to extend this period for multi-child families, disabled persons, senior persons, assistance in return to the previous place of permanent residence.

¹ *The State* Emergency Service of Ukraine. Interdepartmental coordination staff on social support of Ukrainian persons displaced from the ATO area and temporarily occupied territories [Electronic resource]. – Link: <http://www.mns.gov.ua/news/34232.html>

² *Law of Ukraine* on "Securing rights and freedoms of internally displaced persons" of October 20, 2014 № 1706VII [Electronic resource]. – Link: <http://zakon2.rada.gov.ua/laws/show/170618>

According to the Ministry of Social Policy of Ukraine, 2.2 billion hryvnias¹ of financial aid has been allocated to 490,500 IDPs or 94.4 % of the total number of families who applied for aid as of September 14, 2015.

However, the mechanisms of implementing state obligations in providing state accommodation support to IDPs have a non-specific and limited nature. Criteria for selecting the target recipients of the monthly targeted accommodation support are not specific enough. It seems unjustifiable to limit IDPs' right for free accommodation with the period of only 6 months, within which they are supposed to find employment in order to provide their existence. Given the situation on the regional labor markets, it is a remote possibility. Circumstances, which force IDPs to apply for state aid, exist for a longer period.

Apart from the above-mentioned, the potential of providing accommodation support in money cannot be used to its full scale because of weak development of the rental accommodation market in the country. Lack of legal regulation of the respective relations makes risks high for both tenants and landlords. Rental accommodation is overpriced, and its supply is non-transparent and inflexible. In Kharkiv, Cherkasy, Zhytomyr, Lviv, and Odesa the cost of one-room apartment rent exceeds 100 % of the average salary in the region. There is not a single city where the rent is less than 30 % of the average salary.

Another serious problem is employment. It is important not only as a source of income, but also as the most important way of self-fulfillment and adaptation to the new environment. The complications in employing residents of Donbas are partially explained by their professional background. The most vulnerable are former employees of the coal mining and metallurgy industries, who are not in big demand on the labor markets of other regions.

121,000 IDPs reported that they needed employment when receiving an IDP certificate. However as of September 2015, only 47,900 IDPs applied to employment agencies for help since the Crimea annexation and the beginning of the ATO. 12,600 IDPs were successfully employed. 472,000 IDPs received professional orientation assistance. 3 100 unemployed IDPs participated in professional education assigned by the employment agency, 6,800 took part in communi-

¹ *The Ministry of Social Policy data [Electronic resource]. – Link: <http://www.mlsp.gov.ua>*

ty work, 10,900 IDPs were still unemployed as of October 2015¹. On the one hand, relatively low achievements were a result of low activity and organizational capabilities of the respective state services, but on the other – of low activity of the IDPs themselves.

A survey conducted by the employment service in September 2015 polled 2,500 IDPs and indicated that 53 % of IDPs who reported the need in employment during the IDP registration were not planning to look for a job with the help of State Employment Agency, 22 % of IDPs had a job, 18 % were planning to return to the previous place of residence and did not wish to break their previous labor relations, 25 % were planning to start the job search later, others reported their inability to work regarding different reasons (health condition, child care, studying, financial dependence, etc.)². Such a situation has several reasons. They include the experienced shock, disbelief in themselves, expecting a quick return home and to some extent paternalistic attitudes. In any case these reasons demand thorough examination and consideration. Obviously, in addition to providing their conventional services, employment agencies should use a wide range of instruments as to IDPs, consider the peculiarity of their situation and emotional state.

Another reason for IDPs not to be interested in the employment with the state employment services assistance are steep salary demands because of the need to pay rent. Taking into account the cost of 1-room apartment in different cities of Ukraine and minimum package of necessary goods and services, an IDPs family of two adults and a child according to our calculations has to spend from 3,966 to 8,500 hryvnias a month. In particular, in Kharkiv – 6,400–6,800 hryvnias, in Vinnytsia – 5,200–6,200 hryvnias, in Mykolaiv – 4,200–4,700 hryvnias, in Ternopil – 4,500–4,800 hryvnias, in Chernihiv 3,900–4,300 hryvnias. At the same time the average salary in Ukraine in June 2015 was 4,299 hryvnias and only a third of employees had a salary over 4,000 hryvnias.

One more factor complicating the solution of IDPs problems is their uneven spread around the territory of Ukraine. Today the highest concentration of IDPs is observed in Luhansk region (229,174),

¹ *Services* provided for internally displaced persons by the Employment Agency [Electronic resource]. – Link: <http://www.dcz.gov.ua/statdatacatalog/document?id=351058>

² *Services* provided for internally displaced persons by the Employment Agency [Electronic resource]. – Link: <http://www.dcz.gov.ua/statdatacatalog/document?id=351058>

Kharkiv region (196,698), Donetsk region (117,162), Dnipropetrovsk region (85,344), Zaporizhia region (66,469), Kyiv region (44,639) and the city of Kyiv (39,047). The lowest IDPs concentration is in the regions of Ternopil (2,681), Chernivtsi (2,736), Ivano-Frankivsk (3,651), Rivne (3,464), Zakarpattia (4,024) and Volyn (4,325)¹. IDPs have mostly settled in the regions that are close to their previous places of residence, which indicates intentions of many IDPs to return to the homes they had left². In addition, IDPs' settling in developed industrial centers is quite natural, as they have a higher possibility of employment and economic activity there.

It is equally important to consider the fact that arrival of IDPs increases local social problems, which can cause tensions in relations between the displaced persons and local population. IDPs' needs become a serious burden for local budgets, they create additional difficulties for local citizens on the labor market, in healthcare and education. The IDPs have a right for health care, including receiving medication for free or at reduced rates, just like all other local citizens. In practice it means that healthcare institutions provide IDPs with services using scarce resources and medication envisaged for the permanent local population. The same situation is observed in educational institutions, where the IDPs' children significantly increase workload on employees (teachers, nursery teachers, school psychologists), and the children's comfort decreases. Thus, developing a financing mechanism for healthcare, education and other needs of IDPs from a fund specially created with this purpose, is worth consideration, as well as finding ways to increase staffing of the respective services providers and consecutively explaining the current situation to the population.

Particular attention shall be paid to the problems of the most vulnerable categories of IDPs, namely children, who constituted 16.7 % of all the IDPs as of October 2015³. Psychologists state

¹ *The State Emergency Service of Ukraine. Interdepartmental coordination staff on social support of Ukrainian persons displaced from the ATO area and temporarily occupied territories [Electronic resource].* – Link: <http://www.mns.gov.ua/news/34232.html>

² *Forced migrants: analyze, understand, help [Electronic resource].* – Link: <http://ukurier.gov.ua/uk/articles/vimusheni-ereselenci-proanalizuvati-zrozumitidop/>

³ *The State Emergency Service of Ukraine. Interdepartmental coordination staff on social support of Ukrainian persons displaced from the ATO area and temporarily occupied territories [Electronic resource].* – Link: <http://www.mns.gov.ua/news/34232.html>

that children from 3 to 15 years of age are suffering the most: younger children leave their previous place of residence easily, and older children are able to accept moving to a new place quite rationally¹. Children are prone to mental health disorders (worsening of communication, irritability, aggression, anxiety, lack of trust in others; a sense of loneliness, isolation and worthlessness; lack of understanding adults); their processes of socialization and resocialization are very complicated. This leads to disruption of communicative behavior, pace and quality of integration in the new environment reduces the quality of education and training (violation of school discipline, educational problems). In general, all this negatively affects the process of personality formation.

As the Ukrainian Parliament Commissioner for Human Rights stated², there are problems in registration of unaccompanied children as IDPs, appointing legal representatives and social support to such children.

On the beginning of a new school year a question of preparation of children-IDPs for the studying process has arisen. Even though they are provided with studying facilities, these children still desperately need necessary things for school. As for pre-school children, parents-IDPs are often unable to pay for the stay and meals of their children in kindergartens. Support for IDPs' children in education is mainly done at the expense of personal reserves of teachers, parent committees, volunteer organizations, and not from additional resources of state or local budgets³.

An important issue is the health of displaced children. Displaced children who left the ATO area were entitled to recreation and health improvement in children's health camps at the expense of state budget. However, the capacity of these camps is too low, therefore not all children of this category have the opportunity to improve their health on preferential terms⁴.

¹ *Displaced* children: how can we help them adapt [Electronic resource]. – Link: <http://sunny7.ua/semja/children/detipereselentsyakpomochadaptirovatsya>

² *The matter* of securing displaced children rights in the armed conflict is under Ombudsman and public supervision. [Electronic resource]. – Link: <http://www.ombudsman.gov.ua/ua/allnews/allactivity/6515znpitannyazaxistupravditejvumovazbrojnogokonfliktunakontroli/>

³ *Educational* problems of IDPs are resolved not at the state expense – Experts [Electronic resource]. – Link: <http://restoringdonbass.com/novosti/1056510565/>

⁴ *Where can* you improve child's health for free: IDPs' children are invited for summer rest [Electronic resource]. – Link: <http://kp.ua/life/503628hdebessplatnozdorovytrebenkadeteipereselentsevpryhlashaitnaletnyiotdykh>

There is a need to supplement the list of children categories who demand additional attention and support with displaced children from the temporarily occupied territories or the ATO area and combatants' children. Such proposition was in a draft law № 2917 "On amendments to some legal acts regarding organization of health improvement and rest for children, and preservation of the child recreational and health facilities network" of May 20, 2015¹.

Another important matter is readiness and professional qualification of teachers and school psychologists for work with displaced children. There is a need to organize proper training of educational personnel on special attitude and peculiarities of work with internally displaced children.

It is necessary to admit that despite all the efforts of the state and the public regarding support of IDPs the results leave much to be desired. According to the survey of January-February 2015, 44 % of IDPs considered the state support they received to be insufficient. The given support allegedly did not meet their needs in all respects. As to the accommodation and material resources, it only satisfied less than a half of the needs. The only support that was considered to have largely met the real needs was support with pensions and social payments provision, as well as the registration of the temporary residence².

Provision of support to displaced persons faces serious difficulties due to objectively complicated situation in the country, economic crisis, hostilities and destruction. Apart from this, some disadvantages reside in the very approaches to the IDPs problems. The policy on the matter is developed and implemented by various departments, international and volunteer organizations. It lacks coordination, and more importantly the definition of the ultimate goal.

5.3. External migration activization

Under the influence of the military conflict in Donbas emigration attitudes of the population significantly increase and become an additional challenge for the state. According to the annual

¹ *Information* on health improvement and recreation for children of the ATO servicemen and internally displaced persons [Electronic resource]. – Link: http://www.mlsp.gov.ua/labour/control/uk/publish/article?art_id=178604&cat_id=138985

² *Evaluation* of the needs of internally displaced women and senior persons: Research by Yaremenko Ukrainian Institute for Social Studies [Electronic resource]. – Link: <http://www.uisr.org.ua/news/104.html>

sociological monitoring by the Institute of Sociology of NASU, 7.4 % of population were ready to leave to work abroad in the short run in 2014, (2008 – 6.2 %), and 15 % of respondents were considering emigration for permanent residence.

Increase in the migration intensity is accompanied by substantial changes in its characteristics. First, there is accelerated reorientation of migration flows from Ukraine. Former major direction for emigration, the eastern one, loses popularity, and the western direction currently prevails. Part of people who used to go for work in the Russian Federation, now are looking for earnings in other former Soviet states, for example in Kazakhstan and Belarus. However, most Ukrainians will familiarize with the European labor market, especially if the EU grants Ukraine the planned visa-free regime.

The above-mentioned is vividly illustrated by 2014 statistics. For instance, the employment rate of Ukrainian migrant-workers in Poland has risen dramatically. Poland used to be the second destination country for Ukrainian migrant-workers after Russia. While in 2013 Polish employers informed local authorities on employment of 134,000 seasonal (not more than 6 months a year) workers from Ukraine, in 2014 the figure almost tripled, amounting to 359,000 workers¹.

However the conclusion about shortening of labor migration to Russia and its accelerated reorientation towards the West only concerns the majority of Ukrainians, but not the residents of the temporarily occupied territories, where the situation is completely different. For them employment in Russia is the only possible way. They will apparently make up the vast majority of the migrant flow to the neighboring country, especially now, when Russia is actively implementing the policy of “compatriots” resettlement. According to the Federal Migration Service of Russia, 93,200 citizens of Ukraine (including family members) applied to participate in the Russian state voluntary compatriots resettlement assistance program in 2014. If we compare these figures with those of 2013 (the compatriots resettlement assistance program in 2013 had only 34,700 participants), it is exactly because of the hostilities in Ukraine that Russia made significant progress in attracting

¹ *Raport* na temat obywateli Ukrainy (w stanu na dzień 11.02.2015) [Electronic resource]. – Link: <http://udsc.gov.pl/statystyki/raportspecjalne/biezacasytuacjadotuczasaukrainy/>; Огляд приватних грошових переказів в Україну [Electronic resource]. – Link: <http://www.bank.gov.ua/doccatalog/document?id=73841>

immigrants. This, in accordance with the political documents approved at the highest-level, is the main task of Russian migration policy¹.

The model of migratory behavior is expected to change in other directions as well. The circulation model, where people go to a country for seasonal work for 3-6 months and then come back to Ukraine where their families stay, might transform into the resettlement model. Such results are indicated by sharp increase of applications made by Ukrainian citizens to the competent authorities of foreign countries (Poland, Germany and others) regarding issuance of permits for temporary or permanent residence. According to the Ministry of Internal Affairs of Poland, in 2014 the number of applicants for permanent residence permits doubled, and the number of temporary residence permits increased by 50 %².

The dynamics of money transfers from migrants to their families at home can be considered an indirect evidence of transformation of temporary labor migration into resettlement. The money transfers were quite significant and steady, and in 2013, according to the National Bank of Ukraine, they exceeded 8.5 billion US dollars. However, the amount of money transfers declined by 24 %³ in 2014. Partly, it happened because of the attempts by the National Bank of Ukraine to set the currency transfers payment in hryvnia and at a rate lower than market rate. Despite the fact that this procedure lasted less than a month, it undermined the already low migrants' credibility to financial institutions of the state, forcing many of them to refrain from transfers or use informal channels of money transfer. However, transfers reduction apparently has another greater cause. Since the number of migrants has not decreased, but on the contrary, probably increased, the mentioned reduction demonstrates that migrants stay abroad longer, and even refuse to return home, indicating that families reunite in foreign countries. More and more workers make

¹ *Information* on the situation regarding Ukrainian citizens and persons with no citizenship, who urgently or massively left the country [Electronic resource]. – Link: http://www.fms.gov.ru/about/statistics/info_o_situatsii_v_otnoshenii_grazhdan_ukrainy/

² *Raport* na temat obywateli Ukrainy (w stanu na dzień 11.02.2015 r.) [Electronic resource]. – Link: <http://udsc.gov.pl/statystyki/raportyspecjalne/biezacasytuacjadotyczacaukrainy/>

³ *Review* of private money transfers to Ukraine [Electronic resource]. – Link: <http://www.bank.gov.ua/doccatalog/document?id=73841>

savings to buy real estate not in Ukraine, but abroad. This fact indicates a gradual transfer of their vital interests to foreign countries¹.

Current migration processes' transformation under the deep economic crisis and war have another utterly negative component. If the assumptions concerning the increase of migration are true, and given the policies of destination countries that strictly control and limit the entry of foreigners, especially unskilled workers, it is possible that share of Ukrainian workers without proper permits, illegal workers, might increase, triggering all the accompanying negative consequences.

Difficult political and economic situation in Ukraine has a negative influence on immigration into the country as well. Obviously, there are no grounds to expect any noticeable repatriation processes in the nearest future. The return of labor migrants will slow, and Ukraine could become less attractive for foreigners, in particular for students. In the meanwhile illegal migration to and through Ukraine might intensify as a result of undue border control in the east. The number of asylum seekers not only will not decline, but can even increase, because of people from CIS countries disagreeing with their countries' policies. Some asylum seekers, who left their countries of origin not because of political, religious or ethnic reasons, but because of commercial or criminal ones, could use Ukraine's confrontation with Russia to their own ends.

Thus, current political and military situation and economic crisis might increase the intensity of emigration abroad and temporary migration with employment purpose. The probability of partial labor loss and brain drain will rise as well.

Migration risks caused by the current situation should be considered in the state development strategy. Migration policy reform should become an integral part of the reform process in Ukraine. Enhancement of migration control possibilities is also an obligatory condition of further European integration of Ukraine.

* * *

As a result of Russian armed aggression, Ukraine has undergone losses from increased morbidity, mortality and migration. Job losses caused by destruction and economic crisis deprived many people of income

¹ *Malynovska O.* Money transfers of migrants from abroad: volumes, channels, socioeconomic value: analytical report. – Kyiv: NISS, 2014. – P. 47. – (“Economy” series, issue 18)

sources. Public welfare dropped dramatically and poverty risks have increased. Public access to educational and health services deteriorated. Due to the destruction of social infrastructure in areas of hostilities the most vulnerable parts of population – children, senior persons and disabled persons – found themselves in a particularly difficult situation. New categories of Ukrainian citizens in need of social support emerged, including internally displaced persons. There are acute problems of social security for citizens who are directly involved in the ATO.

In addition to direct damage, the war also worsened economic conditions for the implementation of social policy, urged the unpopular steps to reduce benefits, increase tariffs, increase tax while leaving salaries and pensions on the same level. Appropriate response to contemporary social challenges can only be found under condition of a stable peace and overcoming the economic crisis, because the causes of the situation should be addressed in the first place. However, despite the realities of war, it is necessary today to enhance the social orientation of the state, to find a balance between economizing and providing social guarantees.

The fact that current crisis coincided in time with a powerful public demand of changes, provides grounds for optimistic expectations regarding further development. Indeed, despite a sharp decrease of living standards and the enemy's attempts to use social troubles to destabilize the situation, civil peace is sustained in Ukraine.

