CONFERENCE PROCEEDINGS

RAND

Russia, Ukraine and European Security

Implications for Western Policy

F. Stephen Larrabee, Allen Lynch

Project AIR FORCE
National Defense Research Institute

19950209 046

CONFERENCE PROCEEDINGS

RAND

Russia, Ukraine and European Security

Implications for Western Policy

F. Stephen Larrabee, Allen Lynch

DTIC
ELECTE
FEB 22 1995
S G D

Project AIR FORCE
National Defense Research Institute

19950209 046

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

RAND
Copyright © 1994

The RAND conference proceedings series makes it possible to publish conference papers and discussions quickly by forgoing formal review, editing, and reformatting. Proceedings may include materials as diverse as reproductions of briefing charts, talking points, or carefully written scientific papers. Citation and quotation is permitted, but it is advisable to check with authors before citing or quoting because of the informal nature of the material.

RAND is a nonprofit institution that helps improve public policy through research and analysis. RAND's publications do not necessarily reflect the opinions or policies of its research sponsors.

Published 1994 by RAND
1700 Main Street, P.O. Box 2138, Santa Monica, CA 90407-2138
To order RAND documents or to obtain additional information, contact Distribution Services: Telephone: (310) 451-7002; Fax: (310) 451-6915; Internet: order@rand.org.

CONFERENCE PROCEEDINGS

RAND

Russia, Ukraine and European Security

Implications for Western Policy

F. Stephen Larrabee, Allen Lynch

Accesion For
NTIS CRA&I ☒
DTIC TAB ☐
Unannounced ☐
Justification
By
Distribution /
Availability Codes
Dist | Avail and / or Special
A-1

DTIC QUALITY INSPECTED 4

Project AIR FORCE
National Defense Research Institute

Approved for public release; distribution unlimited

PREFACE

These Conference Proceedings summarize discussions between Russian, Ukrainian, German, and U.S. security experts during two workshops on "Russia, Ukraine and European Security: Implications for Western Policy," held in Ebenhausen, Germany, June 19-21, 1994. These workshops were the most recent in a series of RAND-sponsored workshops on East-Central Europe and the former Soviet Union designed to establish a broader dialogue between American policymakers and the new democratic security elites in the region.

This work was supported by Project AIR FORCE, a federally funded research and development center sponsored by the United States Air Force, and by the International Security and Defense Policy Center of the National Defense Research Institute (NDRI), a federally funded research and development center sponsored by the Office of the Secretary of Defense, the Joint Staff, and the defense agencies.

CONTENTS

Preface iii
Summary vii
Introduction 1
1. RUSSIA AND THE CIS 3
2. RUSSIAN-UKRAINIAN RELATIONS 7
3. INTERNAL AND EXTERNAL ASPECTS OF UKRAINIAN SECURITY 11
4. RUSSIA, UKRAINE AND EUROPEAN SECURITY 17
5. WESTERN POLICY 20
APPENDIX A 25
APPENDIX B 29

SUMMARY

On June 19-21, 1994, RAND, in conjunction with the Stiftung Wissenschaft und Politik in Ebenhausen, Germany, the Council on Defense and Foreign Policy in Moscow and the Ukrainian Foreign Ministry in Kiev held two separate but related workshops dealing with Russia, Ukraine and European Security. Several sessions were held jointly with the Russian and Ukrainian delegations. In addition, the American and German participants met with the Russian and Ukrainian delegations individually.

These proceedings summarize the key highlights of the two workshops.

Key findings:

-- Russian participants stressed that within the CIS there is a growing trend toward economic and security integration with Russia. Russia desires a position of economic and geopolitical dominance within the CIS. However, many Russian participants expressed strong reservations about the costs of reintegration. They feared that rapid economic integration of many of the countries of the former Soviet Union into a Russian-dominated geopolitical space would overburden the Russian economy and hinder the prospects for reform in Russia.

-- Russian participants made a distinction between "leadership" and "control". Russia, they argued, wants "leadership", which they defined as exercising responsibility. Russia did not want "control", which would involve a full-scale take-over. Such a take-over would be too costly and not in Russia's interest.

