
A New Post-Soviet Playbook

Why the West Should Tread Carefully in Ukraine

By Jeffrey Sachs

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U.S. President Barack Obama shakes hands with Russia's President Vladimir Putin at a G-20 summit in Mexico in 2012. (Courtesy Reuters)

Events are moving rapidly in Ukraine; a political and economic crisis has escalated into a military confrontation. The mass uprising in Kiev that toppled Viktor Yanukovich's corrupt and incompetent regime did so without a clear framework for restoring democratic rule and maintaining a stable and responsible foreign policy toward Russia. After Yanukovich fled Kiev, Ukraine's parliament quickly decided to abolish a law that had established a legal status for Russian and other minority languages (although the move was later reversed). Russia responded to Yanukovich's overthrow, which it viewed as an illegitimate coup, and the parliament's moves, which it saw as an assault on the rights of ethnic Russians, with a military occupation of Crimea, home to its Black Sea fleet and a substantial population of Russian speakers. The United States and other Western powers countered with threats of sanctions and other reprisals against Russia. Hyperbolic claims on both sides -- in the West about a return to the Cold War, in Russia about a fascist seizure of power in Kiev -- have since fed the crisis.

In considering this chain of events, it is hard not to recall the devastating series of miscalculations that led 100 years ago to World War I. The situation in Ukraine is similarly fraught with the possibility of dangerous miscalculations on all sides stemming from heated sentiments and braggadocio.

All four parties to the crisis -- Russia, Ukraine, the United States, and the European Union -- must now recognize the dangerous repercussions of further escalation. Russia has taken actions in Crimea that are illegal under international law. But that is no excuse for bombastic and self-defeating responses from the West that could turn a dangerous situation into a disaster. This is a crisis that can still be resolved sensibly and peacefully. It could even end with a gain for all parties. But that would require not only a restoration of Ukraine's territorial integrity but also a recognition of the legitimacy of Russia's interests and concerns.

Any Ukrainian government -- especially one that, like the current interim government, is acting in a caretaker role -- has a pragmatic need to cooperate with its powerful next-door neighbor. Western powers themselves have a responsibility to acknowledge the limited legitimacy and mandate of the current interim government. Western leaders must tell leaders in Kiev the truth -- that Russia is a powerful neighbor, a major trading partner, the source of Ukraine's energy resources, and a major creditor. The West must emphasize that it is impossible to wish away Russia's inevitable influence in Ukraine.

RUSSIAN FEARS, RUSSIAN INTERESTS

I've witnessed close up earlier cycles of distrust. In the early 1990s, when Russia was a newly independent democracy (and I served as an advisor during 1992 and 1993 to Prime Minister Yegor Gaidar) the United States failed to give urgently needed financial help to Russia to stabilize the economic crisis inherited from the collapse of the Soviet Union.

The Russian people, and no doubt Russian President Vladimir Putin, took a lesson from this experience: when push comes to shove, the United States was not interested in helping even a democratic Russia during a time of real economic desperation. Russians came to the conclusion (sadly correct, in my view) that they could not place much trust in the United States to protect Russia's basic national interests. And among those interests has always been the security of Russia's vulnerable Western flank.

In pursuing its interests over the past two decades, Russia has viewed the West as an intermittent antagonist and competitor. In the past few years, the European Union's pursuit of a trade agreement with Ukraine did little to dim Russian suspicions. Such an agreement would tilt Ukraine's economy toward Europe and away from Russia, resulting in economic costs to Russia in the form of lost trade and investment ties. Moreover, Russia fears that where the European Union treads, NATO is likely to follow. Russia has already watched the spread of NATO

into Eastern Europe with great concern. In terms of its historical memory of the many terrible wars it has fought on its Western boundaries, Russia's fears are understandable.

Russia also sees a clear double standard. The European Union and NATO press ever closer to Russia's borders. Yet as Russia tries to organize a Eurasian Economic Union that would include Belarus, Kazakhstan, Kyrgyzstan, Russia, and possibly Armenia, Western critics accuse it of attempting to recreate its empire.