Progressive social development, however, will only be possible under condition of concerted and coordinated efforts of government and civil society, aimed at effective spending of limited funds and resolute struggle against corruption and abuse. The response to social security challenges and threats has to be an effective reform of social protection and health care, optimization of the labor market, proper social protection of servicemen and their families, support of internally displaced persons, aimed at meeting the needs of this group of citizens and the interests of local communities in the regions of their residence.

Considering the lack of resources, avoiding further escalation of social problems demands to intensify international cooperation, actively involve foreign support, using organizational and financial capabilities of international organizations to provide effective and transparent use of the funds under public supervision.

**UKRAINE: PASSING THROUGH
CRIMEA ANNEXETION ORDEAL**

CHAPTER 6.

CONSEQUENCES OF THE CRIMEA ANNEXATION: STAGNATION IN DEVELOPMENT AND INTERNATIONAL SANCTIONS

Let our losses be our test, but not a torture.

Elchin Safarli

Today it is incredibly difficult to determine “the cost of losing Crimea”, because the formula to calculate such cost consists of multiple components that are not related additively. Some components are explicit, and they have already been partially evaluated (including direct loss of assets, losses from nationalization of a number of state-owned enterprises, loss of profits, losses from declining trade, decline in budget revenues, loss of transport infrastructure, etc.), but eventually their scale may increase in unspecified ratio. Some losses are implicit (e.g. loss of scientific and educational potential), their volume is difficult to formalize not only in the future, but even at the present moment. Calculating the losses from the Crimea annexation, one hits the multicollinearity in attempts to separately calculate losses suffered by Ukraine, and the losses suffered by Crimea itself. For example, the losses of individual entities are subjects to direct accounting calculation, however the volume of implicit losses that may be both reversible and irreversible is much more difficult to determine.

Despite the above-mentioned, in April 2014 Ukrainian authorities announced the amount of loss at 1 billion hryvnias. At that moment, according to preliminary estimates by Interdepartmental workgroup on collecting debts caused by the occupation of Crimea that currently works at the Ministry of Justice of Ukraine, the total losses amounted to 1 trillion 200 billion hryvnias. There are also notifications that the figure might double in the next 6 months¹.

So, what is this “snowball” of losses made of?

¹ *Lohvynskyy G.* Ukrainian government will increase by half the amount of loss for the annexation of Crimea / GA Lohvynskyy [Electronic resource]. – Link: <http://ua.krymr.com/content/news/27271044.html>

Generally speaking, the most significant losses are the following.

1. Annexation of Crimea has caused damage to the **defense capacity** of Ukraine (Ukraine's Navy assets lost in Crimea reach 1.5 billion hryvnias).

2. The most significant **loss of assets** is caused by transfer of a series of Ukrainian state-owned companies under Russian control. In particular, this concerns "Chornomornaftogas", "Ukrtransgaz" and 17 Black Sea shelf deposits, of which 11 are gas, 4 – gas condensate and 2 – oil. Considerable damage for the economy of Ukraine is associated with the loss of some important companies in the food, chemical and shipbuilding industries (PJSC "Crimean Titan", PJSC "Crimean Soda Plant"). However, significant negative effects of losses in shipbuilding capacity do not mean that Ukraine is completely deprived of prospects for the industry, because more than half of fixed assets in the shipbuilding industry are concentrated in Mykolaiv.

3. Reduced production and significant losses were caused to **wine-making industry** of Ukraine. Broken partnerships, lack of raw materials and lack of new markets forced wineries to switch to Russian standards of production technology, product design and trade.

4. The **transport sector** of Ukraine's economy lost 645 km of railways, 6,265 km of roads, 5 seaports – Feodosia, Sevastopol, Yevpatoriya, Yalta and Kerch, and with them 10 % of total cargo handling, and about 3-5 % of the total volume of rail freight were lost. In addition, Russian control over the Kerch Strait and the fighting in the east of Ukraine endanger the work of Mariupol and Berdyansk ports, that make up 12.6 % of total cargo handling in Ukraine.

5. Loss of Kerch and Sevastopol fish ports and their two largest **fishing fleets** (an approximate estimate of 70 % of the total fish catch in Ukraine) is also a significant loss.

6. Loss of property and fixed assets, suffered by Ukraine in agriculture, according to the Ministry of Agricultural Policy and Food Supplies of Ukraine, amounts up to 201.6 billion hryvnias¹.

7. Significant losses were caused in the banking system of Ukraine. According to the National Bank of Ukraine, 1,022 local offices of Ukrainian banks, 11 branches, 53 representative offices and two Crimean banks

¹ *The annexation* of Crimea has caused the agricultural sector of Ukraine UAH 201.6 billion of losses [Electronic resource]. – Link: <http://hyser.com.ua/economics/anneksiyakrymananeslaagrarnomusektoruukrainy2016mlrd>

operated in Crimea. Assets of these banks were worth more than 22 billion hryvnias, including 16 billion hryvnias of loan commitments.

8. Among the most serious losses for **Ukrainian science** has been the loss of one of the well-known European scientific centers – Crimean Astrophysical Observatory of Kyiv National Taras Shevchenko University. This fact has greatly complicated the possibilities of Ukraine in fundamental astrophysical research in physics of the Sun, stars, asteroids, etc. Equally notable for Ukrainian science is also a loss of the Kovalevsky Institute of Biology of the Southern Seas, Marine Hydrophysical Institute, branches of Archeological and Oriental Studies institutes, Nikitsky Botanical Garden, and Karadag Nature Reserve. The uniqueness of these academic institutions is determined by the geographical location and inimitable natural resources, so their loss was irreparable for the national science. There are about 100 institutes and universities overall in Crimea that have worked successfully in important areas of research¹, 22 scientific institutions and organizations. Losses of domestic academic science in the peninsula in their initial cost amount to several billion hryvnias².

9. Another significant loss for Ukraine is the national **tourist and recreational potential** of Crimea, estimated at a third of Ukrainian overall capacity: unique natural resources, 517 km of beaches, 14 deposits of therapeutic mud, more than 100 sources of mineral waters, 154 nature reserve facilities of total area of 146,200 ha, including 6 national parks, 29 nature reserves, 100 attractive natural sites, 69 natural monuments, 160 caves, etc. Ukraine lost the health resorts' network of Crimea – over 600 resorts and health institutions. Ukraine has also lost 11,500 monuments of history, culture and architecture belonging to different historical eras, civilizations, religions and ethnic groups, of which almost 150 historical and architectural sites are listed in the UNESCO catalogues.

Detailed losses should serve the purpose of prioritizing forecasts scenarios for Crimea.

The Crimea annexation has had **a negative impact on the socio-economic development** of the peninsula and on the city of Sevastopol, in particular regarding budget revenue of Crimea and local budgets.

¹ *Scientific* institutions of Crimea may pass under the control of the Russian Academy of Sciences [Electronic resource]. – Link: <http://life.pravda.com.ua/technology/2014/07/3/173964/>

² *Surzhik L.* The Academy faces with the choice (choices) / Lidiya Surzhik [Electronic resource]. – Link: <http://gazeta.dt.ua/science/akademiyaperedhtml>

Crimean budget subsidy need significantly increased. Given the fact that in 2014 VAT revenues remained in Crimea and in 2015 they were transferred to the Russian federal budget, the dependence on subsidies level of Crimean budget in 2015 could reach 85 %¹, which is comparable only with the Russian regions of Ingushetia (87 %) and Chechnya (82 %). In Ukraine budget of Crimea and Sevastopol was subsidized from the state budget by an average of 60 %. Revenue of the Crimean budget in 2015 was approved in the amount of 66.3 billion rubles, of which 15.8 billion rubles were taxes and non-tax revenues and 50.5 billion rubles (76.2 % of local budgets) – grants, subsidies, subventions from the federal budget. Expenditures were expected to be 66.5 billion rubles². In 2014, budget expenditures of Crimea in 9.5 months (since the territory was annexed) amounted to 159 billion rubles (of which 125 billion rubles were transfers from the federal budget of the Russian Federation). The budget surplus over these 9.5 months was 13.4 %, and these funds could not be drawn. This significant amount of revenues can be explained by the need for pension payments that in 2014 were made from the budget, and not from the Pension fund. In 2015, there was a deficit budget, since the benefits and pensions were paid from the Pension Fund, thus the budget is 2.5 times smaller. Social expenditure is also significant.

The losses of major industrial enterprises, such as “Chornomor-naftogaz” significantly increased. One of the largest Crimean enterprises measured 1 billion US dollars of losses after purchasing two deep-drill installations worth 800 million US dollars, together with losses after purchase of several modern offshore vessels, production losses of 2 billion cubic meters of gas (in 2014) and losses due to the installation of mobile mining towers, laying of underwater pipelines, construction of “Hlibovske” underground gas storage.

Tourist flow to Crimea declined. In 2015 (as of August 21, 2015) compared to 2013 the number of tourists dropped from 5.9 million people to 3.4 million³.

¹ *Suleimanov D.* Crimea became one of the most expensive regions for the federal treasury / D. Suleymanov [Electronic resource]. – Link: <http://www.vedomosti.ru/newspaper/articles/2015/06/18/596848vsemendorogokrim>

² *Crimean* Parliament approved the budget for 2015 [Electronic resource]. – Link: <http://ukranews.com/news/149058.Parlament-Krimuhvali-byudzhet-na-2015-rik>

³ *According* to official sources, Crimea was visited by 3.4 million tourists / Crimean News Service [Electronic resource]. – Link: <http://news.allcrimea.net/news/2015/9/13/poofitsialnymdannymkrymposetili34mlnturistov44924>

The number of small and middle-size businesses dropped by 5.6 times compared to 2013. At the beginning of 2015 there were 12,100 entities. The figure dropped due to different reasons: re-registration on the mainland of Ukraine, work in the “shadow” as a result of higher tax load of Russian fiscal system compared to the Ukrainian one. However the major reason for such a significant drop in small and middle business is the above-mentioned decline in the number of tourists¹. As a result, indicators of economic activity decreased in the spheres of tourism, agriculture, construction and repair services.

The vast majority of retail networks registered in Ukraine have stopped activity of their branches operating in Crimea and in Sevastopol. On December 31, 2014, after the “transition period” provided by Russia for acquiring new legal status of companies finished, Russia announced the need to change the stock assortment. Since that moment a minimum of 50 % of the products had to be those made in Russia. Enterprises settled the problem in different ways. In particular, the companies, which re-registered in Crimea as Russian, are supplying goods to stores as Russian made under this quota. In addition, due to the difference in prices between the Ukrainian and Russian goods (prices of goods produced in Ukraine are 1.52 times lower) it became profitable for Crimea to resell goods manufactured on the mainland of Ukraine to Russia through the Krasnodar region.

Experts estimated the effects of the adopted Law of Ukraine on “Crimea” free economic zone² ambiguously. This law defined³ the legal principles for Ukrainian resident enterprises remaining on the territory of Crimea and for those Ukrainian businesses that still do

¹ Tourist companies, that were oriented towards foreign tourists from Belarus, Poland, Slovakia, Lithuania, Latvia, Hungary) completely lost the market as result of special entry regime for foreigners, entering Crimea and Sevastopol. Companies oriented towards Ukrainian citizens also suffered from a significant decline in the number of tourists from Ukraine (according to different estimates from 4,5 million in 2013 to 100,000 in 2015). The companies focusing on Russian tourists equally suffer losses, because Russians mostly look for higher quality services provided by a restricted number of hotels, health resorts and recreation homes. Instead mini-hotels, private homes offering tourist services remain empty, but they make up the foundation of Crimean small and medium business.

² *Law of Ukraine* “On creation of free economic zone “Crimea” and the peculiarities of economic activities in the temporarily occupied territories of Ukraine” of August 12, 2014 № 1636VII [Electronic resource]. –Link: <http://zakon2.rada.gov.ua/laws/>

³ *Poroshenko* initiated the abolition of free economic zone in Crimea [Electronic resource]. – Link: <http://www.pravda.com.ua/news/2015/09/25/7082562/>

business with enterprises of Ukraine registered in Crimea¹. Legal entities established in the “Crimea” free economic zone and individuals who live in this area, were defined as non-residents for taxation purposes. Accordingly, they do not report on their activities and paid taxes, except customs fees, and therefore their economic activity cannot be correctly evaluated. It will only be possible to evaluate foreign trade with the “Crimea” free economic zone after the report of 2015.

Another disadvantage of the “Crimea” free economic zone is impossibility to define which taxes and fees were charged and which were paid. According to the Law on “Crimea” free economic zone, it is free of general state taxes and fees. As a result the conditions in this free economic zone promote revenues of Russian state budget and Crimean budget, not controlled by Ukraine. As of January 1, 2015 3.4 billion rubles were transferred to the Russian federal budget in tax and non-tax revenues: e.g. tax for natural resource development, VAT, and the overall sum received in tax amounted to 7.2 billion rubles². At the same time in the fourth quarter of 2014 only, a total of 0.5 billion hryvnias worth of goods was imported, and total volume of Ukrainian goods shipped from the mainland to the “Crimea free economic zone” amounted to 1,147,200 tons with invoice value of 431.6 million US dollars; in January 2015 – 101,000 tons with invoice value of 37.3 million US dollars and in July 2015 invoice value amounted to 73.1 million US dollars. According to the State Statistics Service of Ukraine, overall Crimean import amounted to 545.3 million US dollars worth of products from Ukraine. Ukrainian export from Crimea was 26 times smaller, amounting to 21 million US dollars³.

As stated by State Fiscal Service of Ukraine in the period from September 27, 2014 (when the law on “Crimea” free economic zone entered into force) to February 2015, \$ 526,339,000 worth of goods was shipped to the peninsula⁴. Thus it is difficult to evaluate what are (or could have been) the tax and fee revenue to the state and local

¹ *Zanuda A.* How have Ukrainian companies to continue to work in Crimea / A. Zanuda [Electronic resource]. – Link: <http://www.bbc.com/ukrainian/business/2014>

² *Crimean* Ministry of Finance reported on the activities in 2014 and early 2015. KrymBizneskonsalting [Electronic resource]. – Link: http://crbc.pro/all/news/minfin_kryma_otchitalsya_o_deyatelnosti_v_2014_kvartale_2015_goda/

³ *The value* of goods, which Ukrainian companies have delivered to Crimea in July, is evaluated 73 million dollars [Electronic resource]. – Link: <http://investigator.org.ua>

⁴ *The amount* of goods imported from the mainland of Ukraine to Crimea during the five months was half of a billion dollars [Electronic resource]. – Link: <http://investigator.org.ua/news/152565/>

budgets of Ukraine. The Crimea annexation became a reason for major overhaul of political and economic relations on the international stage. Today Crimea is under economic blockade caused by sanctions imposed mainly by the U.S. and the EU.

Economic blockade of Crimea on behalf of the EU started after the European Council adopted the decision on restricting measures and new sanctions in response to illegal Crimea annexation. Thus, the respective sanctions provide for prohibition of:

- import of goods to the EU from Crimea and Sevastopol;
- export of certain goods and technologies to Crimea, for example in transport, telecommunication, energy (search, exploration and development of oil, gas and mineral resources);
- technical support, brokerage services, construction, engineering services relating to infrastructure of the above-mentioned sectors;

Legal or individual entities registered in the EU cannot purchase real estate property or legal companies in Crimea, finance Crimean companies or provide them associated services.

In its turn the U.S. have prohibited individual and legal entities of the U.S. to import, receive services or transfer technologies from Crimea; re-export trade or ship any goods, services or technologies to Crimea. It is equally prohibited for the U.S. entities to sign agreements, finance or promote agreements concluded by persons who were put on the sanctions list. The respective executive order by the Secretary of the Treasury of the U.S. provides sanctions against persons and companies operating in Crimea.

In general, restrictions by the U.S. and the EU touch upon import of military and dual purpose products, financial, investment and touristic activity, import and export of goods (over 200 stock items). The responsibility imposed on the violators is separately formalized. The sanctions list includes 170 persons (151 person of December 18, 2014 and 19 persons of February 16, 2015) and 46 companies and organizations (37 and 9 respectively). Starting on July 30, 2015 the U.S. separately supplemented its sectoral sanctions with companies and organizations of Crimea (mostly sea ports and infrastructural facilities) and enlarged the personal sanctions list with 17 more persons (regarding the crisis overall) who already were on the EU sanctions list.

These sanctions have temporary character and they are reviewed every six months, the present sanctions remain in power till July 2016

for the EU and till March 2016 for the U.S. It is worth noticing that Ukraine was rather inert in joining international sanctions against Russia. Ukraine joined the above-mentioned sanctions only in late July 2015, despite the fact that the Law on Sanctions was adopted on August 8, 2014¹. Based on the Law, the government developed a series of sanction propositions (first against 65 legal and 176 individual entities). However, the specific decisions were laid before the National Security and Defense Council only in July 2015². Until this time the reaction depended on the situation and was considered in cooperative format, when there was a need to implement NSDC decisions regarding aggression countermeasures³. Only reaction to a series of acute collateral problems was effective: for example for internally displaced persons` settlement, water supply, energy supply, etc.

The established international regulation of economic relations with Crimea has already lead to reformatting of economic flows, considerably impeded economic development of Crimea, increased the dependence on subsidies to a level higher than before annexation, caused technological restraint of energy projects on the Black Sea shelf, provoked underfinancing of the infrastructural projects announced by Russia, etc. The long-term effects of the imposed sanctions are not visible today, but they will become apparent in Crimean economy in the nearest perspective.

If the present international sanctions package imposed on the Russian Federation in response to illegal annexation of Crimea continues or extends, the economic cost of keeping Crimea will be going up. These processes will stimulate Russia to search for mechanisms to internationally legalize the Crimean status in order to restore partner relations with the Western countries, in particular with the U.S.