-- Russian policy toward the West and Western policy toward Russia have both entered a new phase. The "romantic pro-Western" period in Russian policy is over and has been replaced by a more independent policy. At the same time, U.S. policy has shifted away from a "Russia only" policy. This shift has more to do with changes in Russian domestic policy than Russian

external policy, although Russian policy toward the CIS has contributed to this shift.

-- Russian and Western policy in Ukraine and the CIS are at odds with each other. Russia wants domination without responsibility while the West wants Russia to have responsibility without dominance.

-- Russia wants close economic and political ties to Ukraine. However, Ukraine's economic weakness and lack of economic reform are causing many members of the Russian elite to lose interest in integration with Ukraine—at least in the short term. They fear that an unreformed Ukraine would be a drain on Russian resources and overburden Russia, undercutting Russian reform.

-- Russian participants emphasized Russia's desire for stability in Ukraine. The Yeltsin government, they argued, does not want an exacerbation of a crisis in Ukraine. The Duma has also taken a more constuctive approach toward Ukraine in comparison to the former Supreme Soviet. Russian long-term objectives, however, remain ambiguous.

-- There was a consensus among both Russian and Western participants that a crisis in Ukraine could significantly strain relations between Russia and the West, *regardless of whether Russia fomented the crisis or not.* A serious crisis in Ukraine in which Moscow became involved could rekindle a policy of neo-containment on the part of the West.

-- The impact of any Ukrainian crisis will depend, to a large extent, on how Russia reacts. The degree of Russian involvement, however, is likely to be ambiguous. This will complicate Western calculations and make any Western response difficult.

-- A crisis in Ukraine would also have a strong impact on East Central Europe. It would make the Visegrad countries, especially Poland, very nervous and lead to increased pressure by these countries for a more rapid integration into NATO,

complicating the management of NATO-East European-Russian relations.

-- A crisis in Ukraine could further stimulate a crisis within the Western Alliance and exacerbate tensions between the U.S. and a number of its West European allies.

-- Russia remains opposed to the expansion of NATO. Enlargement of NATO, Russian participants argued, would lead to Russia's isolation. Instead, they insisted that the CSCE should be the basis of a pro-European security system.

-- Ukrainian participants expressed a desire for good relations with Russia. However, they displayed strong reservations about closer ties to the CIS and CIS peacekeeping. Instead, they emphasized their desire for closer ties to Europe and Western security institutions which, they argued, would help Ukraine modernize its economy.

-- The nuclear issue appears to have receded as a neuralgic issue in Ukrainian domestic politics since the signing of the Trilateral Accord in January 1994. Most Ukrainians now see the decline in the economy as the main threat to Ukrainian security.

-- Ukraine is likely to eventually sign the NPT. However, Ukrainian participants warned that increased outside pressure would hurt, rather than help, the prospects for ratification.

-- The most serious threat to Ukraine's security is the deterioration of the Ukrainian economy. However, Ukrainian participants argued that the economic situation is not as bad as many in the West believe, largely due to the underground economy and the symbiotic relationship between town and country. They maintained that support for economic reform was strong and that Ukraine would implement a serious economic reform program. Western and Russian participants were far more skeptical about the prospects for economic reform.

-- The real problem facing Ukraine is not ethnic tensions between Russians and Ukrainians, but a differentiated pattern of economic development in Eastern and Western Ukraine. The

eastern regions, where large Russian populations live, are inordinately dependent on obsolescent military and heavy industry.

-- There was a strong consensus among Western participants that a stable independent Ukraine is in Western interest and that the West should do more to ensure the stability and independence of Ukraine.

-- To stabilize Ukraine's economy increased Western economic assistance is needed. This economic assistance should be targeted at *Eastern Ukraine*, in particular, and be designed to help reduce inflation. However, this economic assistance can only be effective if there is a government in Kiev committed to economic reform and capable of using the assistance effectively.

-- A sharp deterioration of the Russian economy crisis would have a serious impact on Ukraine. Thus, any effort to stabilize Ukraine also should include an assistance package for Russia. The two issues need to be dealt with in tandem.

