

Ukrainian statehood in the face of Russian aggression

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The Ukrainian state is facing the most difficult period since it became independent almost exactly 23 years ago. In the east of the country a war is ongoing between government forces and Russian fighters, armed and largely sent by Russia. The economic situation in Ukraine is deteriorating rapidly, and the outlook is pessimistic. In mid-June, Gazprom stopped gas supplies, and it is unlikely that the parties will reach an agreement in the coming months. Although the general public has been mobilised by the external aggression, as time goes on and the economic performance worsens, Ukrainian public feelings will inevitably deteriorate. At the same time, Ukraine is entering a campaign for early elections to parliament, which will revive the hitherto muted internal political conflict; and radical parties may win strong representation in the new *Verkhovna Rada*.

Despite such enormous challenges, and Russia's obvious efforts to bring the Ukrainian state to political, economic and humanitarian disaster, Kyiv is unlikely to agree to Russia's demands (mainly broad autonomy for the east of Ukraine, and the abandonment of plans for European integration), which would be tantamount to complete capitulation to Moscow. After the revolution on the Maidan and the upheaval which the loss of Crimea meant, Ukraine finds itself in an accelerated process of building a new state identity. The Ukrainian authorities are under strong social pressure; they realise that Ukraine's survival as a sovereign state, and what its constitution and boundaries will be, depend on how they cope with the conflict with Russia and other challenges. So, this struggle is ultimately about the preservation of Ukrainian statehood as such.

Russian military aggression ...

In recent weeks, the armed conflict in the east of Ukraine which started in April took on the form of actual Russian aggression, which remains a determining factor in Ukraine's current state of crisis, while at the same time it has temporarily suspended other political and economic problems. Russian weapons and people, many of whom are probably professional soldiers, are flowing into the Donbas at an unprecedented rate. Russia's military activity has intensified due to the success of the Ukrainian forces, including their encirclement of Donetsk and Lugansk (although this is still incomplete). Kyiv wants to complete the operation before the parliamentary elections (which will most likely be held in October). However, all the indications are that this will not be possible, and Russia will continue to wage war.

In addition to the military operations, the Ukrainian authorities are facing a growing problem of refugees from the Donbas in other districts of the country (estimated at a minimum of

200,000 persons) and a growing humanitarian disaster in the region. In the big cities, supplies of water and electricity are regularly interrupted, and there are problems with supplying stores. More and more large companies have wholly or partly suspended production, which exacerbates the difficult economic situation for the local population. As a result of the fighting, the destruction of civilian infrastructure is increasing, and according to government calculations, reconstruction will cost at least \$8 billion.

Kyiv is also facing a difficulty in the growing aversion of some Donbas residents towards the Ukrainian state, based on the conviction that the authorities are responsible for the current situation in the region, as well as the increasing losses among the civilian population. In large part this is due to the fact that the main sources of information for the majority of the population in east Ukraine are the Russian media. At the same time, the most active part of the community has left the Donbas. This all means that re-integrating the region with the rest of the country and the subsequent process of reconciliation will be long and difficult. Moreover, if the parliamentary elections do not allow political representation for Donbas to emerge, integrating the region with the rest of the country will become even more complicated.

... and economic assault

In addition to its military actions, Moscow has in recent months launched economic pressure on Ukraine, primarily in the form of further sanctions on Ukrainian production. Russia has traditionally been the most important market for Ukraine (23.8% of Ukrainian exports in 2013), and finding alternative markets to Russia will be a big challenge. In the first half of this year, Ukraine's exports to Russia fell by 23.3%, and because of the embargo they will fall at an even faster pace over the coming months. Another problem is the interruption of supplies of Russian gas, which results from a lack of agreement on the price. In fact, Kyiv is determined to hold a full review of its current gas cooperation with Russia, which at present is very unfavourable for Ukraine. Ukraine's current gas reserves will be exhausted within a few months. Russian sanctions are contributing to the further deterioration of Ukraine's already very difficult economic situation, which has been in crisis for over two years. According to moderate estimates, GDP will fall by at least 7% this year, but a much greater decline is actually more likely.

The country's deepening economic problems, rising unemployment, and the impoverishment of society, in conjunction with the expectation that the gas will run out in the autumn, will raise levels of social discontent. Although the Russian aggression has mobilised the majority of the population to rally around the government led by President Poroshenko, maintaining a similar degree of mobilisation in the long run will be difficult.

The risk of domestic political destabilisation

The parliamentary elections expected in October will most likely bring to power a coalition of parties which will continue Ukraine's current harsh political approach to Russia. This is due to an observed reduction in support for the major political parties, and the transfer of sympathy for non-parliamentary parties who employ radical and anti-Russian rhetoric (such as the Oleh Lashko Party and the *Hromadska Pozytysiya* party led by Anatoly Hrytsenko). In

addition, all the indications are that pro-Russian groups will only gain minor political representation in the next *Verkhovna Rada*. It is difficult to predict the balance of power in the new parliament, but there is a potential risk of political destabilisation in the post-election period.

President Poroshenko, who is currently still the strongest power centre in Ukraine, and the government which is formed after the election, will also have to face the challenge posed by the increased influence in the country of some oligarchic groups, mainly the group around Ihor Kolomoyski, the governor of the Dnipropetrovsk region. The current alliance between him and Kyiv is merely tactical, and the reforms announced by the government strike directly at the Kolomoyski group's critical interests, which threatens potential conflict. The future role and importance of the Ukrainian oligarchic system, which in recent years has monopolised the country's economy and was an unavoidable factor in politics, is one of the key 'frozen' problems which the Ukrainian state will have to confront.

Prospects: Kyiv will not capitulate

The distribution of political forces and the enduring public pressure on the authorities since the Maidan mean that – despite the increasingly difficult situation in the Donbas and the accumulation of many political and economic problems – Kyiv will not agree to any of the concessions expected by Moscow. This was confirmed by the negotiations between the foreign ministers of Ukraine, Russia, Germany and France held in Berlin on 17 August. Kyiv might be willing to reach some form of compromise with Moscow, although this would be risky because of the possibility of an explosion of public discontent; but any such agreement would have to be linked to a change in Russian policy. Russia's actions, however, indicate that it is only interested in resolving the conflict on its own terms, which would be tantamount to a complete surrender by Kyiv.

In connection with Ukraine's rejection of Russian demands, Moscow intends to continue its current policy of 'demolishing' the Ukrainian state. Kyiv seems to be aware that Russia is trying to create a situation where the costs of not capitulating to Moscow will be higher than the costs of accepting the Russian conditions. In this variant, this means that the Ukrainian-Russian conflict in its various manifestations (the *de facto* state of war in eastern Ukraine, the trade war, and the gas war) will last a long time. Regardless of the final outcome, the price for Ukraine will be very high, because it will involve a worsening humanitarian situation in eastern Ukraine; a sharp decline in GDP; the inhibition of necessary reforms and the modernisation of the country; an increase in labour migration; and difficulties with the future re-integration of the Donbas. On the other hand, as a consequence of the Maidan, and in the face of ongoing Russian aggression, a new Ukrainian political nation and social potential is being created, which in the future may bring about changes in the functioning of the Ukrainian state of a profound nature, although they are difficult to predict today.