¹ *Law of Ukraine* “On sanctions” of August 14, 2014 № 1644VII [Electronic resource]. – Link: <http://zakon4.rada.gov.ua/laws/show/164418>

² *Decree of the President of Ukraine* “On the decision of the National Security and Defense Council of Ukraine of July 20, 2015 “On the status of implementation of measures to protect property rights and interests of Ukraine in connection with the temporary occupation of the territory of Ukraine” of Aug. 26, 2015 № 514/2015 [Electronic resource]. – Link: <http://www.president.gov.ua/documents/514201519371>

³ *The Decree of the President of Ukraine* “On the decision of the National Security and Defense Council of Ukraine of August 28, 2014 “On urgent measures to protect Ukraine and to strengthen its defense capability” of September 24, 2014 № 744/2014 [Electronic resource]. – Link: <http://www.rnbo.gov.ua/documents/369.html>

DONBAS: BACK TO THE FUTURE

CHAPTER 7. CONDITIONS OF REINTEGRATION OF THE TEMPORARILY OCCUPIED TERRITORIES OF DONBAS

*The supreme art of war is to subdue
the enemy without fighting.*

Sun Tzu

7.1. Strategy for Donbas

The foundation of the national strategy is restoration of territorial integrity of Ukraine by recovering of the occupied territories of Donbas and Crimea. There are several reasons for this, in particular:

- The occupied territories constitute the significant share of economic, intellectual, natural and demographic resources of the country;
- Restoring territorial integrity would symbolize the complete victory of Ukraine over internal and external aggression;
- Leaving the crisis behind will allow to launch large-scale economic and political integration and investment projects.

In order to draft successful strategy of regaining the uncontrolled territories it is necessary, first of all, to define basic preconditions of the process and come to agreement about definitions. In particular, it is important to distinguish the facts from their political and legal interpretation, which is an instrument of influence the situation, used by parties of the conflict with the purpose to achieve their goals.

In fact, today we have an armed aggression (intervention) of the Russian Federation against Ukraine in Donbas. The aggressor is concealing engagement of his armed forces in hostilities and his control of the seized territories with the help of Ukrainian citizens who defected to the enemy camp. In order to legalize its control Russia has set up puppet regimes of the so-called Donetsk and Luhansk people's republics (**hereinafter** – DPR/LPR) and use them to achieve political goals in this conflict.

Achieving Ukraine's goals in the conflict is now stipulating the tactics of armed containment of enemy's superior forces and implementation of strategic political and diplomatic steps, directed to coerce the aggressor to abandon armed control over the occupied territories in the future and, therefore, creating conditions for their reintegration into Ukraine. Our goals and conditions of their achievements determine the choice of political instruments, including legal definitions, used by Ukraine in the interpretation of the conflict: "Anti-Terrorist Operation", "particular districts of Donetsk and Luhansk regions". These definitions correspond to the measures and nature of Ukrainian actions in the territories in conditions that will come after Russian troops and mercenaries withdraw from Ukraine.

To the certain extent these tactical and strategic objectives of Ukraine correspond with the Minsk agreements that reflect existing compromise resolution of the conflict. It is notable that the Minsk agreements are not an international legal act, therefore, firstly, they can be differently interpreted depending on the parties' interest, secondly, their fulfillment is determined only by the parties' good will and possible negative consequences of the peaceful negotiations process breakdown.

In this way the Minsk agreements outline a certain horizon of compromise determined by the parties of the conflict; at the same time they are using all possible diplomatic, economic, propagandist and military tools to achieve their goals. The meeting of the Normandy Four leaders in Paris on October 2, 2015 demonstrated that this horizon can be changed depending on the balance of power and participant's perception of their own goals.

There are only two possible ways to reintegrate the occupied territories. The first way is a military operation like the one conducted by Croatia to regain territories occupied by Serbs. The second way is an agreement with the party, which currently controls territory with military instruments.

The choice of the way (base scenario) is the starting point for the drafting and implementation of the whole reintegration plan.

It is impossible to rely on the military solution of the Donbas problem and, moreover, of the Crimea problem, without a considerable weakening of Russia; availability of large, professional and well-equipped Armed Forces and internal political consolidation of society; loyal attitude of the U.S. and the EU toward such actions;

resilient economy to recover reintegrated territories. This is not a complete list of necessary influential factors.

The second way of reintegration is reaching agreement with the current party of the conflict, or whoever will take this place in future, and this way is determined by another set of factors and conditions. Weakening of Russia is still key foreign policy requirement. However, agreement-based reintegration would just need changing of the aggressor-state foreign policy. Since the agreement-based way of reintegration would be achieved due to concessions made by Ukraine and not the West, therefore, we should demand sustained political partnership and guarantees of the Western macroeconomic support and targeted support for reconstruction of the reintegrated territories.

Economic component of the agreement-based reintegration envisages existence of the common interests of Kyiv and occupied territories of Donbas and provides guarantees to the local elites to secure their assets and preferences.

The choice between these alternative reintegration scenarios is a hard decision and it depends on a set of factors and conditions. Thus, the scenarios shall be analyzed for advantages and disadvantages for Ukraine and assessed for probability of their successful implementation.

Presuming variability of agreement scenario of reintegration of Donbas, which may be conducted in the way of compromise with the existing negotiating party (DPR/LPR) or in the way of its replacement with more loyal-to-Ukraine leadership of the occupied territories, it is necessary to consider the following three main scenarios of reintegration.

A) Military operation to regain the occupied territories (Croatian option).

Positive aspects of the decision:

- restoration of the territorial integrity of Ukraine and victory in the war with external aggressor;
- the opportunity to bring **to justice** those guilty of treason, collaboration and terrorism;
- the opportunity to impose **Ukrainian conditions** on local and regional elites.

Negative aspects of the decision:

- Huge increase of expenses for the needs of Donbas population and restoration of its infrastructure;

- inability to control attitudes and political activity of large masses of **disloyal-to-the-authorities** citizens of the region;
- the estimated losses from further deterioration in relations with Russia;
- the expected loss of **moral support** in the EU (as condemning the party who preferred military operation to diplomacy).

National financial industrial groups, which have assets in the occupied territories, are interested in this option. Under certain circumstances, this scenario may be tacitly supported by Russia, for example, in the way of deliberate deprivation of military support for DPR/LPR or by acting out an imaginary conflict with the nominal leaders of the “republics”. Some of the West representatives, who want to stop the pressure on Russia and reduce spending on support for Ukraine, could also be interested in the military scenario. In fact, *after Ukraine demonstrates its force such steps will become morally justified*.

B) Compromise with the representatives of DPR/LPR based on the Minsk agreements (Moldovan option).

Positive aspects of the decision:

- possibility to **end the armed conflict** in Donbas;
- probability that the decision might be supported by the **West, Russia** and the probability of making a new version of the Budapest Memorandum (as to safety guarantees);
- possibility of obtaining some **financial support** for restoration of Donbas.

Negative aspects of the decision:

- de facto recognition of the conflict (and its causes) as internal Ukrainian problem;
- recognition of **DPR/LPR** success in their war for “independence”;
- provoking a government crisis in Ukraine, as a result of antagonistic political forces: patriotic “party of war” on the one hand, and anti-Maidan “party of revenge” – on the other one; a conflict may take more than one electoral cycle and Ukraine would lose time for real reform and national development;
- setting a **precedent of autonomy** through insurgency for other regional elites;
- actual extraction of the **Crimean issue** from the agenda of world politics.

The beneficial forecast for this scenario is associated only with guarantees of **preserving (and growing) support for Ukraine from the West, as well as a complete Russia's rejection of further pressure on Ukraine and undermining its statehood**. As such guarantees don't exist, this option should be considered as definitely losing.

Actors interested in this scenario are the Western states wishing to stop the pressure on Russia and reduce spendings on support for Ukraine; Ukrainian opposition with pro-Russian orientation; radical nationalists' opposition.

C) Voluntary reintegration of the occupied territories on the basis of the will of their citizens and on the basis of the organized special negotiations with the political representatives of the region (German option).

Positive aspects of the decision:

- Ukraine's complete moral satisfaction in the conflict, definitively disproving Russian propagandist theses about the causes of the conflict, and integrity of the country is recognized as the unifying value;
- creating **exceptionally positive aftereffect** for Ukraine's relations with the EU, former Soviet countries, opportunities to turn the page in relations with Russia (on a positive basis for Ukraine);
- creating conditions for Ukraine to defend its economic and political **conditions for reintegration**, because of its favorable negotiating position;
- creating conditions for raising the issue of the **return of Crimea to Ukraine** as a logical continuation of the process.

Negative aspects of the decision:

- partial acceptance of autonomy requirements of the territories;
- guarantees given to local elites on preserving their control over economic and political processes;
- threat from "antimaydan" pro-Russian political forces which might play a role of promoter of the unification process, collect political dividends and gain weight as a factor of national politics;
- possibility of **social and economic difficulties** as a consequence of reintegration, leading to another internal crisis and slowdown of reform and modernization process.

Actors interested in scenario are national financial industrial groups, whose assets are partially in the occupied territories, Ukraine's Western partners and potential investors, concerned in the economy of the region.

The scenario of voluntary reintegration can be designed for **the future prospect of 5-7 years**. Its implementation still looks rather utopian, but as option B is losing and option A is unrealistic, so **option C should be taken as the base scenario for the national strategy of Donbas reintegration**.

Its implementation should consider the interests of stakeholders in the Donbas crisis:

Russia: to prevent implementation of options A and B, which will be accepted as a geopolitical Russia's defeat and could become a prelude for raising the issue about the return of Crimea;

DPR/LPR: to achieve the status of unrecognized republics under the protection of Russia, as it enables to use the resources of the territories uncontrollably, to hold the power by force, to get support from Russia, to use their position for illegal economic activities. There are reasons to believe that the DPR/LPR are afraid of option A implementation, unofficially supported by Russia (under pressure on it and for realization of option B, the conflict is de-escalating and militarized groups are taking under control. However, in the case of failure of option B, that is profitable for the Russian Federation and unacceptable for DPR/LPR leaders, Russia can follow the scenario of "surrender" of the puppet "republics");

The West (in particular the EU): to stop the conflict, to renew the dialogue with Russia, to make Ukraine responsible for overcoming the crisis consequences (option B is the most acceptable).

Such correlation of the conflict parties' interests makes a stalemate model of relations between them. Practically any party (except DPR/ PR) can block the unfavorable decision, however, neither of them has the necessary influence to implement the favorable one. Thus, we might expect a gradual freezing of the conflict on the background of discussions on the priorities and measures of the Minsk agreements fulfillment.

The most likely the conflict freezing scenario will have the following sequence of events:

- Ceasefire along the frontline.
- Relative stabilization of economic and social situation in the occupied territories.
- Further internal legalization of the puppet regimes in DPR/LPR by conducting non-agreed with Ukraine elections and other measures

aimed at sovereignization and/or inclusion as a part to the Russian Federation (namely citizenship, passports, building interstate border with Ukraine, international initiatives).

- Actual and official representation of DPR/LPR interests by the Russian Federation in international formats.
- De facto change of the negotiations subject and the negotiations format conditions of **peace agreement between Ukraine and Russia** are becoming a subject of the negotiations instead of conditions of reintegration of the occupied territories into Ukraine

Economy will play a crucial role for the further development of political situation around the occupied territories of Donbas. If Russia is forced by economic reasons to stop supporting terrorists in Donbas, the regimes of DPR/LPR will be doomed for destruction. Donetsk region is a completely unpromising as independent player of global economy. It will never become useful component of Russian economy. Therefore, its return to Ukrainian economy will become only a matter of time.

In addition, there is a series of actual political matters demanding a distinct state position and implementation of purposeful measures on minimization of the negative consequences from the conflict in the East of Ukraine and occupation of the part of its territory.

The issue is about the key matters determined in the context of the Minsk negotiation process:

- status of the respective territories;
- political representation of the territories;
- criminal responsibility of the insurgency participants.

Resolving the above-listed matters falls into legal and political field and, therefore, demands distinct formalization of state position, their further interpretation in the internal legislation and foreign political obligations.

7.2. Political and legal issues of restoring the rule of law

Restoring the rule of law in Donbas demands above all *unconditional and full ceasefire in particular districts of Donetsk and Luhansk regions*. Without fulfillment of this basic condition it is impossible to achieve further progress in political settlement of the conflict, which demands implementation of a series of measures in compliance with the Minsk agreements.

In particular, it is a matter of legal regulation of the **status of the territories**, which are out of control of Ukrainian authorities. It is notable that the **Minsk agreements do not formalize the requirements to definition of the special status of particular districts of Donetsk and Luhansk regions in the Constitution**, but they do formalize the conduction of decentralization in accordance with the peculiarities of the territories. The special status of Donbas has to be determined by Ukrainian legislation.

Constitutional reform on decentralization is long overdue. Its implementation will allow delegating a considerable part of power to the local authorities, promoting the development of local communities and enhancement of civil society in general. Above all the reform is an internal need of Ukraine, not a result of external agreements, and, therefore, it is intended to solve the development problems of *all the regions of Ukraine*, not only Donetsk and Luhansk.

Considering the peculiarity of the situation in the particular districts of Donetsk and Luhansk regions, caused by armed aggression and in compliance with the Minsk agreements, Ukrainian Parliament adopted the Law of Ukraine “On special order of the local government in particular districts of Donetsk and Luhansk regions”.

In compliance with the Minsk agreements, UN Security Council Resolution № 2202 of February 17, 2015 and the above-mentioned law of the Parliament of Ukraine it was distinctly defined the particular districts, towns, villages of Donetsk and Luhansk regions, where the special order of the local government was established by Decree 252-VIII of March 17, 2015.

Neither the Minsk agreements nor the mentioned law envisage the existence of the so-called DPR/LPR, their leaders and legislation different from the Ukrainian legislation. The issue is about the **particular districts of Donetsk and Luhansk regions as a constituent part of Ukraine**. On July 16, 2016 Ukrainian Parliament adopted the Law of Ukraine “On amendments to the Constitution of Ukraine (on decentralization of authority)”, which has taken into account the Minsk agreements about recognition of particularities of occupied districts of Donetsk and Luhansk regions. Thus, Section II “Final and transitory clauses” of this law envisages that the Special mode the local government in the particular districts of Donetsk and Luhansk regions shall be determined by an individual law.

In order to obtain the conclusion on the compliance of the mentioned law to Chapters 157 and 158 of the Constitution of Ukraine, the Parliament has forwarded it to the Constitutional Court of Ukraine, which started the hearing on the case in written form on July 27, 2015.

It's clear that their decisions both the Constitutional Court and the Parliament adopt within the established procedures and on the basis of the national legislation and will of the citizens of Ukraine, who delegated their representatives to the Supreme legislative authority of the state. The territorial structure of the state, its sovereignty, the powers of government are matters of national policy. They are not a subject of international negotiations or foreign obligations, since they depend on the will of the people, not on the decisions of state officials.

However, the issue of the uncontrolled territories status is not only a matter of finding a mutually acceptable formula of regulation and ensurance of the territorial integrity of Ukraine, but also a matter of the wider context of the humanitarian crisis in Donbas. *The uncertainty of the territories status in practice means vulnerability of the rights and freedoms of millions of citizens who live in these territories.*

National legislation distinctively defines the legal status of the temporarily uncontrolled territory of the Crimean peninsula as occupied by the Russian Federation. Such decision of the Ukrainian Parliament is completely compliant with the Laws and Customs of War on Land (The Hague Convention) of October 18, 1907 and the Convention relative to the Protection of Civilian Persons in Time of War of August 12, 1949.

The matter of legal status of the particular districts of Donetsk and Luhansk regions is determined differently. The Law of Ukraine "On special order of the local government in particular districts of Donetsk and Luhansk regions" determined a temporary (for the period of three years after gaining power) order of local government organization, activity of local authorities in the particular districts of Donetsk and Luhansk regions with the purpose of the fastest normalization of the situation, restoring the rule of law, constitutional rights and freedoms of the citizens as well as rights and lawful interests of legal entities, creating conditions for displaced citizens for returning to their previous places of permanent residence, their

reintegration, restoring activities of daily living in the localities of Donetsk and Luhansk regions and development of the territories¹.

However, this law does not have any indication that the territories are recognized as occupied. If the negotiations process runs over a long period of time and Ukraine is still not able to guarantee the citizens of the particular districts of Donetsk and Luhansk regions their rights and freedoms, the legal recognition of the occupation of these territories will be the only way out of this legal collision.

An obstacle for legal formalization of the current status quo remains the stance of the Russian Federation that denies its direct participation in the armed conflict in the Eastern Ukraine. However, in case of breakdown in fulfillment of the Minsk agreements by Russian party, in particular, its refusal to transfer the Russian-Ukrainian border under Ukrainian control, our country will have to insist on implementing clauses of the Convention on Laws and Customs of War on Land with respect to transferring the responsibility for the provision of the rule of law on the uncontrolled territories of Donetsk and Luhansk regions. To gain the international support for this stance of Ukraine, it is necessary to collect enough evidences of Russian participation in the armed conflict, not its individual citizens (that is what Russian party insists on), but regular Armed Forces active servicemen.

Another critical problem is **conducting elections on the temporarily occupied territories**. In compliance with the Minsk memorandum of September 19, 2014 and Package of Measures for the Implementation of the Minsk agreements of February 12, 2015 one of the stages in normalization of the situation in Donbas was conducting local elections in the particular districts of Donetsk and Luhansk regions in accordance with the legislation of Ukraine and OSCE standards.

Dialogue on the modality of the local elections in accordance with the Ukrainian legislation and on the future regime of these areas actually began with the adoption of the Law of Ukraine “On special order of local government in particular districts of Donetsk and Luhansk regions” of September 16, 2014 № 1680-VII. Holding illegitimate elections on these territories on November 2, 2014 in violation of Ukrainian law and OSCE requirements has prevented further

¹ *Law of Ukraine* “On special order of local government in particular districts of the Donetsk and Luhansk regions” of September 16, 2014 № 1680VII // Vidomosti Verhovna Rada Ukrainy. – 2014. – № 45. – Ch. 2043.

implementation of the Law, which means that actions of the DPR/LPR blocked the peace settlement process in accordance with the Minsk Protocol of September 5, 2014.

Holding local elections in particular districts of Donetsk and Luhansk regions as on any other territory of Ukraine demands fulfillment of a series of procedures, formalized by the Law of Ukraine “On local elections” of July 14, 2015 № 595-II.