INTRODUCTION

On June 20-21, RAND, in conjunction with the Stiftung Wissenschaft und Politik in Ebenhausen (Germany), the Council on Defense and Foreign Policy in Moscow, and the Ukrainian Foreign Ministry in Kiev held two separate but related workshops dealing with security questions in the Newly Independent States (NIS) of the former Soviet Union. The first dealt with Russia's relations with the states of the NIS and the second focused on Ukraine's internal and external security. Several sessions were held jointly with the Russian and Ukrainian delegations. In addition, the American and German participants met with the Russian and Ukrainian delegations separately.

The two workshops were attended by some 50 government officials and specialists from Russia, Ukraine, Germany and the United States. They were part of a series of RAND-sponsored workshops on security problems in Russia and the Newly Independent States (NIS) of the former Soviet Union designed to establish a broad dialogue between American policy-makers and the new democratic security elites in the region.[1]

These Conference Proceedings provide a summary of the highlights of the two June workshops. The summary is organized by themes and integrates comments made by participants during the two workshops. It is not intended to be a detailed account of the workshops. Rather it is designed to highlight the main issues raised during the two days of discussions in Ebenhausen.

The two workshops were held several weeks prior to the presidential elections in Ukraine on July 10, 1994 which resulted in the election of a new president, former Prime Minister Leonid Kuchma. While Kuchma's victory may lead to some changes in Ukrainian policy, the issues discussed at the two workshops remain highly topical and are likely to continue to dominate the foreign policy agenda of both countries. The

[1]See F. Stephen Larrabee and Allen Lynch, *U.S. and Russian Strategic Interests After the Cold War: The New Agenda*, RAND, PM-236-A/AF/OSD, April 1994. See also F. Stephen Larrabee and Allen Lynch, *Ukraine in Future European Architectures and Security Environments*, RAND, PM-185-USDP, December, 1993.

two workshops thus provide a useful "snapshot" of Russian, Ukrainian and Western interests and policy dilemmas and should be of interest to policymakers and specialists dealing with Russian and Ukrainian affairs.

1. RUSSIA AND THE CIS

The initial sessions of the two days of discussions focused on Russian policy toward the Commonwealth of Independent States (CIS). A senior Russian foreign policy specialist presented a summary of current Russian policy and attitudes toward developments in the CIS that was largely shared, with some nuances, by other participants at the workshops. Within the CIS, he noted, a trend toward economic and security integration with Russia is on the rise almost everywhere. Apart from the Baltic states, Russia's ex-Soviet neighbors are becoming steadily weaker, both in absolute terms but, more importantly, in relation to Russia which faces burdensome economic, social, and political problems itself. This relative weakness has led to a desire on the part of many of the states of the CIS for closer economic and security ties with Russia. Russia, he stated, desires a position of geopolitical and economic dominance on the territory of the former Soviet Union. Yet this feeling goes hand in hand with a growing skepticism about the costs *to Russia* of integration. If economic integration in the CIS area entails a net Russian subsidy to its partners as the price for closer relations, then many members of the Russian policy leadership are not willing to pay the price. The widespread skepticism in Russia about economic integration with Belarus is just one example of this tendency. Similarly, he said, most Russians wish to do something on behalf of Russians living outside of Russia in the CIS and Baltic states but not at the cost of provoking dangerous conflicts (as in Crimea), damaging relations with the West (as in the Baltic states), or encouraging mass Russian migration back to Russia.

Finally, there is a growing economic and institutional discrepancy between Russia, which has since January 1992 embarked on economic liberalization and privatization of communist property on a mass scale, and most of its neighbors in the CIS, including Ukraine, which have not. A simple imperial "takeover" of the CIS by Russia, he stated, is increasingly implausible: it is too costly, and standards of living and economic structures have diverged too greatly in the past two and one

half years for such a "reimperialization" to be effectively managed. The old, Soviet-era suppliers no longer exist on a sufficient scale to sustain such "top-down" integration. Early and rapid economic integration between Russia and its ex-Soviet neighbors would be likely to thwart both the prospects of Russian reform and overburden the Russian economy. The probable course for Russian policy is, thus, one of "dominance" of its neighbors, based on bilateral ties and superior Russian economic, military, and political power rather than CIS institutions. The independence of Russia's neighbors would be respected but Russia would not undertake responsibility for governance of its neighbors' domestic affairs (as distinct from fulfillment of treaty and other contractual obligations undertaken with Russia).