None of this is any excuse whatsoever for Russia to violate international law by sending armed forces to occupy part of Ukraine. I am not condoning such illegal actions, but rather offering a context and explanation for them. In my view, Russia is not looking to provoke a fight with the West; still less is it out to recreate the Russian empire as some bombastic Western commentators have put it. Russia is acting out of genuine concerns rooted in its history and its perceived national interests, including basic national security. It worries about an antagonistic Ukraine in the grips of anti-Russian sentiments in Kiev, and about the possibility that the West will try to exploit those sentiments.

The fact is that Ukrainian stability can be attained only with Russian cooperation. That cooperation can be attained only with conciliatory, rather than antagonistic, crisis management on the part of the Western powers. Rather than resorting to aggressive economic and political interventions in Ukraine, the West should be encouraging Russia and Ukraine to pursue long-term and mutually beneficial relations. The European Union and the United States can encourage that win-win perspective not through sanctions but through quiet diplomacy in both Kiev and Moscow. Part of the deal, of course, would be the preservation of Ukraine's sovereignty and territorial integrity.

ECONOMIC TIES THAT BIND

Of course, Ukraine's desperate financial situation is in need of immediate attention. Ukraine's foreign debt has soared in recent years, and this debt is now being called in. It cannot be repaid suddenly, nor can it be rolled over except via emergency measures. The West may talk bravely about bailing out Ukraine, but this is a fantasy. Despite the bravado of recent days, the West is not really prepared to shoulder the full costs of Ukraine's restructuring. The United States has promised \$1 billion in loan guarantees, but that won't go very far given that Ukraine's current account deficit this year is estimated at around \$13.5 billion. And if Ukraine were to break irrevocably with Russia, the costs would soar further -- absolutely beyond any price tag the West would consider. On the other hand, with the restoration of reasonable relations between Russia and Ukraine, Russia would likely be prepared to work together with Ukraine and the European Union to help finance Ukraine's economic restructuring.

It is important to recognize that Ukraine is in a very different situation from

Poland or other post-communist countries to its west. Ukraine's industry is far more intertwined with Russia's. Ukraine is far more dependent on Russia for energy. Ukraine's geography makes it more difficult for the country to attract foreign investors from Western Europe, except as part of industrial linkages that also include Russian markets and Russian enterprises. In short, Ukraine's economic realities reflect its geographical realities. Ukraine is linked to both Europe and Russia, and is unable to escape from either except at devastating cost.

All of this argues for closer economic relations between Ukraine and the European Union, but only if they don't come at Russia's expense. The European Union's goal should not be to peel Ukraine away from Russia, or to torpedo Russia's own economic networks with its neighbor, but rather to enlarge the economic links among the European Union, Russia, Ukraine, and the other countries of Eurasia. This broader cooperation would also bolster the European Union by expanding markets for European products and technologies.

Ukraine and Russia both stand to make important and rapid advances through closer cooperation with the European Union, and through increased trade with each other. Both Ukraine and Russia urgently need technological upgrades in their industries. In Ukraine's case, these include basic heavy industries such as steel. Russia's potential in the coming decade lies in more sophisticated industries such as aviation, automotive, rail, aerospace, and industrial machinery (such as mining and agriculture equipment). Yet Russia can gain international competitiveness in these sectors only through closer production and investment links with major European producers (notably major German industrial firms).

A WIN-WIN SOLUTION

To achieve this win-win scenario, success will require something from the West that has been in remarkably short supply since the end of the Cold War: long-term cooperative thinking about, and with, Russia. Russia should certainly back down from its threats to Ukraine and restore fully sovereignty to Crimea. But the West should also give Russia the security and assurances of economic cooperation that it needs. These include a closer economic association between Russia and the European Union; respect for Russia's efforts to forge closer economic links with its own Eurasian neighbors; support for a Ukrainian government that is respectful to both Russia and the European Union, rather than one that threatens Russia's security and economic interests; and the respect by all parties for Ukraine's borders and national sovereignty.

The European Union, Russia, Ukraine, and the United States all share an interest in a system of international law and foreign policy behavior that is not simply a matter of national convenience and opportunism, but is an inducement for deeper cooperation. All four parties would be wise to follow that principle now. By doing so, they can avoid an escalation of the current crisis -- one that could end in tragedy if rhetoric and bombast trump reality.