Let us note that the Minsk agreements (hereinafter – MA) conditions on restoration of full Ukrainian authority control of state border throughout the whole area of conflict, that shall come into effect on the first day after local elections (paragraph 9 of MA), creates threats for the holding of such elections within Ukrainian legislation, because the law enforcement authorities of Ukraine are precluded from executing their functions in regard with providing the rule of law throughout the election process and preventing illegal people’s movement across the border with the purpose of influencing the results of the elections, etc.

Political motivation of the conflicting parties prevents holding the elections under the terms of the Minsk memorandum and the Package of Measures for the Implementation of the Minsk agreements.

Firstly, the leaders of illegal armed groups are not interested in the establishing of legitimate government in Donbas. The Minsk agreements and the Law of Ukraine “On special order of local government...” envisage the return of the occupied territories as constituent administrative parts of Donetsk and Luhansk regions, but with a few advanced functions of local governments. So, in a similar manner the quasi-state institutions with corresponding administrations and legislation shall be eliminated.

Secondly, the consequence of such disinterest is the difference of interpretation as to the sequence of implementation of the rules laid down in the Package of Measures for the Implementation of the Minsk agreements.

The official position of Ukraine is that the final self-government order in particular districts of Donetsk and Luhansk regions must be determined after the election in the way of negotiations with representatives of these areas. Instead, leaders and members of illegal armed groups insist on identifying an acceptable status for controlled territories prior to the holding of elections under Ukrainian legislation.

Thus, the issue of fulfillment of sequence of the Minsk agreements in regard with holding of elections in the occupied territories remains open and actually leads the political debates to a standstill. Ukraine can not agree with the fact of holding the elections in the environment where state authorities do not control the entire state border and the guerrillas and Russia do not agree to withdraw troops and to disarm illegal formations before the elections, though it directly meets the documents signed in Minsk.

Clearly, the Package of Measures for the Implementation of the Minsk agreements is a deficient document and the actual process of political settlement will require additional compromises and adjustments. However, so far the process is lacking the most important condition – the political will of the conflicting parties.

In addition, the absence of organizational structure of the majority of Ukrainian political parties, absence of system of law enforcement authorities of Ukraine and Ukrainian mass media in the temporarily occupied territories preclude the conduct of the election process in accordance with the Law of Ukraine “On local elections” in its current edition.

In this case the state will not be able to guarantee the compliance with the following fundamental principles of election process:

- legitimacy and prohibition of unlawful interference of anyone in this process;
- political pluralism and a multi-party system;
- publicity and openness;
- equality of all subjects of the election process before the law;
- equal rights of all deputy candidates, and candidates to the positions of village, settlement, city mayors;
- freedom of election campaigning, equal access to the mass media regardless of ownership;
- impartiality of the state authorities, government bodies, local government bodies, officers and officials thereof, heads of enterprises, institutions and organizations with regard to local chapters of political parties, deputy candidates and candidates to the positions of village, settlement, city mayors.

The fact that territories are not controlled by Ukraine raises a series of issues regarding the fulfillment of the established procedure regarding compilation of voter lists, their examination and

correction thereof, guaranteeing security of voters and observers, delivery of ballots, count of votes, etc.

Thus, the objectivity and integrity of the results of the election and votes count correctness stay outside the competence of the central government that will be unable to conduct a competitive election campaign and real political competition in militarized DPR/LPR, but it will have to finance the holding of such elections from the state budget of Ukraine.

In this regard, it is necessary to draft a law regulating the particularities of applying the Law of Ukraine “On local election” in the particular districts of Donetsk and Luhansk regions. The law shall not only consider reality of the existent situation in Donbas region, but above all it shall facilitate elimination of the conditions precluding the fulfillment of the constitutional right of the citizens residing on the mentioned territories to participate in election processes.

Firstly, the voting process has to become dependent on providing prerequisites for free expression of the citizens’ will in accordance with the legislation of Ukraine. It is a matter of creating safe environment for the elections, with no threats to life and health of all the participants of the election process including voters, candidates, electoral commissions’ workers and official representatives. It can be achieved only with:

- demilitarization of the territories, involving withdrawal of illegal armed groups outside the areas specified by the Ukrainian Parliament Act № 252-VIII of March 17, 2015, the pullout of weapons and military vehicles and prevention of their return to positions, disarmament and cessation of equipping the illegal armed formations, withdrawal of all foreign mercenaries from the territory of particular districts of Donetsk and Luhansk regions. These steps must be verified by a Special OSCE monitoring mission, for which full and unhindered access to all the areas in the conflict zone, including those, that are not currently controlled by the Government of Ukraine, should be granted;
- minesweeping of the territories and fulfillment of prohibition on subversive and reconnaissance activity by armed formations;
- at least partial functional recovery of Ukrainian law enforcement authorities in order to protect public order and provide security of the election process.

In order to implement the basic principles of democratic elections (pluralism and multi-party system, free will and secret voting, proper

administration of the election process, transparent counting and establishment of the results) the following terms must be fulfilled:

- recovery of all local branches of political parties of Ukraine in the territories with the re-registration of the organizations in the Ministry of Justice of Ukraine in accordance with Ukrainian legislation, which is the main condition for their participation in local elections in Donbas;
- restoration of Ukrainian television and radio, as well as free circulation of central printed publications to ensure freedom of election campaigning;
- functioning of the State Register of Voters of Ukraine, territorial bodies of the State Treasury Service of Ukraine and the network of banks in the sufficient quantity for ensuring the election process;
- guaranteeing participation in observing all the stages of the election process for official observers and international observers from the OSCE Office for Democratic Institutions and Human Rights, the Congress of Local and Regional Authorities of the Council of Europe, the European Union and other international organizations and foreign countries.

Secondly, even the specific situation in particular districts of Donetsk and Luhansk regions, under particular application of the Law of Ukraine “On Local Elections” in these territories the implementation of the following rules of this Law should remain unchanged:

- the use of electoral systems for the respective categories of local authorities, which are provided for other regions of Ukraine, ensuring nomination of candidates by political parties and the procedure of self-nomination;
- maintaining restrictions for candidates for elected positions and candidates for the posts of members of election commissions (such persons, in particular, must not have a criminal record);
- providing temporary immunity from criminal and administrative responsibility for all the participants of the electoral process during its course.

Thirdly, for the local elections in particular districts of Donetsk and Luhansk regions the following peculiarities should be provided:

- data from the State Register of Voters of Ukraine dated February 20, 2014 shall be the basis for determining the fact of belonging of the people’s addresses to the particular territorial communities, it gives an opportunity to determine the citizens who have the right to vote in the elections in these districts;

- throughout the period of the election process passports of citizens of Ukraine should be recognized as the only document of identity for election-related activities. This rule can be examined as an increased degree of protection from illegal participation of foreign nationals in the election process;
- the right of electoral subjects for campaigning at the expense of election funds should be implemented exclusively in the national electronic or printed mass media broadcasted/distributed in the particular districts of Donbas. This limitation will allow to create a more impartial attitude of the media towards the political parties and candidates and to preclude the use of separatist rhetoric in the election campaign;
- precinct election commissions shall be formed similar to the formation of territorial election commissions, i.e. only by representatives of political parties: parties, that in the first session of the Parliament of Ukraine have formed the parliamentary factions, assign 2 candidates per commission and other parties, registered by the Ministry of Justice of Ukraine, assign 1 candidate according to the results of the draw procedure. The exceptional role of national political parties in this process is reducing the risk of possible creation of privileged conditions for candidates with separatist political orientations;
- the exclusive competence of the Central Election Commission should include a part of authorities of territorial election commissions, including: the announcement of the election process in the current snap elections; the formation of election commissions of the lowest level and precinct election commissions; registration of candidates and international observers; tabulation of the voting results; general and special information support of elections. Strengthening of the external administration is a safeguard measure against attempts of illegal armed groups to influence decisions of election commissions;
- the election process should provide the opening of temporary voting stations in Ukraine-controlled territory in places of concentrated residence of internally displaced persons and residents of “neutral territories” in order to ensure their right to vote;
- ballots should be printed only on the Central Election Commission order and only by enterprises determined by the Cabinet of Ministers of Ukraine (and not by territorial election commissions as provided in the current edition of Article 75 of the Law of Ukraine “On Local Elections”). In this way, the authorities can prevent printing

of ballots by companies belonging to persons interested in the election process, and using ballots to make illegal influence on the tabulation and recognition of the election results.

A complete release of the hostages should precede the elections in Donbas. Failure fulfillment of this condition of the Minsk agreements by insurgents precludes the practical implementation of the decision on pardon and amnesty of persons under Article 3 of the Law of Ukraine “On special order of local government in particular districts of Donetsk and Luhansk regions” of September 16, 2014 № 1680-VII. It’s necessary to consider that the amnesty procedure requires a clear definition of the time limits that will ensure the compliance with the principle of applicability of legislation on criminal responsibility. Thus, the release of all hostages must be completed before the amnesty period.

The issue of **criminal responsibility** of participants of the illegal armed formations and officials of the self-proclaimed republics is an important aspect of the Donbas crisis settlement and fulfillment of the agreements reached in Minsk.

According to the Minsk agreements pardon and amnesty will be fulfilled with the law that forbids prosecuting and punishing people relating to the events that happened in particular districts of Donetsk and Luhansk regions.

In order to overcome the consequences of the armed aggression and to achieve peace in the country Ukraine has expressed its readiness¹ to take these measures. However, there is a series of problems demanding resolution before the respective legal settlement.

Firstly, the issue of amnesty has to be settled prior to the adoption of the decision regarding the elections in the particular districts of Donetsk and Luhansk regions, because its settlement might have a direct relation to the process. It refers to the legal formalization of the possibility (or its limitation) of passive voting right implementation by persons, whose actions contain signs indicating their participation in crimes envisaged in Chapter 1 of Special part of the Criminal Code (hereinafter – CC) of Ukraine. The state should elaborate legal mechanisms for depriving such people of the possibility of being appointed

¹ *The protocol* on the results of the tripartite consultations of the contact group on joint steps aimed at implementation of the peace plan of the President of Ukraine Petro Poroshenko and Russian President Vladimir Putin’s initiatives [Electronic resource]. – Link: <http://www.osce.org/ru/home/123258?download=true>

to positions in the authorities of local government. Compromise options might be used in such case. For instance, the state might envisage mechanisms for relief from criminal penalty in the way of applying amnesty, but only regarding crimes foreseen in Chapter 1 (Crimes against national security) Special Part of CC of Ukraine. The state should introduce restrictions in the Law of Ukraine “On local elections in particular districts of Donetsk and Luhansk regions” for such persons regarding the implementation of their right to be elected.

Secondly, the legal side of the matter is that in Ukraine amnesty is declared by an amnesty law, which is adopted in accordance with the Constitution of Ukraine, the Criminal Code of Ukraine and the Law of Ukraine “On amnesty in Ukraine”. However, there are some restrictions on the amnesty for persons sentenced, for example, for crimes against national security of Ukraine, an act of terrorism, banditry, for murder, torture, unlawful imprisonment or kidnapping, if it caused death, or caused heavy physical injuries that resulted in death, etc.

It should be noted that the use of the institute of amnesty in this case is very problematic, because according to the current Criminal Code of Ukraine amnesty is a type of relief from criminal punishment, meaning it cannot be applied at the pre-trial stage of the criminal process.

Thus, to be relieved from criminal punishment the person has to be:

- found guilty of a crime but not convicted;
- convicted of a crime, but not serving a sentence;
- serving a sentence for the crime.

The possibility of applying the institution of pardon in this case is even more problematic, because according to Article 87 of the Criminal Code of Ukraine pardon is granted individually to each person by the President of Ukraine. Act of pardon for a convicted person can replace a court-appointed penalty of life imprisonment with imprisonment for a term not less than twenty-five years.

In addition, the above-mentioned measures should be examined in *cohesion with tasks of countering and preventing crimes against state sovereignty and territorial integrity of Ukraine*. Exceptional value in this context gains the establishment of an effective legal framework for preventing and combating separatism in Ukraine.

On April 8, 2014 the Parliament of Ukraine has intensified criminal punishment for intentional actions aimed at encroachment on territorial integrity and inviolability of Ukraine. Also, on June 16, 2014

the Parliament adopted the Law of Ukraine “On Amendments to the Criminal Code of Ukraine on criminal liability for financing separatism”, which has established criminal liability for the financing of actions aimed at violent change or overthrowing of the constitutional order or the seizure of state power, changing the boundaries of the territory or state border of Ukraine.

At the same time creating an effective mechanism to combat and to prevent separatists movements in Ukraine, on the one hand, has to meet the constitutional guarantees of rights and freedoms of Ukrainian citizens, and on the other – to ensure development and implementation of the system of legal instruments, based not on dominating criminal tools, but on such forms of legal influence as effective legal regulation of regional development, effective regulation of ethnic sphere, etc.

Another important issue of legal political settlement of the situation in Donbas is protection of rights of peaceful civilians residing in the occupied territory, internally displaced persons and servicemen of the Armed Forces of Ukraine taking part in the ATO in Donetsk and Luhansk regions. Indeed, under Article 3 of the Constitution of Ukraine “man, his life and health, honor and dignity, inviolability and security are recognized in Ukraine as the highest social value. Human rights and freedoms and their guarantees determine the content and direction of the state activity. The state is responsible to the people for its activity. Affirmation and ensurance of human rights and freedoms are the main duty of the state”¹.

In order to create appropriate conditions for the implementation of rights and freedoms of the citizens, in 2014-2015 Ukraine adopted several pieces of legislation to resolve certain issues related to the occupation of Crimea by the Russian Federation, as well as to socially dangerous illegal activities of separatist and pro-Russian terrorist organizations in Donetsk and Luhansk regions. In particular, it refers to the laws of Ukraine “On the rights and freedoms of citizens and legal regime in the temporarily occupied territory of Ukraine”; “On Amendments to the Criminal Procedure Code of Ukraine regarding special procedure of pre-trial investigation in martial law, state of emergency or in the area of anti-terrorist operation”; “On the administration of justice and criminal proceedings associated with the

¹ *Constitution* of Ukraine // Vidomosti Verhovna Rada Ukrayiny. – 1996. – № 30. – Ch. 141.

conduct of anti-terrorist operation”; “On special order of local government in particular districts of Donetsk and Luhansk regions”; “On Amendments to the Law of Ukraine “On Combating Terrorism” on preventive detention of persons involved in terrorism in the area of anti-terrorist operations for the term over 72 hours”; “On civil-military administrations”, and a series of acts of Ukrainian Parliament¹.

The process of legislative protection of rights and freedoms of citizens of Ukraine in the temporarily uncontrolled territory of Donetsk and Luhansk regions continues. However, there are some significant problems. Solving these problems will improve the situation in the field of public relations. We are talking primarily about the lack of clear reasonable definition of legal status of the uncontrolled territories of Donetsk and Luhansk regions and the difficulty of applying the provisions of the Convention on the Laws and Customs of War on Land of October 18, 1907².

Thus, we have a situation in which, for objective reasons, Ukrainian authorities can not fully provide appropriate conditions for the implementation of citizens’ rights and freedoms in these territories.

Today the algorithm of diplomatic settlement of the Donbas crisis is reflected in the Minsk agreements. The measures determined by the agreements have a comprehensive, step-by-step, interconnected nature and shall be fulfilled by all the parties. Violations of the algorithm of peaceful settlement, failure of fulfillment of the basic conditions of the Minsk agreements are considerably complicating the process of restoring legitimacy and peaceful development of the regions. Violation of the sequence of fulfilling the conditions can pose significant threats to national security of Ukraine for a long term.

Clearly, the Package of Measures for the Implementation of the Minsk agreements is a deficient document and the actual process of political settlement will require additional compromises and adjustments and it will last longer than expected. In this regard, the practical steps Ukraine is making towards gradual reintegration of the temporarily occupied territories gain increasingly more weight.

¹ *Namely* the Decrees of the Parliament of Ukraine № 129VIII of January 27, 2015; № 252VIII of March 17, 2015; № 254VIII of March 17, 2015; № 337VIII of April 21, 2015; № 46219 of May 21, 2015.

² *Convention* on the Laws and Customs of Terrestrial War (IV Hague Convention) of October 18, 1907. [Electronic resource]. – Link: http://zakon4.rada.gov.ua/laws/show/995_222

**CHAPTER 8.
INSTITUTIONAL SUPPORT
OF RESTORING THE ECONOMIC POTENTIAL
OF THE UNCONTROLLED TERRITORIES OF DONBAS**

*Cuius periculum, eius commodum*¹.

Legal saying

Today we have to develop and to implement combined financial instruments for the Donbas restoration. Such instruments should combine the funds of international organizations, direct budget spendings, private investments under state guarantees, stimulus for using the funds of individual entities with further compensation, etc. Ukraine needs a national plan of investment development and reconstruction of Donbas that would meet the requirements of the Agreements.

Donbas faces opening prospects of returning to the coordinate system in which the development of industrial capacity was carried out with the assistance of European intellectual, technological, financial and human capital. Challenges formed with new political and economic realities in Donbas, namely prolonged military conflict, physical destruction of economic potential and infrastructure, massive displacement of population, aggravation of social problems, demand reorganization of the government system of these territories. However, response to these challenges must be accorded with the general principles of transformation of the system at the state level.

The Donbas restoration perspectives depend on successful development of strong competitive economy. Comprehensive reorientation of the economy of the region, not reincarnation of the old, uncompetitive and obsolete production, must form new drivers for regional economic growth. In this context, the priority measures include the enhancing international cooperation and attracting investments for perspective projects on this basis; priority development of public-private partnership; technological innovation and modernization of industry; development of

¹ “Who takes the risk gets the profit” – *Latin*.

modern innovation and investment infrastructure. The restructuring of employment and creation of new jobs should proceed only on this basis.

Restoration of Donbas envisages foreign and domestic investments, as well as obtaining donor and humanitarian assistance from states and from legal entities, individuals, particularly within the programs of international organizations (e.g. UN programs). A series of measures, which was taken within various mechanisms of state economic regulation and legislative economic experiment in cooperation with the international community aimed at restoring Donbas, should facilitate the involvement of investments. Stimulating measures, for which grounds and procedure of application have to be envisaged within individual legal acts, will significantly intensify investment and innovation potential of transformations of the economy of Donbas. The wide use of the advantages of public-private partnership as organizational economic basis for investment model of relations between the state and local governments with economic entities, i.e. with private partners in the industrial and social spheres of the region, is a priority.

Donor humanitarian aid gains an important role in the economic recovery of Donbas. The obtained funds are allocated for the recovery of assets of institutions and organizations in particular districts of Donetsk and Luhansk regions, as well as for the purchase of equipment needed for educational, scientific, medical and other activities. At the same time, it is necessary to improve the legal and organizational framework of the obtaining humanitarian assistance process and systematic approach, which could settle the basis and the procedure for the obtaining of humanitarian assistance, transparent accounting, reporting and distributing of received assets and funds and so on.

Restoration of Donbas on modern technological basis requires appropriate institutional environment, namely the creation of appropriate public and private institutions, increasing institutional capacity of the government and public awareness of development plans for each territory. Scientific institutions, think tanks and international organizations with experience in implementing complex projects involving a wide range of subjects from various interest groups should be actively engaged in these processes. At the state level, the authorities should establish, in particular using analytical, advisory and financial capacity of international organizations a system of state guarantees for investors, which will improve the conditions and prospects of the projects.

CHAPTER 9.

SOCIAL DIMENSION OF SETTLEMENT SCENARIOS IN THE DONBAS SITUATION

*War, oh war! Again blood rivers flowing!
Thunder of canons, saber ring,
Graves, orphans, cripples...
Retain the sadness of abandoned ruins.*
Alexandr Oles'

Government policy addressing the social consequences of the Russian military aggression in Donbas should take into account the uncertainty in scenarios of the returning of the occupied areas and the stages of the confrontation with Russia. The current situation of endured cease-fire, apparently, is not the ending point of the conflict and, therefore, we have several scenarios, each of them has its own social risks and threats, each remains relevant. Therefore, developing a multichannel and varied national strategy of adequate social response should become the basis of the relevant public policy. Its effectiveness will be determined by the ability to find the optimal path of social policy implementation in terms of clear non-linearity, reversibility and mutual exclusiveness of the factors of different scenarios.

These are initial circumstances for the emergence of possible scenarios:

- demographic structure of the population living in the conflict area has a high proportion of pensioners and socially disadvantaged people, who need constant social support. At the same time, there's a significant outflow of economically active population, there is also a possibility of reverse flow of immigrants from Russia;
- the great number of armed combatants, Russian soldiers and mercenaries, foreign "venturers", criminals and others who make their money of war. For a significant part of the population preserving of the armed confrontation is the only way to ensure well-being and sociopsychological identity. Cultivation of the culture of hostility toward Ukraine is the main form of authority legitimation;

- Russia avoids providing welfare in areas of conflict and it does not supply resources needed for the livelihood. Russia promotes the flow of its currency to the occupied territories, which enables to re-focus business activities of attractive assets in the occupied territories of Donbas in its favor. Obviously, unresolved social issues and grave humanitarian catastrophe in the occupied territories are constantly used by the adversary to blackmail Ukraine in the international arena, to stir up social and moral condemnation of Ukrainian policy toward the uncontrolled areas, to support hostile attitude of Russian people toward Ukraine and to mobilize forces for further military confrontation;
- public consciousness in the occupied and neighboring territories is distorted when it touches upon such issues as origins, reasons and trigger mechanisms of the tragedy evolving in the region. The population is susceptible to perceiving political, civilizational and forceful steps of the conflicting parties through the lens of their capability and willingness to solve social problems of the population of the region¹.

The scenarios of possible development of the situation in the occupied territories are thoroughly described in Chapter 7.1. Taking into account these scenarios, the government's welfare policy must pursue following points.

In case of the **“Croatian” scenario** (liberating Donbas militarily) we should expect:

- increased outflow of the internally displaced persons (hereinafter – IDPs);
- intensified external migration, increased scale of social support for mobilized military personnel, servicemen and their families;
- increased need for emergency healthcare, food provision and housing support for civilians.

Considering these circumstances, implementation of concentrated, urgent and flexible social policy demands the establishing of a special coordination center that could synchronize efforts of authorized state bodies with the activity of the private charity funds, non-profit NGOs, international aid, volunteers, military authorities. There should also be

¹ *New reality* means new scenarios. Donbas is between secession and reintegration [Electronic resource]. – Link: <http://newukraineinstitute.org/new/544>

established non-market channels of supplying goods for basic needs of population and envisaged measures on accumulating additional financial resources for the respective social policy.

This must be done by considerable redistribution of budget funds, internal social borrowings, agreement on international assistance.

The mentioned scenario foresees remarkable migration influx. Therefore, government should be prepared for the problems of internal (housing, healthcare, education, employment) and external (measures targeted at retaining qualified workforce and active youth from emigration from Ukraine) migration.

In the middle-term perspective we should be ready to solve the problem of compensation to the citizens of the occupied territories for the pensions and other social transfers that they did not receive in full size. It will demand a development of careful, balanced and differentiated social policy. Ukraine has to find and legally establish transparent mechanisms of identification of the real victims to distinguish them from those who shall not be entitled to social support.

The scenario of **compromise with the representatives of** the so-called Donetsk and Luhansk people's republics (**hereinafter** – DPR/LPR) **on the basis of the Minsk agreements** (*Moldovan option*) practically envisages ceding of the occupied territories with the expectation for their recovery in the indefinite future. In this situation the responsibility for the welfare of the population on the occupied territories rests on the separatist leaders and indirectly on Russia. However, it does not relieve the state from both the material and the moral duties toward its citizens who will be leaving or will be willing to leave the occupied territories.

From the financial point of view such scenario is the most comfortable for the social security policy. Absence of hostilities will mean a lower demand for mobilization of all kinds of resources, especially economic, political and ideological. We shouldn't forget that Donetsk region had the highest number of pensioners (895,400 people). Luhansk region had the 7th position by this indicator with 445,200 pensioners. It is clear that a part of the pensioners has not only been registered as IDPs, but also has practically left the occupied territories. However, a large part of them has stayed on the other side of the division "line"; therefore, financial obligations of Ukraine toward this social group will decrease.

However, the main social consequence of this scenario is not even the loss of territory; it is the disruption of the social integrity of the Ukrainian state. Promotion of the idea that the social integrity of the Ukrainian society is not important for the statehood threatens with destruction of the national consciousness and patriotism, which are indispensable for a successful state.

Development of the scenario of voluntary reintegration of the occupied **territories on the basis of the free self-determination of their citizens** and organization of the special negotiations with political representatives of the region (German option) will mean their return to the jurisdiction of Ukraine. In this case, the planned social security reforms would be extended in the occupied territories and would demand additional funding, including the funds for compensation to the citizens of the occupied territories for the pension arrears and other social transfers.

According to the scenario of freezing conflict, Ukraine does not recognize seizure of the part of its territory but refuses to take military action to regain it. In social dimension it will mean struggle for the citizens but not for the territory, where appropriate conditions cannot be established. In such case the social security policy toward citizens of the occupied territory should combine principles of support and restrictions. Such policy should be based on the personal reintegration of Ukrainian citizens with Ukrainian jurisdiction and, at the same time, on the denial of access to social support for the people who struggle against perspectives of Donbas recovery.

Economic and social connections between these areas and free Ukraine should be also built on principles of control and feasibility. In particular, the economic and social burden of restoring the ruined territories of Donbas must be reasonable and proportional. The policy of necessary social restrictions should be compensated by the foundation of a number of substantial targeted programs for repatriation of disgruntled residents of the occupied enclaves into Ukraine. It would be rational to launch targeted projects on pensions and social support of individuals, who for various reasons cannot leave the occupied enclaves. Necessary components of such projects are guarantees of target focusing, supported by international mediation and conditions for economic and infrastructural assistance for the occupied territories.

Important elements of such “conditional” social and economic policies should be projects agreed by the parties of the conflict, which

guarantee property rights of the citizens of Ukraine in the occupied territories, ensure the right of free economic activity and the choice of taxation jurisdiction, as well as the rights of visiting relatives.

Obviously, for any scenario in Donbas success of governmental social policy would be determined by efficiency of the social policy management in the controlled territories. Differences in welfare between the occupied and unoccupied territories of Donbas will be the most effective means of differentiation of destructive and constructive forces in the region. Otherwise, without administrative, economic and social reforms the controlled territories of Donbas will be threatened by socioeconomic decline. Administrative dissociation of these territories, infrastructural and system deficiency, functional incompleteness and overstrain of IDPs will cause accumulation of uncertainty, anxiety and anger.

It is necessary to recognize that the mental, social and economic comeback of a significant number of residents of the controlled territories of Donbas into Ukraine has not happened yet and would not happen spontaneously. In addition, development of these territories must have a “reference effect” for the occupied territories in any scenario. In the short term, this effect will have only perceptual and cognitive value: for the residents of the occupied territories successes of other regions of Ukraine will not be positive examples, and will be perceived in a hostile way, whatever they may be. All achievements of social and economic development in the controlled territories of Donbas will be useful during the gradual reintegration of the currently occupied regions back into Ukraine.

For now it is necessary to develop and convey to public the national policy of the establishment of new regions of Ukraine in controlled Donbas territories. They will have to become complete administrative territorial units, capable of implementing regional policy of social and economic reforms. In this case, the destructive forces of Donbas will not have opportunity for revanche.

FUTURE OF CRIMEA: A LONG WAY HOME

CHAPTER 10.

CRIMEA: SCENARIOS OF THE FUTURE EVOLVING EVENTS

Crimea is a medal on the bosom of the Earth!

Pablo Neruda

10.1. Crimea: rejecting or recovering?

The history of international relations proves that no country has been immune to the loss of parts of its territory. That could have been prevented only due to the power of the state and efficiency of the international order. Such losses might be more or less eventual, but they are always painful. Preparedness of the state to defend its sovereignty and territorial integrity gives evidence of its maturity and supports its right and capability to be a full member of the international community. Therefore, a struggle to regain lost territory should be considered completely natural, since it is not only driven by politics and economy, but also motivated by the international prestige of the state and national sense of honor and dignity.

For instance, Germany restored its territorial integrity, although some parts of the country were lost, virtually, forever as a result of the defeat in the World War II. There is no clue to know when or how Republic of Korea will restore its integrity. France spent decades preparing to return the territories lost after the Franco-Prussian war, cherishing the idea of revenge, reaching it through the victory in the World War II. Japan seeks to regain control over the “Northern Territories”, but it is unlikely to happen in the foreseeable future. Croatia promptly and decisively regained its territory, while Serbia lost part of what it calls its “historic lands”. Thus, the history of international relations provides us with many successful and failed attempts to restore territorial integrity.

Currently, the idea of “recovering Crimea” is neither a hotspot of the Ukrainian politics nor the highlight of the Ukrainian society. This is largely due to the fact that the Ukraine’s capabilities couldn’t

match Russia strengths; consequently, many Ukrainians find it hard to imagine revenge, some look for the new justifications to yield the part of national territory. Indeed, Ukraine would be able to progress in its historical path even without Crimea. Moreover, yielding Crimea, Ukraine might leave behind a number of economic, political and social and cultural problems, and become more homogeneous in the ethnic and civil loyalty perspectives, more cohesive in geopolitical and cultural dimension. Ukraine could also diminish the factors that destabilize domestic politics and strain foreign policy decision making. It is difficult to keep up and defend Crimea, while the presumed significant geopolitical importance of the peninsula (as “an unsinkable aircraft-carrier”) is just a kind of idea, originating from the bizarre worldview of the Russian leaders.

From the Ukrainian point of view, the Crimean issue consists of moral, humanitarian and historical elements that are not less important, if not superior, than political and economic reasons. One of the main problems is that the people from the mainland of Ukraine feel betrayed by the Crimean population, since they practically did not oppose Russian aggression and, occasionally, even welcomed it. The problem is aggravated by the fact that Ukrainians see the resources, accumulated by three generations and invested in development of the peninsula, are wasted because of irrelevant, corrupted and criminal nature of the local elites, free-rider practices in the budget management and weak entrepreneurship. Demonstrating nearly total inability to engage in the productive economic and constructive political activity, post-Soviet minded population of Crimea backed the Russian aggression and occupation and did not hold back the fact that the defection to the new sovereign was a way to keep the dependent status. The betrayal unfolded under Soviet, imperial, monarchic and Russian Orthodox mottos and clamor of the “Homecoming”, that was actually seen as a travel back in time – to the Soviet Union or the Romanov Empire.

Now one of the main points in favor of “renunciation” of Crimea is that the majority of Crimeans do not want to live in Ukraine and have negative attitude to everything Ukrainian. However, such attitude has always been peculiar to the population of Crimea through all the years of the modern Ukrainian independence, although people did not see it as a reason to stop enjoying privileged autonomous status

and receiving subsidies from the “hated” Kyiv. Obviously, if the Russian aggression and occupation were not, Ukrainophobic views of a part of the Crimean people would have remained their inner trait and would have not worked against the sovereignty of Ukraine. Hardly one can find completely monolithic societies in the present world, and how successfully the state is in dealing with the ethnic, regional, class and many other divisions within national borders depends only on the strength of the state. Thus, sovereignty and territorial integrity of the state are held by its power, and it is mostly the weak states become victims of the separatism and aggression.

There are a lot of other thoughts to justify a “refusal” to recover Crimea. And some of these points are quite sensible, as they reflect a reality, which existed long before the annexation of Crimea. But it is also clear that without the Russian aggression, no reason in favor of “refusal” of Crimea wouldn’t be relevant and even would be considered an attack on the territorial integrity of Ukraine.

However, all the “arguments” emerged after the annexation. Meanwhile it is important to remember that, whatever the motivation of those who express these views (justified by fear of the aggressor or a specific democratic stance), there is a general agreement (even if it is not explicitly voiced by the international players) that the state, which does not even try to regain its lost territory, can not be considered as a full and responsible member of the international community, admitting inability to bear the burden of an independent foreign and domestic policy.

Thus, the restoration of the territorial integrity is an issue of national importance and historical value. It must be guided not by an emotional impulse of the shocked public opinion of the country, which is a victim of the aggression, but commanded by the strategic vision, historic intuition and deep understanding of the national interests. The case of *revanche* (and not *revenge!*) requires the presence of the foresight as well as analytical and flexible mind.

10.2. Possible scenarios of recovering Crimea

The four possible scenarios of recovering of Crimea could be outlined. However, it should be acknowledged that the present Ukraine is not ready to implement any of them and it takes time to achieve the necessary readiness.

The scenario of the military action (Reconquista). Now, this scenario seems barely feasible and it is actually on the margins of the scenario making process for Crimea. However, Russia, despite all its global military capabilities, has only demonstrated the ability for the sabotage and propagandist activity, avoiding full-scale fighting and retreating when faced serious armed resistance. It must be admitted that Crimea was annexed due to the military weakness of Ukraine, complex political situation and reluctance of the political class to react to the events, which were important for Crimeans at that moment, rather than the Russian overwhelming military might. Furthermore, the “military might of Russia” at the present stage is rather a product of the powerful Russian propaganda than an indisputable fact.

Immediately after the annexation, few could predict that Ukraine would form a powerful military grouping, which is now holding back the aggressor in Donbas. However, starting a military operation to regain Crimea would require at least three such groupings (in the North, East and South of Ukraine), and the level of professionalism and equipment of the troops must be significantly higher than today. In a fairly short time Ukraine has managed to establish a more or less sufficient deterrent defensive military capability. However, the offensive capabilities of the Armed Forces of Ukraine are still quite small. For the successful operation of liberation of Crimea it clearly lacks the Navy, Air Force, and weapon supplies from the Western allies (primarily the United States). Evidently, the liberation of the peninsula would be extremely difficult if done only by the ground forces, without the support of the sea and air assets. However, rapid and effective raids of the Ukrainian highly mobile airborne troops in Donbas provided assumption (at least at the level of the command and control exercise) to speculate about such military operations in the area of concern, for example, from Dzhankoy to the Kerch Peninsula.

One should remember that no matter how powerful the Russian military force is seemed to be in Crimea, it remains strategically vulnerable because it does not have the rear. Today these troops are almost entirely closed in the peninsula, deprived of the opportunity to establish close communication with the continental Russia, entrapped in a hostile international environment. Thus there have formed strategic premises, unprecedented since the Second World War, for encircling Russian troops, which would be completed by crossing the

isthmus on the way to the Kerch Peninsula, blocking access to the sea, achieving superiority in the air. Obviously, for the time being, Ukraine is not capable to conduct a large-scale military operation; however, it does not exclude the possibility of such action in the future with serious international support. The historical example of the Crimean War comes to mind, since the defeat in this war contributed to the weakening of the Romanov Empire until it collapsed after the more infamous and stunning defeats in the Russian-Japanese War 1904-1905 and the First World War.

Undoubtedly, Russia has a powerful nuclear arsenal, which critically restricts the possibility of waging war against it. However, the main task of this arsenal has a political nature – to intimidate and deter potential adversaries but not to attack them. The use of nuclear weapons, which has annihilating power, is extremely dangerous, if not suicidal. Moreover, today the only state, that used the nuclear weapons in limited quantities long time ago, is entirely on the side of Ukraine. In addition, having voluntarily given up its nuclear weapons, Ukraine has all the rights to be protected from a nuclear blackmail by the aggressive neighbor. It is, therefore, appropriate for Ukraine to insist on the renewal of the Budapest Memorandum, including more binding provisions of the security guarantees for Ukraine by the signatories (excluding, eventually, Russia). However, we should not overly rely on such hopes but act, according to forces available to us.

Increasing offensive capabilities of the Armed Forces of Ukraine will take time, money and strategic unbroken will of victory. France's path to the restoration of its territorial integrity (after the defeat in the Franco-Prussian war) lasted for decades and ended with the victory in the World War I. So, despite the remote historical prospect of recovering of the lost territories, Ukraine (as France in the past) may carry out preparations for the possible territorial revanche in the future.

War is always about blood, sufferings, losses, and this is the main drawback of the scenario for the military regain of Crimea. That is why the implementation of this scenario should be avoided as long as possible. Taking up arms should have strong reasons. First of all, it is an extreme case (for example, if Russia tries to advance its aggression from the peninsula to the mainland Ukraine) when Ukraine would strike back after aggression and move the combat operations to the territory of Crimea. Another case is when Ukraine would come

across the most favorable coincidence of circumstances which make it possible to liberate peninsula at the minimal cost. There's an obvious need for increasing military readiness of Ukraine to operate in the Strategic Crimean Theater not only in defensive, but also in an offensive way. The willingness itself is an important factor in liberating the captured areas and deterring the invader from further progress as well as the diplomatic efforts of Ukraine aimed at restoring territorial integrity peacefully. Given the fact that Russia, apparently, is not going to abandon a "war" as a way to implement its aggressive plans, Ukraine should be ready to respond to that challenge. In such conditions the process of planning and restoring territorial integrity in an armed manner is a natural tool of policy. These actions do not contradict with the international standards, though they will make uncomfortable political environment for many European countries.

To sum it up, today there are no objective conditions for the implementation of the scenario of an armed reconquest of Crimea. It is possible only if a number of factors play: multiple qualitative and quantitative enhancement of the Ukrainian military capabilities; weakening of the corresponding Russian capabilities; moral and resource readiness of the Ukrainian society for the war; military support of the Euro-Atlantic countries (especially the USA). For now, obviously, there are no such conditions, but if they emerge Ukraine and its armed forces must be ready to use them.

The Reconquista path can be very long and last for decades, meandering between military successes and military failures. Indeed, military operations can always lead to victory in the armed struggle and to the defeat as well.

Scenario of the "people's war". In this case restoration of the territorial integrity will follow the efforts of people's diplomacy and the people's proxy warfare by means of civil attack on occupied Crimea that will advance without direct support of the state institutions or with their clandestine assistance. Thus, the civil society takes initiative in recovering of the lost territories, using various methods available due to societal structural diversity, flexibility; acting informally, unexpectedly (employing hybrid tactics); applying both violent and non-violent tools.

This refers to a wide range of the civil actions toward the aggressor-state, beginning from the mass (as large in number as possible) peaceful rally of the concerned citizens of Ukraine marching to

Crimea to the guerilla warfare and covert operations in the occupied territories. Peace will be sustained in the bilateral relations, whereas the grass-root level as well as social interaction will be undergo sluggish, diverse, formally undefined struggle for liberation from the occupation. It will combine elements of national liberating movements, hybrid and guerrilla warfare, clandestine activities of the small groups and massive non-violent movements.

The ongoing blockade of Crimea, done by the Ukrainian patriotic population, indicates the possibility of implementing a scenario of national-liberating movement and “people’s war” to end occupation of the peninsula. Concerns about effectiveness of the blockade should not be debated as the most important, since it is evident that such action alone cannot defeat the invader and restore sovereignty over the peninsula. It is done to make life of the occupants and their supporters harder and increase cost of annexation and welfare of the annexed territories for Russia. Blockade of the captured peninsula is especially important because this process helps to foster human resources necessary for the future regain of Crimea: the cohort of liberators, who can become the vanguard of the national movement for liberation of the peninsula.

Scenario of restoring territorial integrity through national-liberating movement and people’s war is not perfect and in some aspects even dangerous.

Firstly, mass movements are accompanied with the threat of destabilization and chaos in domestic policy and international environment. They could generate extremism and go out of control easily. Besides, not many citizens of Ukraine are ready to participate in such movement because there is no national consensus about the ways and means of taking over the peninsula. A lot of Ukrainians generally do not want to do it, because they believe that regaining is politically and economically unfeasible, or they feel moral disgust toward behavior of a part of the Crimean population, or they are just concerned about the consequences (especially, the Russian reaction).

Secondly, there is a danger of “freezing” the conflict on the peninsula, as it happened in the Northern Ireland, when the resistance movement to Russian occupation, evolving into powerful underground and guerrilla structures, would remain (with majority of population loyal to the occupation regime) in this state for decades, facing an impasse of a long, bloody and futile struggle.

Thirdly, mass movements tend to fade quickly, causing extremism and terrorism or popular frustration.

Scenario of the peaceful reintegration by means of social development (attracting by the positive social dynamics or progress). At the moment, Ukraine restrained by the impact of aggression and war, economic difficulties and political instability, this scenario is considered the most desirable and attractive. Naturally, majority of Ukrainian seeks the implementation of this scenario, because it accomplishes two strategic objectives at once: the country develops, the lost territories reintegrate, and there is no need to shed blood. Scenario of peaceful reintegration by means of social development is the absolute opposite scenario to the armed reconquest of the Crimean peninsula. It is attractive for its humanity, peacefulness, constructiveness and the possibility to postpone complex and dangerous business of recovering Crimea until happy day in the future. The desire to get rich, buy off enemies and attract former fellow citizens is quite natural and humane, few would dare to oppose this kind of strategic plan, calling countrymen to the arms and warning them about illusions.

Successful development of the national economy plays a key role in implementing the scenario of peaceful reintegration, but considering this scenario in purely economic terms is not completely correct. It requires wider historical perspective. It presumes profound reconstruction of the country, its transformation into something unknown of what it used to be during the last twenty-five years.

This (largely utopian) Ukraine, which may become a source of incremental soft power, has to be:

- a powerful, high-tech, energy-independent and export-oriented economy, harmoniously integrated into the European and global market;
- with balanced social structure based on the dynamic and influential middle class;
- experiencing civilized democratic politics of mass activism, which effectively works on the basis of the European values and within the European institutions;
- a viable state that has overcome corruption and established a fair legal system, in which power belongs not only to the state, but also to the local communities and influential civil society;
- with a humanistic secular national culture, truly opened to influence of the positive values and constructive cultural exchange.

The scenario of peaceful reintegration of Crimea by means of the social progress demands high-quality historic transformation (rebirth) of the Ukrainian society that develops intensively and creates a kind of gravity around itself, pulling into the orbit of its influence not only the lost territories, but also the bordering regions of neighboring states. Ukraine becomes a cultural model and source of integrational attraction that controls economic development of the nearest bordering lands (including the occupied territories), accelerating or slowing this development with regard to its national interests. Simultaneously, this scenario assumes that combination of the international sanctions, exhaustion of the natural resources, shrinking shares in the foreign markets, inefficiency of the authoritarian control, accumulation of internal controversies, and the burden of imperial militarism will cause a political, cultural and economic decline of the Russian Federation. Crimea transforms into a kind of reservation, packed with the Russian arms and completely dependent on the dynamic Ukrainian economy. It is incapable of self-development, the economic situation on the peninsula is deteriorating, and population is impoverished, while amount of subsidies and financial assistance from the Russian Federation reduces. So the only way out is to come back to Ukraine, which might have already entered the EU, and thus join the economically dynamic, politically stable, firmly consolidated by the Euro-Atlantic security system, center of power of the unipolar global community.

Living in a rich and happy country and recovering Crimea peacefully is a dream of the absolute majority of Ukrainians, and Ukrainian public grasps it. Scenario of peaceful reintegration of Crimea by means of the social dynamics is neither better nor worse than the other two, it is no more and no less utopian than them and the prospects for its implementation are also historically uncertain. The advantages of this scenario are obvious, so it is necessary to focus on the disadvantages.

Economic success is as difficult to achieve as the military one, since nobody is ensured from defeat and failure. Economic achievement demands almost the same qualities from the public as the military success. The nation, unable of winning wars and defending itself with arms, is unlikely to be particularly successful in the economy. The road to economic success is just as long as a way to military victory. It may be even longer and more difficult, because the Ukrainian Armed Forces and the Ukrainian economy have been affected by almost the same problems

(corruption, indecisiveness, lack of discipline and organization, low technological, professional, and management level, etc.). Today it is necessary to acknowledge that the restoration of territorial integrity by means of economic progress and social development is not easier than the way of armed Reconquista and perhaps even more complicated.

However, even such possible success does not guarantee the return of the lost territories. This process cannot be automatic and completely painless.

Firstly, the restoration of territorial integrity is a political act, which is impossible to implement only by economic means, without using the basic tools of foreign policy i.e. diplomacy, information influence and armed forces. These instruments will be used, at least, on the final stages of the reintegration (information influence must be used throughout all the stages), because there are always those who will unconditionally resist until the end of this reintegration and, ultimately, the use of force is needed to neutralize extremist elements. In addition, the return of the lost territories will inevitably raise a number of issues in the international security environment, requiring from Ukraine to make considerable diplomatic efforts, backed by the military force. In other words, no matter which scenario of recovering Crimea is chosen, the Armed Forces must be strengthened.

Secondly, development of the Ukrainian society (especially, its economic dimension) might play against the reintegration of the Crimean peninsula, sharpening the economic, political, social and cultural differences and turning them into an unbridgeable gap. Ukraine, living and developing without Crimea, may change so greatly that the return of the peninsula might become very difficult, if not impossible. And the longer Crimea stays outside of Ukraine, the harder it will be to regain it and the cost of reintegration will be quite high (which may appear to be inappropriate for the hypothetical future Ukrainian society). This is especially true if we look at the social and cultural differences, which are already very big and will only grow within the period of separate existence.

Thirdly, while the impact of economy is among the strongest, it is the only reason of social behavior. Therefore, even economically strong and dynamic country is not always attractive in political and socio-cultural terms. Striking differences in economic growth and welfare between North and South Korea are currently not bringing closer the historical perspective of their reunion due to non-economic factors of political,

ideological, military and strategic nature. Much of the inhabitants of Crimea may despise and hate Ukraine (which is inevitable due to support and cherishing of hatred done by the Russian propaganda machine), even if Ukraine becomes a functioning welfare state. The above mentioned part of the Crimean citizens have some room to combine loyalty to Russia and opportunities of the growing Ukrainian economy (labor migration, smuggling or other semi-legal ways). Moreover, even economically weakened and politically isolated Russia will remain military power for a long time, defending the territories it considers its own.

Fourthly, a peaceful reintegration of Crimea by means of the social progress may be greatly hindered by a moral component, which diminishes the effect of economic factors. In the case of this scenario most of Ukrainians will have to change radically their attitude toward inhabitants of the Crimean Peninsula. If now this attitude is described by such emotional characteristics as “treason”, “ukrainophobia” etc., for the sake of reintegration it must be reconstructed to perceiving Crimeans as neglected and poor citizens, who should be attracted to come back due to country’s higher standards of living, sincere compassion and deeper understanding. However, it is still unknown whether there will be preconditions for such reconsideration, especially, if Ukraine achieves higher level of economic development. Welcoming back “treacherous” and “unreliable” Crimean population and sharing welfare benefits with them would not be idea commonly accepted by the Ukrainian public.

Scenario of peaceful reintegration by diplomatic means. This scenario describes restoring the territorial integrity with the help of negotiations by purely “in camera” means at the highest level of the global politics. Today, most of the efforts aimed at implementing this scenario, although the general belief in its success is deteriorating. At the same time this scenario is not the most utopian and not the least realistic than the other three. Successful implementation of this scenario by diplomatic means demands fulfilling a set of conditions: conducting inclusive multilateral process of negotiations, expanding negotiations agenda upon the former USSR realm, excluding from the agenda constitutional issues, introducing the concept of “territory under international governance”.

The recovering of Crimea by means of diplomacy is possible only on the basis of multilateral approach, meaning that the negotiations will comprise as many interested parties as possible. Expansion of the negotiations parties allows Ukraine to enlarge the space for diplomatic

maneuver; to involve more supporters of Ukraine in the negotiations (the U.S. in particular), creating a more favorable environment for the negotiations; to neutralize or at least to soften (“to smooth”) the Russian pressure on Ukraine in the course of negotiations; to involve in the multilateral diplomatic negotiations all the interested states, whose interests must not be ignored in the resolution of the Russian-Ukrainian territorial conflict, since it might result in growing tensions and misunderstanding; to create more favorable conditions for securing and implementing of the collectively approved decisions and agreements.

Bilateral diplomatic resolution of the Crimean issue by means of separate negotiations with the Russian Federation is dangerous and unpromising. The Donbas conflict and the Crimea annexation (Russian-Ukrainian armed conflict) is only a part of bigger conflict network existing in the former Soviet territories. All these conflicts have common causes and a similar development and consequences. They are all powered by Russia, i.e. one of the former Soviet countries that fell sick with imperial megalomania and unreasonably appointed itself for the role of regional leader. The attempts to negotiate with the aggressor will result either in recognition of the aggression gains (namely the Crimea annexation) or partial recovery of the territorial integrity at the cost of losing a large share of sovereignty and returning into the sphere of the Russian influence with further participation in the foreign political adventures of this post-Soviet state.

It is not possible to resolve the Russian-Ukrainian armed conflict and return the annexed territories without a radical structural transformation of the political system that has formed in the former Soviet territories after the collapse of USSR. The armed conflict between Ukraine and Russia is a part of the post-Soviet network of conflicts. Therefore, complete resolution of this confrontation and peaceful exit from the conflict is impossible without peacemaking in the entire post-Soviet space, namely without restoring territorial integrity of Georgia and Moldova. Attempts, made by any victim of the Russian aggression to solve the problem of the lost territories separately, avoiding the issue of complete restructuring of the political system that emerged in the former Soviet Union, have been ineffective and futile. However, the greatest threat is to try making a separate agreement with the aggressor-state that will only encourage it to take further aggressive actions, making it stronger for its foreign adventures.

Restoring the territorial integrity of Ukraine by diplomatic means requires setting of broad institutional context and regional localization. It is about convening an international peace conference for the former Soviet Union, in which all the concerned states, not just located in this region, could participate. The inviting parties of the conference may be the states that suffered from the Russian aggression, namely, Moldova, Georgia, Ukraine. There is an urgent need to launch the broadest possible multilateral diplomatic dialogue for the successors of the Soviet Union and the countries interested in establishing such a dialogue based on justice, equality and constructive approach. In addition, such conference may later turn into the international organization, contributing to peace and security in the former Soviet Union, because all existing organizations and associations, which function within the region, cannot fulfil these tasks.

The recovering of Crimea is impossible without participation of all the states, interested in Ukrainian territorial integrity, and an international community in general. Also, it's obvious that such a return is a long lasting procedure and will not happen instantly. Therefore, **one of the possible diplomatic solutions for the period of reintegration could be an international trusteeship of the annexed territories.** In this way these territories can obtain an international status, effective management, acceptable political and administrative conditions for the return/reintegration that might vary in terms of duration. Such international governance can be undertaken by the interim international administrations, established by common efforts of the international security organizations (particularly OSCE or/and UN) and trustworthy states with peaceful foreign policy.

In order to prevent the "Bosnia scenario", foundation and functioning of such temporary international administrations should be done in permanent coordination with the states, which are supposed to reintegrate annexed territories. The staff of international administrations together with the police forces should be composed of the international officials (employees of international organizations) and representatives of the neutral states. Among the main tasks of the interim international administrations are preventing environmental and humanitarian catastrophes; maintaining the proper level of political and legal order and economic prosperity; carrying out demilitarization and decriminalization. The main objective (and it should

be legally approved) must be returning the annexed territories to the states. In general, it's about a modified and adapted to the new historical conditions concept of "mandated territories", although the trustees should be the international organizations, which fund these areas.

Successful diplomatic effort of restoring territorial integrity of Ukraine envisages removal of the issue of the Ukrainian political structure from the agenda of the negotiations. It means that the return of Crimea shall not happen at the cost of the radical reconstruction of the Ukrainian political system for the benefit of other countries. If the internal political and governmental structure of Ukraine is made a subject of international negotiations and diplomatic bargaining, then both partners and adversaries of Ukraine gain a powerful means of influence over the country and, consequently, the principle of the state sovereignty and the right of Ukrainian people to choose the best and the most suitable system of government is violated. It is not unacceptable to make serious foreign policy concessions; however, it is necessary to avoid external interference in the domestic policy. Moreover, it is critical to prevent embedding of additional destabilizing factors, caused by the attitudes of different segments of society toward the issues of government and political regime.

Scenario of peaceful reintegration of Crimea by diplomatic means still has several drawbacks.

First of all, until now no serious international conflict was solved only by means of diplomacy. Diplomacy proved to be effective mainly on the initial (crisis) and final (post-conflict) stages of the conflict evolution.

Secondly, diplomacy is a rather delicate tool (partly behind-the-scenes), which may be of little use to address large-scale conflicts involving substantial resources of powerful warring parties and covering large areas with a large population.

Third, diplomatic efforts require not only secrecy but also a long time, which can turn the conflict into long standing phenomenon, enrooting it in history and making it permanent.

Fourth, diplomacy can not function effectively without support of the powerful state resources (economic, political and cultural) and two other tools of foreign policy – strong armed forces and effective propaganda.

Fifth, the weak states easily become victims of a diplomatic game of the more powerful states which, pursuing for their own interests, may induce weaker partners to make disadvantageous concessions, including territorial.

And, finally, sixth: peaceful reintegration of Crimea by diplomatic means requires mandatory participation of Russia. Such presence is possible only due to severe external pressure, which would make impossible for the Russian authorities to steer excessive (economic, social) domestic tensions exclusively by the propaganda measures.

10.3. Principles of the economic policy of Ukraine concerning the annexed Crimea

Annexation of Crimea by Russia destroyed the legal basis for the implementation of bilateral Ukrainian-Russian economic cooperation. In terms of abolition of the foundations of the good neighborhood transformation of economic cooperation of Ukraine with Russia and Crimea is inevitable.

Having lost a considerable part of its economic potential and human capital assets due to the annexation of Crimea, Ukraine needs to reconsider its economic policy toward the annexed territory. Conceptual approaches to economic activity with the peninsula vary from applying rules of such activity with foreign states (meaning establishing customs and currency control) to introducing special regulations, adopted for the annexed territories and aggressor-states (i.e. general principles will apply to Crimea and Russia overall).

At the same time there is no doubt that developing economic policy toward Crimea is indispensable for Ukraine, which wants to accomplish the following strategic and tactic goals.

Strategic level: maintaining peace, restoring territorial integrity of Ukraine, full-fledged sovereignty implementation and restoration of the state border of Ukraine.

Tactical level: receiving complete compensation for the losses, caused by Russian denial of ownership and property rights of the state, individuals and legal entities in Crimea; preventing smuggling from the annexed territories; providing instant support for the economic security and property rights of the Ukrainian individuals and legal entities in Crimea; establishing legal framework for the critical economic cooperation with the temporarily annexed territory (providing electricity, etc.); preventing economic subversion, military aggression and armed provocations from the temporarily annexed territory, etc.

Reconsideration of the Ukrainian economic policy toward the annexed Crimea should be based on the multilevel mechanism of economic deterrence of aggression and protection of the national economic interests. Application of the sanction packages should be proportionate to the progress of the conflict resolution between Russia and Ukraine and the Russian compensation for the damages inflicted on Ukraine and its citizens. The sanctions should have different scope and intensity including the establishment of economic blockade of Crimea by Ukraine (which will not violate the humanitarian component).

The most extreme instrument of economic deterrence – the economic blockade of Crimea by Ukraine can include suspension or significant restriction of movement of the goods, people and capital assets, revision of the pricing policy regarding the supply of the critical goods, such as water and electricity, etc.

Less intense economic containment package should provide full adherence of Ukraine to the economic sanctions imposed on Russia relating to the annexation of Crimea (which to some extent has been already accomplished). However, it should be considered that such selective restrictions can be challenged in the courts (including international legal bodies) as discriminatory. It is necessary to envisage sanctions in a special law or in a supplement to the Law “On National Security”.

Certain legal acts, such as “Trading with the Enemy Act”, which were adopted in the U.S. in 1917 and in Great Britain in 1914 and still have legal force¹, might be an example for the respective Ukrainian law.

¹ At the beginning of the First World War a need for normalization of trade in the new environment was pressing. Then, in 1914, the UK Parliament passed the Act “On Trading with the Enemy”, which prohibited business with an identified enemy. In the current version of the Act of September 1939 for trading with the enemy during the war, it provided for criminal liability in the form of imprisonment for 7 years. In the United States in 1917 there was adopted a federal law of the same name, which limited trade with countries hostile to the U.S. The Act gives the president the right to oversee the trade with the country or restrict the trade between the U.S. and hostile nations during the war. The Act on Trading with the Enemy has become a common name for legislation that applies during war-time or in case of the state of emergency, its is focused on establishing special rules for trade with enemy countries and individuals of such countries as well as the prohibition of actions promoting such countries and it also authorizes the head of state to determine his own trade regulations with hostile countries. “The Trading with the Enemy Act” was used by the U.S. president Franklin D. Roosevelt in 1933 for the legal justification of emergency economic situation.

The provisions of such law in Ukraine may include such actions:

- regulating economic relations with Russia as an aggressor-state and the annexed Crimea in case of the conflict escalation;
- authorizing the Cabinet of Ministers of Ukraine (after relevant decision of the National Security and Defense Council) to approve a list (probably confidential) of economic operations (trade, investment, etc.), goods, services and projects whose purchase/sale or implementation together with Russia or Crimea is considered to be reasonable in terms of national security interests and/or for humanitarian reasons;
- giving the Cabinet of Ministers of Ukraine the power to issue special licenses for economic transactions with Crimea and Russia, concerning goods and services or within the projects mentioned in the special list, approved by the Cabinet of Ministers;
- authorizing the Cabinet of Ministers of Ukraine to establish, if needed, a special state-owned institution to carry out economic transactions with Russia and Crimea.

Ukraine can implement **scenarios of economic cooperation with Crimea** and the city of Sevastopol in accordance with the principles of:

“*Military economy*” that foresees the cease of the economic cooperation. In this case, practical issues will be limited to the settlements of legal claims for expropriated property, compensation of losses, etc.;

“*Collaborationist economy*”, which presumes recognition of the long-term nature of the annexation of Crimea and use of all opportunities of cooperation with Crimea. In this scenario the economic relations are not limited, but organized according to the rules that apply to the cooperation with the Russian Federation;

“*Economic condominium*”, which envisages recognition of Crimea as a “special territory” with quasi customs regulations (i.e. with possible exceptions or preferences, for example, for the enterprises owned by residents of Ukraine and the restrictions or prohibitions for the enterprises, targeted by the EU sanctions). This approach also provides foundation for the collective solution of the certain problems, particularly related to withdrawal of the Ukrainian currency from the circulation, activities of the banks and financial institutions (possibly based on dual licensing) and others.

It is important to mention that **Ukrainian economic policy regarding Crimea is a part of a larger process of resetting econo-**

mic cooperation with Russia. In this regard the top priority steps will include:

- improving legislation for application of the Ukrainian economic sanctions targeting Russia. In particular, the legislation should specify the risks and threats to economic cooperation of Ukraine with Russia, considering the factors of hybrid warfare against Ukraine, sanction packages (in accordance to the international experience and the national interests), the sanctions stages, the principles of monitoring sanctions efficiency, definition of the principles of sanction application;
- developing conceptual approach to restrictions of cooperation with the Russian companies (or companies with the Russian shareholders) with the state-owned Russian companies, including restrictions and prohibition for participation of such companies in state procurement, privatization of state property, allocation of state subsidies, purchase of corporate assets on the territory of Ukraine, etc.;
- developing methodology to estimate damages of individuals and legal entities. It must be done in cooperation with the international experts, particularly, top auditing companies;
- launching a campaign promoting idea of establishing an international mechanism to confirm damages inflicted on Ukraine, its individuals and legal entities by the annexation of Crimea and drafting a mechanism of compensation of these damages by Russia.

Therefore, Ukraine is walking a complicated path of transforming economic relations with the Russian Federation after the annexation of Ukrainian territories. The complexity of the situation is determined by the fact that the destruction of the bilateral economic relations, which existed for decades, is accelerating, and causing significant losses for the Ukrainian economy. At the same time the economic losses are the price of civilizational choice of Ukraine, the price our nation is paying, the price that cannot be a subject of a political trade or economic calculation. Broad international support contributes to Ukrainian confidence in the victory of civilization values and restoration of justice on the basis of international law.

SCENARIOS FOR THE FUTURE

*It is always easier to stick to a suggested scenario,
than create your own melody.*

Oleg Roy

There are permanent attempts to project or even design the future of Ukraine. Unprecedented geopolitical, economic and social ambiguity has nearly pushed the country to the verge of turbulence, entailing the development of predominantly pessimistic scenarios of future. Such pessimism can be explained by the three main factors: previous historical experience, present day difficulties, attempts to hedge future problems and failures, having prepared one's "soul and mind". Dreaming about the better and preparing for the worse is a quite reasonable or even natural strategic guideline of homo civicus. Moreover, Ukrainians got tired of the historical optimism of the communist times, which totally contradicted to the severe and ruthless reality of the early Soviet totalitarianism and then the absurd and invincible inefficiency of late one.

The history of Ukrainian people and its statehood provides few reasons for optimism: wars, holodomors, economic and cultural crises that eliminated and devastated entire generations and various strata of society, slowing down the process of creation of a state and nation. Ukrainians even developed a specific culture of historical and social pessimism, which is an integral part of their ethnic code and national identity. In fact, it is precisely this culture that to a considerable degree explains the skepticism of the Ukrainian society about any authority and corresponding policy making problems. Therefore, it is quite natural that the majority of future scenarios developed in Ukraine are generally pessimistic.

Over a period of the last 25 years Ukrainian society did not manage to build a dynamic economy, effective democracy, fair legal system and attractive culture. Society is poor, divided and helpless facing external and internal threats. Such difficult historical situation resulted in an extremely unstable, ineffective government with the lack of legitimacy. Ukrainian society is transforming into the society of total corruption and permanent mass protest with optimistic prospects of development outlook seems to be artificial and unfounded.

Future scenarios must have roots in the present: they are the outcome of existing trends, not ungrounded suggestions and futurological fantasies. There are few positive trends in modern Ukraine to make optimistic predictions. Nowadays we can only talk about optimistic scenarios for the day after tomorrow, but not for tomorrow. In addition, a society cannot exist without sound alarmism, supporting a constant readiness for new challenges and threats by means of their emphasizing or even exaggerating. After all, fear of the future is of human nature that makes pessimistic scenarios more widespread.

All the negative moments must be emphasized and taken into account to predict future social conditions for greater adequacy and practicality. Thereby, all possible threats are calculated and the “horizon of events” is defined: the bottom line of possible developments is fixed to start projecting different possible optimistic presumptions. There is no sense in drawing nice pictures of happy future, when Ukrainian society faces so many threats. After all, it is much easier to take advantage of success than overlook threats to deal with them later.

The future in the widest sense is subjective-objective temporal category of reality perception that precedes forthcoming events that evolve according to laws of uncertainty. However, there are many means, which allow “managing the uncertainty of the future”. The most popular is the scenario tools, according to which all scenarios are considered as equally possible in the future, corresponding to certain actual trends. The scenario-based way of “managing the uncertainty of the future” allows not only constructing of the image of this future, but also defining necessary conditions (objective possibilities) and developing the system of means to achieve it. Each scenario consists of three main elements – ideal (image of the future), analytical (proof case of a possibility to implement a scenario) and practical (a system of suggested measures that might contribute to the implementation of a scenario).

Currently, we can distinguish five main scenarios of the development of the Ukrainian-Russian relations in the context of violation of the territorial integrity of Ukraine¹. There are five basic scenarios, three of which are radical while other two contemplate temporary

¹ *Horbulin V.P.* Ukraine and Russia: The Ninth Wave or Wall / V.P. Horbulin, O.S. Vlasyuk, S. Kononenko. – K., NISS, 2015. – 132 p.; Horbulin V. Five scenarios of Ukrainian-Russian relations / V. Horbulin [Electronic resource]. – Link: http://gazeta.dt.ua/internal/pyatscenariyvdyukrayinorosyiskihvidnosin_.html

compromise solutions. However, if we limit our overview of Ukrainian-Russian relations only to issues of Crimea and Donbas, the range of scenarios can be expanded from a **scenario of forced inaction** (which describes current non-relations with Crimea) to a quite optimistic – **scenario of territorial integrity and reconciliation**. Although occurrence of such a scenario seems “too good to be true”, it should not be disregarded, since all five basic scenarios are alternative-situational ways of achieving of a desired peace. Therefore, five quite realistic scenarios are placed between the two scenarios plain but desirable for the passive public majority, which enjoy either expected inaction or inactive expectation.

It is also necessary to understand clearly that, firstly, each of the range of scenarios must be considered in relation to the temporary occupation of separate territories of Donbas and annexation of Crimea and in different time framework: short-term perspective concerning the case of Donbas and in a long-term outlook for Crimea. At the same time, unfortunately, each of the five scenarios may be delayed for Donbas but come to life in Crimea.

Secondly, it must be admitted that the Minsk agreements cannot be considered as a part of any scenario. It is just necessary but insufficient precondition for a scenario approach to resolve troubles both on the east and the south of the country. Certainly, the importance of the Minsk agreements cannot be diminished, although, if we agree with the statement that “economy is a blood of politics”, the content of the Minsk agreements and negotiations can be considered to be “bleeding”. However, for the time being, there is no alternative to the Minsk agreements. Obviously, if the period of the Minsk agreements is extended into 2016, its economic component can be reinforced. But now it is only about the matter of what is said when “subtleties of diplomacy can surpass the brutality of military force”¹.

So, in regard to scenario of **the forced inaction** it is quite clear that any actions to start de-annexation of Crimea are not on agenda; however, it should be noted that the current “inaction” is not absolute. Certain preliminary assignments have been initiated; particularly, the President of Ukraine signed a decree to implement the Resolution of the National Security and Defense Council of Ukraine “On the State

¹ *Horbulin V.* Without the right to repentance / V. Horbulin – Kharkov: Folio, 2009. – 379 p.

of Implementation of Measures to Protect Property Rights and Interests of Ukraine in Reference to the Temporary Occupation of the Part of the Territory of Ukraine”¹. Taking into account necessity of the additional actions to protect the rights and interests of Ukraine, the Cabinet of Ministers must take urgent measures to activate the compensation for damages, caused by the temporary occupation of the part of the territory of Ukraine.

In particular, the Government has to implement the permanent evaluation of the scope of damages, caused by denial of property rights and interests of Ukraine on the territory of Crimea. The government also must enter into negotiations with the Russian authorities to resolve the controversy between two countries on interpretation and implementation of the intergovernmental agreement about mutual protection of investments. Ministry of Foreign Affairs must urgently hire legal service companies to assist the protection of rights and interests of Ukraine in the context of dispute between Ukraine and Russia over the interpretation and implementation of the stated agreement.

It is necessary to arrange joint work of the Ministry of Justice, the Ministry of Economic Development and Trade, the Ministry of Energy and Coal Mining and other concerned state bodies for drafting the strategy of protecting rights and interests of Ukraine concerning the interpretation and implementation of the mentioned agreement. The Ministry of Foreign Affairs must engage experts to collect, analyze and prepare evidence, which is necessary for the protection of rights and interests of our state. The Ministry of Justice must provide legal assistance for the citizens, whose rights, including property rights, were violated because of the temporary occupation of the part of the territory of Ukraine.

The Ministry of Foreign Affairs, Ministry of Energy and Coal Industry in cooperation with the Ministry of Justice, Ministry of Defense, Ministry of Infrastructure, Ministry of Agrarian Policy and Food, as well as the National Joint Stock Company “Naftohaz Ukrainy” must hire qualified and competent legal councilors in order

¹ *The Decree* of the President of Ukraine “On the decision of the National Security and Defense Council of Ukraine of July 20, 2015 “On the status of implementation of measures to protect property rights and interests of Ukraine in connection with the temporary occupation of the territory of Ukraine” of August 26, 2015 № 514/2015 [Electronic resource]. – Link: <http://zakon4.rada.gov.ua/laws/show/514/2015/paran2#n2>

to protect rights and interests of Ukraine, connected with the loss and inability to use state property, loss of revenue on the territory of Crimea because of the temporary occupation.

Particularly, it must cover the issues of the property of the army units, institutions, establishments and organizations of the Armed Forces of Ukraine, other military units, natural gas transportation and energy generation and distribution enterprises, transportation infrastructure, fishery enterprises and fishery fleet. The General Prosecutor of Ukraine and the Ministry of Justice must inform the public about the actions of government, designed to protect Ukraine's property rights and interests.

Special attention must be paid to such issues:

- firstly, certain measures may be taken to deal with the loss of the state property and income on the territory of Crimea;
- secondly, it is necessary to be accurate formulating our claims for compensation for damages, caused by the temporary occupation and annexation, and prevent recognition of the fact that the property and property rights of Ukraine legally transferred to the country-aggressor;
- thirdly, any procedures of compensation are constrained by inability to make precise evaluation of irreversible, as well as current damages due denial of property. Neglecting these aspects will result in "Ukraine's loss of important chess pieces on the geopolitical chessboard"¹.

After all, it is necessary to take into account complete legal nihilism of the Russian authorities and their arbitrary interpretation of the norms of the international law exclusively in their favor. Successful adoption and implementation of the international legal resolution demands consensus – mutual agreement of countries-participants, concordance of their state will. Therefore, often this resolution just formalizes the state of international affairs, achieved by different ways – diplomatic, military or economic.

The first (and the only one armed) radical scenario – the scenario of total war – is possible if the Russian government decides to launch open military aggression to obtain the land corridor to Crimea and free access to its military contingent in Transnistria. In this case, Ukraine will be deprived of choice of opportunities to settle the conflict in Donbas and will have to defend its independence, using all available resources.

¹ *Horbulin V. Without the right to repentance / V. Horbulin – Kharkov: Folio, 2009. – 379 p.*

Development of events, according to such a scenario, would include total militarization of the Ukrainian society; economic, political, cultural, ideological and propaganda mobilization; the establishment of the martial law; maximal reliance on its own strength, due to the inevitable international isolation at least in the early stages of the total war and a corresponding reduction of the external resources; focus on uncompromising defeat of the enemy; attacks on critical infrastructure of the enemy; active partisan and sabotage activities; complete denial or minimal diplomatic and foreign economic cooperation with the enemy state and its satellites; complete subordination of diplomacy to the goals of the armed forces and military propaganda.

Unfortunately, this scenario cannot be excluded in connection to the Crimean issue; however, due to the fact that the modern world has already passed the point of no return in its system of interdependence, this way is fatal, although Ukraine is not very active in the international arena. At the same time, possible losses and casualties of the armed scenario are more serious counterarguments to its implementation than the global interdependence, which, especially, asymmetrical interdependence, rather provoke than mitigate conflicts in many cases.

Furthermore, even extremely high level of integration and security interdependence in the modern world did not stop Russia from pursuing aggressive and expansionist foreign policy not only toward her neighbors, but also in remote regions. Objective interdependence should result in the international legal and socio-cultural consensus – the willingness of all participants of international relations to act according to the general rules.

As for the total war in Donbas, such scenario has already been partially implemented. We can assume the possibility of its “recurrence”, however, the “price” of the first attempt has been high. On the other hand, regained territories of currently occupied Donbas cannot be considered liberated until “the fight for the souls and hearts” has been won, in other words, until the mentality of a “Soviet man” has been left behind. It is a different kind of war, but winning it demands as much resources, determination and courage as victory in the armed conflict; losing it may be even worse than military failure. Moreover, it is necessary to take into account that the majority of these “souls and hearts” belong to sincere and defiant collaborationists, ruthless and unprincipled terrorists and the agents of the aggressor-state.

Doubtfulness of a “total success” of Ukraine in this war is confirmed by the public opinion poll¹, conducted by Kyiv International Institute of Sociology (KIIS) for the “Centre for Strategic Studies” and the “Agency of non-violent solutions”. It is noteworthy to see distribution of answers to question “Which method of fighting against armed invasion, carried out by the superior power of foreign enemy, do you consider more effective?”:

- 34.4 % of respondents chose the “armed struggle” option;
- 34.7 % picked “nonviolent struggle (such as demonstrations, protests, marches, boycotts, strikes, civil disobedience, refusal to cooperate with the invader), headed by civilians”;
- 28.5 % undecided;
- 2.4 % refused to answer.

All in all, the mentioned scenario is the most heroic and sacrificial², although less probable. Neither Ukrainian nor Russian people have desire to fight; no one wants to lose the benefits of peaceful modern life for the sake of the whims of a small number of political adventurers, whose being in power also reflects the level of political culture and state of political system within which they were able to lead their countries. The people unprepared and unable to defend their country usually choose incompetent and immoral people as their leaders. Wars burst out without asking citizens whether they want to fight. In addition, aggression and proneness to conflict of the Russian population drastically surpass the same characteristics of Ukrainian society; therefore it would not be correct enough to claim that Ukrainians and Russians do not equally want war.

*The second radical scenario – **the scenario of “cut-off” or “wall”** – provides for Ukraine’s decisive rejection of the occupied territories and a complete breakup with them. Further historical fate of these territories will be of interest for Ukraine only in terms of ensuring its own security, building reliable defense lines and isolating them.*

¹ *The opinions and views of the population of Ukraine on the methods how to resist invaders / occupiers* [Electronic resource]. – Link: <http://www.kiis.com.ua/?lang=ukr&cat=reports&id=546&page=1>

² *According to opinion polls conducted by the Centre for Social Studies “Sofia”, 61.8 % of Ukrainian consider it is necessary to stop the fighting in Donbas even if the occupied territories have to be given up (See: Reznikova O. The analysis of change capabilities of the Donbas status: the “cutting off” scenario // O. Reznikova, S. Dromov [Electronic resource]. – Link: www.viche.info/journal/4903/).*

It will be necessary for the Ukrainian state to reform and accommodate itself to the new situation; however, the absence of regions with the predominantly renegade and consumerist population, greater cohesiveness and loyalty of the Ukrainian society, favorable conditions for reforms coupled with international assistance will make it possible to smooth the pain of the adaptation period. After all, we have the examples of Georgia and Moldova that suffered from territorial losses; Serbia continues to develop even without the part of its historical territories. However, it should be noted that the implementation of this scenario will inevitably entail the loss of prestige of Ukraine on the international arena.

Meanwhile the international players use the Minsk agreements to shape their own environment, urging Kyiv to accept the special status for Donbas¹. However, there are certain open end questions: “Is it in the national interests of Ukraine and majority of Ukrainian people?”; “What long-term consequences will these steps have for the state?”; “Is it possible to implement this provision of the Minsk agreements while the opposite party of the conflict continue to violate other conditions that should have already been fulfilled?”; “Are there any other alternatives to solve this problem?”.

Additionally, the Western partners and participants of the negotiating process have just intensified pressure on Ukraine to speed up unilateral fulfillment of the Minsk agreements breaking the logic of the process of peaceful conflict resolution. It is demanded to implement the special regime of local government in separate districts of Donetsk and Luhansk regions and to adopt it by the laws of Ukraine, including the Constitution (paragraph 11).

The fulfillment of these conditions in the wrong order will not only fail to solve the problems of armed conflict, violation of territorial integrity and state sovereignty of Ukraine, but it will also cause a grave long term threat to the national security of Ukraine. Demands of the opposite side of the conflict to accept such status have nothing common with the needs of the local population or the necessity to bring back these territories under Ukraine’s sovereignty.

Another issue of concern is rule of law. Is it lawful to cede status of the new political entities of Ukraine, which presumes great influence

¹ *Reznikova O.* The analysis of change capabilities of the Donbas status: the “cutting off” scenario // O. Reznikova, S. Dromov [Electronic resource]. – Link: <http://www.niss.gov.ua/articles/1910/a60//www.viche.info/journal/4903/>

on the domestic and foreign policy, to the territories governed by criminal activities of guerrillas and invaders, while overwhelming majority of the population has no such privileges?

Obviously, the situation in Donbas is not “sui generis”, it is not unique or exclusive. Is, then, the situation in Crimea a unique one? Evidently, a sort of a “cut-off” can already be set up, but, fortunately, the process cannot be considered as irreversible. Clearly, it is inappropriate to use food and energy blockades in this context, since their “objective” goal is draw attention to enabling the irreversible process of a cut-off. Of course, speaking about a cut-off, one cannot help mentioning a rhetorical question, who separated from whom today? Opinion of the population of the so-called Donetsk and Luhansk people’s republics (**hereinafter** – DPR/LPR) and the Crimean peninsula is known, but a simple calculation of losses (see previous sections) gives a clear answer to this question. Moreover, if we rank the attributes of the existing “cut-off” by their importance, the first place will be occupied not by the economic or political, but social and humanitarian causes of separatism.

*The third radical scenario – the **satellite scenario** – involves finding ways to conclude separate peace agreement beneficial for Russia, ignoring the interests of the Western partners, recognizing the autonomy of Donbas and refusing to regain Crimea. Such reconciliation would deprive Ukraine’s foreign policy of independence and would tie its historical destiny to the historical destiny of the Russian Federation. The future of both countries, if it becomes common, is unlikely to be something different from what has happened before in the history of the two nations and the way of losses, repressions and wars will be repeated. Ukraine has too many problems of its own to supplement them with the Russia’s problems.*

It should be noted that, despite the absolute risks and unacceptability of this scenario, some its fragments can be traced during a short period of time. The indirect evidence of this may be short-term complications during the Minsk negotiations, quick disregard of Crimean issue etc. The main thesis of the unacceptability of such a scenario is based on two pillars – prevention of the violation of territorial integrity and of a permanent threat to the national security of Ukraine. The absolute unacceptability of this scenario is defined by one of the conditions of the Association Agreement with the EU.

The fourth scenario – the scenario of “freezing” – is about freezing of the conflict as it happened in Transnistria, Abkhazia and South Ossetia. Such solution is favorable for Russia (although the complete capitulation, according to the third scenario, is even more favorable for her), as well as for some EU members and for the most conformist and pro-Russian segments of the European society. In essence, this scenario is about giving special powers to the territories that suffered the most damages because of the conflict (DPR/LPR) and retaining them in Ukraine. Economic relations between these territories and the rest of Ukraine should be renewed and, therefore, Ukraine will have to take the burden of economic reconstruction of destroyed areas of Donbas. At the same time, Donbas will be de facto governed by the Russian controlled puppet regime, which would try to influence Ukrainian foreign and domestic policy in the interests of aggressor state. Obviously, in case of this scenario Ukraine will be impeded on her way to Europe and burdened with the political instability and economic cost sustaining welfare of these regions. The conflict will be simmering, destabilizing the situation and menacing with outbreak of hostilities, thus peaceful life should not be expected.

Cessation of armed struggle in Donbas and “reconciliation”, according to such a scenario, would give an excuse for the European countries to lift the sanctions imposed on the Russian Federation and its leadership and resume the economic relations that support economic growth in Russia. At the same time, European leaders will get opportunity to fully concentrate on solving problems within the EU, which will boost their political ratings, as opposed to the increasing “fatigue” of the prolongation of the Russian-Ukrainian conflict. Although this scenario provides for quite rapid cessation of active hostilities in Donbas, Ukraine would be unattractive country embroiled in endless crisis.

Frozen conflicts, caused by poverty, can be considered as a failure of modern diplomacy, since their existence, although supported by the rational goals, set scene for conflicts in the future. It has become a model of resolving territorial conflicts in geopolitics; thus, their number is gradually increasing on the modern map of Europe. In general, the suspension of conflict resolution is unlikely to be considered as a solution at all, and the relationship between the diplomatic competence and the level of well-being is not straight forward.

Studies of the intrastate conflicts do not give the exact answer about the relationship between economic development and national

security issues (for example, violation of territorial integrity). The economic (or rather – socioeconomic) impacts on the national security are not sufficiently examined. Experts of the Hague Centre for Strategic Studies found out that the scientific literature focuses on the impact of international security on the efficiency of economic activity. At the same time it is necessary to keep in mind that even a complete commitment to economic determinism does not necessarily lead to economic success. This is true if we look at the history of the former Soviet Union, which had state official ideology based on such ideas. These ideas were inherited in the post-Soviet Ukraine and incorporated in the populist ideologies, policies and practices of the majority of the Ukrainian parties. In general, economic determinism is just a narrow-minded prejudice, which claims to have particularly deep wisdom.

In some countries, political instability (and as its consequence – a violation of national security) is outcome of inconsistent and ineffective economic policy. Therefore it is essential to make complex evaluation of a conflict situation and to develop a strategy, which is relevant to socio-economic and political peculiarities and needs. The problem derives from the lost connection between security and economy. Security (which is not only defensive capacity, but also other aspects of development of the country) is the result of a resilient economy. Although the history gives many examples, when countries with developed economies were defeated by enemies with the less developed economies.

The nations with strong economies and a weak security system are particularly exposed to hybrid aggression – combination of open or covert actions. There are many strong economies with weak military power all over the world. Ukraine, bordering with an aggressive neighbor-invader, cannot follow such a examples. It is also necessary to understand that conversion of economic power into the military and political capabilities demands considerable efforts from the state, which is a political institution. Such conversion requires rejection of the concepts, values, practices and managerial patterns of economic determinism and development of broader and more comprehensive view about our own country and its international environment that will include all the factors of social and international life (geopolitical, civilizational, governmental and power, economic, legal, military, diplomatic etc.) without artificial isolation of either of them.

There can be only hypothetical answers to all raised questions, since neither the causes of conflicts on the basis of separatism nor the approaches to their solution have changed. According to the existing trends, Crimea and artificially established “republics” in the eastern part of Ukraine are gradually becoming unrecognized entities on the map of Europe. However, it is important to understand that the problem of frozen conflicts is not only the result of the “big geopolitical game” of global players but also a consequence of the economic underdevelopment of these territories. It is difficult to imagine the problem of separatism in Ukraine if in the early 1990 s reforms had been successful and resulted in development of efficient political system and a stable economy (at the same time, separatism can be found in developed and wealthy countries, as it is demonstrated by separatist movements in Catalonia, Northern Ireland, Scotland, Quebec. In fact, most of the countries all over the world are threatened by separatism). Therefore, despite the nature of the conflict in the east of the country and in Crimea, Ukraine (as well as the international community) must use solution of the Ukrainian troubles as an opportunity to establish a positive precedent, at least in the post-Soviet space.

*The fifth scenario is the **scenario of neither war nor peace or scenario of limited war and permanent negotiations** – provides for a limited and deterrent war against Russia and collaborators in the east of the country in order to inflict on them as much losses as possible; permanent process of negotiations without the final fixing of results in the form of different agreements and formats; increase of military (primarily military-technological) capabilities of Ukraine and the gradual transition from blocking the enemy to his exclusion – from passive defense to active one; intensification of the international sanctions and diplomatic isolation of Russia; consistent and radical reforming of Ukrainian society; rapprochement with NATO and the EU, as well as forming a series of defense alliances with a part of the post-Soviet and Central European countries. The implementation of this scenario would require political competence and moral tenacity, actions of the rapid response armed forces and special operations troops, flexible, creative and sophisticated diplomacy.*

It is necessary to admit that currently we are living inside this scenario which is applied to all temporarily uncontrolled territories of Ukraine. Obviously, due to a complementary essence of this scenario, it will continue to play the role of link to other scenarios in the future, and its

function may be either positive (winning necessary time by reaching a long pause) or negative if such a pause is excessively protracted. Thus, if the respite during the negotiations about Donbas is needed and relevant, the protracted pause in case of Crimea resulted in moving the Crimea issue behind more urgent topics and helped to lose sight of it easily.

Finally, the last scenario is **the scenario of territorial integrity and reconciliation**. The implementation of this scenario will obviously involve several iterations, for each problem separately, and for all of them in general. The time factor plays a crucial role here as well. There is no doubt that the questions “How to save Donbas?” and “How to regain Crimea?” are urgent not only for Ukraine.

Currently, the opinion poll¹ results indicate the following possibilities regarding de-occupation and de-annexation. Respondents, who consider the events in Donbas to be the intervention of Russia, were asked the question “How can Ukraine recover the occupied Donbas?” Here is distribution of the respondents’ answers:

- 25.3 % chose “by arms” option;
- 41.1 % – “negotiations”;
- 9.1 % – “non-military actions of non-violent resistance, which will put obstacles in invaders’ way and which can get support of the local population”;
- 3.5 % – “nothing”;
- 20.4 % – undecided;
- 0.5 % – refused to answer.

Respondents, who see the annexation of Crimea as occupation, were asked a question “How can Ukraine return the occupied Crimea?” The distribution of answers:

- 14.3 % chose “using arms” option;
- 43.2 % – “negotiations”;
- 12.9 % – “non-military actions of non-violent resistance, which will put obstacles in invaders’ way and which can obtain support of the local population”;
- 8.8 % – “nothing”;
- 20.3 % – undecided;
- 0.5 % – refused to answer.

¹ *The opinions* and views of the population of Ukraine on the methods how to resist invaders / occupiers [Electronic resource]. – Link: <http://www.kiis.com.ua/?lang=ukr&cat=reports&id=546&page=1>

The international community plays a major role in achieving sustainable peace in Ukraine by means of non-violent harmonizing of interests. It is clear that the disintegration of the Russian Empire is the only but impossible way of “liberation” of Ukrainian territories. However, analyzing the consequences of sanctions imposed upon Russia, one can find all the signs that they caused the effect of “economic weapon”.

Although it is not fully defined, what is the impact of sanctions of a number of countries, especially the US and EU, on containing the aggressive policy of the Russian Federation toward Ukraine¹, economic sanctions resulted in gradual depletion of the economy of the Russian Federation. This was also entailed by the deterioration of the external markets for the main Russian exporters; maintaining of high external creditor dependence of the internal market of the Russian Federation (45.0 % of all loans) and deterioration of economic performance the large state-owned energy corporations and financial institutions (making 29 % of GDP)², which primarily suffered from the pressure of sanctions. According to the Financial Times, repayment of foreign loans and credits in the next 12 months by the Russian state-owned banks will amount to 33 billion dollars, by nonfinancial institutions – 41 billion, by private companies and banks – 87 billion dollars³.

Therefore, even in the case of immediate lifting of sanctions, their long-term impact on Russia will amount to 1.0-1.5 % of real GDP of the country by 2020, according to the Moody's⁴ analytic agency. According to the Ministry of Finance of the Russian Federation, in 014 anctions resulted in a capital deficit of 40-50 billion dollars in the domestic market⁵. Long-term duration of sanctions could make the medium term cumulative losses of 9.0 % of GDP in production sector, due to the fact

¹ *Russia* Monthly Economic Developments [Electronic resource]. – Link: <http://pubdocs.worldbank.org/pubdocs/publicdoc/2015/9/14731442405/RussiaMonthlyEconomicDevelopmentsSeptember2015eng.pdf>

² *Overall*, the public sector in the Russia's economy generates 71.0 % of GDP, which operates in ultra high dependence on exports of raw materials (up 70.0 % – fuel and energy resources, of which 45.0 % – crude oil).

³ *Reknaheľ Ch.* Grave consequences of new sanctions for Russia / Ch. Reknaheľ, J. Bezp'yatchuk [Electronic resource]. – Link: <http://www.radiosvoboda.org/content/article/25476950.html>

⁴ *Russia*, Government of: New Currency and Oil Price Drops Exacerbate Recession [Electronic resource]. – Link: <https://www.moodys.com/creditratings/RussiaGovernmentofcreditrating600018921>

⁵ *Russia* extends olive branch to Greeks [Electronic resource]. – Link: <http://www.cnn.com/2015/01/29/russiaextendsolivebranchtogreeks.html>

that the decrease in capital accumulation and transfer of technologies lead to weakening of already low rate of productivity growth¹.

In general, economic containment of Russia by the international community has already resulted in considerable loss of economic dynamics and slide of its economy into a recession, significant reduction in gold and foreign currency reserves (by 134 billion dollars in 2014, or 27.7 % compared to 2013), the devaluation of the ruble (during September 2014 – January 2015 the ruble devaluation amounted to more than 85.0 % in relation to the US dollar, only in February-March 2015 the Bank of Russia spent 24.6 billion dollars from reserves to support the national currency), a significant decrease in stock market indexes, and acceleration in capital flight (151.5 billion dollars in 2014). In addition, it is necessary to mention the rapidly growing deficit of the consolidated budget and extra-budgetary state funds (at the end of 2014 the deficit was 3.0 % and in July 2015 it has more than doubled to 7.0 %, while in July 2014 the surplus amounted to 8.5 %)².

In 2016 the consequences of the continuation and / or maintaining the US and the EU sanctions, strengthening of their elements and increasing Ukrainian pressure on the Russian Federation will create necessary prerequisites for development of potentially catastrophic threats for the Russian economy. However, expectations of that disaster and hope for the devastating impact of sanctions on the Russian economy must not substitute the implementation of radical immediate steps to strengthen the national security of Ukraine. It is extremely unreasonable to delay these steps till the times of prosperity of the Ukrainian economy, connecting the defense capability of the country solely with its economic growth in the future. The security needs are always urgent, while the solution of economic problems requires more time.

As the economic collapse of the Russian Empire continues and current political leadership stay power the implementation of a peaceful scenario still remains possible, if Ukraine develops four “peace-maintaining” pillars: powerful economy, mature civil society, strong army and competent diplomacy, so that after winning peace it will not lose it again.

¹ *IMF* estimated losses of sanctions at 9 % of GDP [Electronic resource]. – Link: http://dt.ua/ECONOMICS/mvfocinivzbitkirosiyividsankciy9vvp180613_.html

² *Social and Economic situation in Russia (January – August 2015)*. – Moscow: the Federal Service of the State Statistics of the Russian Federation, 2015. – p. 170.

While it is not appropriate to underestimate the role of the international community in the peacekeeping, one should keep in mind that even with active and broad international support the rehabilitation of post-conflict territories and their reintegration in political, economic, cultural life are the responsibilities of the government, since these territories are under the internationally recognized state sovereignty. Ukraine should be ready for such a scenario in the future. This presumes comprehensive economic, political, military, diplomatic and even socio-cultural readiness.

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