Western analyses of Russian relations with the CIS did not differ substantially from the one presented above, but their policy prescription and the implications they drew from these developments were often quite different. There was general agreement among Western participants that Russia's relations with the West had entered a more troubled phase since 1993. The "romantic pro-Western period" in Russian foreign policy is now over. At the same time the U.S. has moved away from a "Russian only" policy. "Talbottism,"—as one American participant put it—had lost momentum and was under attack from a variety of quarters.

In effect, the United States and its European allies were no longer willing to give Russia the benefit of the doubt, especially regarding its policy toward the CIS. This new sensitivity in Western policy had more to do with changes in Russian domestic politics than it did with changes in Russian external behavior. In other words, "Geo-politics is back." Russia was searching for a new definition of its national interest to fill the vacuum created by the collapse of communism. This reflected a strongly-held belief within the Russian elite that Russia was something more than the Russia within its current borders.

These two trends—a more skeptical Western view of Russian behavior and the Russian belief that Russia represented something more than its current territorial form—had begun to intersect. The West had initially failed to fully appreciate the degree to which the new states

of the former Soviet Union would be dependent, in economic and security terms, on Russia. Some republics, such as Kazakhstan, had recognized this. Others, such as Ukraine, overestimated their potential and the amount of Western assistance they would receive. The Russian elite had erred in their belief that they could shed Central Asia. They also underestimated the domestic impact of the 25 million some ethnic Russians that had been left outside of Russia's current borders.

At the same time, the West was reluctant to become actively engaged in the CIS to help the new republics maintain their independence. The West had given a signal to these republics--at least initially--that they could not count on the West. This, several participants argued, was a serious mistake. In effect, it gave Russia a carte blanche to do as it pleased in the CIS--or at least was perceived as doing so by many in the Russian elite.

Both Russia and the West seemed to want to have their cake and eat it too. The West does not want these republics, especially Ukraine, to be dependent on Russia, but it appears unwilling to do much to prevent this. Russia, on the other hand, wants to assert its dominance over the CIS but does not want to pay for it. Russian and Western policy were, thus, at odds with one another. As one U.S. participant put it, Russia wants dominance without responsibility while the West wants Russian responsibility in the CIS without Russian dominance. In effect, Russia wants the West's imprimatur to be the hegemon in the CIS. The West is unwilling to give this imprimatur but is also unwilling to undertake efforts to prevent Russian dominance of the area.

Russian participants argued that Russia had "no grand design" for the CIS and that its policy was not expansionist. As one senior Russian diplomat put it: "We don't exactly know what we want. But we need economic reforms in the CIS. At the same time we don't want to force any particular model on anyone." Above all, he argued, Russia needed stability on its borders. The fact that the U.S. was unwilling to help provide stability in the CIS left Russia little choice but to go it alone.

A senior Russian military official warned against the Western tendency to see Russian policy in the CIS as expansionist. This was not

the case, he argued. But there was an "objective need for mutual cooperation," especially in the military field, because many of the structures that could provide security in the CIS had been destroyed. Hence, it was necessary to develop a collective security organization on the territory of the CIS. This organization should be part of a global system of security and act as a link between systems of regional security in Europe and Asia.

As one Russian specialist put it, Russia wanted to have "leadership" but "not control" in the CIS. The distinction, he maintained, was important. Control, meant "taking over." Leadership, by contrast, involved exercising some responsibility but not exerting full control or taking over. Russia wanted stability in the new republics but it did not want to pay the full price for it. Antipathy toward integration was growing, Russian participants argued, largely because of the costs involved. The best Russia could hope for, one Russian participant stated, was a relationship with the CIS similar to that between the United States and Central America and/or Mexico. Many of the same problems, he pointed out, were present in both cases: drugs, immigration and economic dominance.

Western participants often found it hard to know exactly what Russian policy was. There was a cacophony of voices, many often making contradictory statements. Russian participants acknowledged that diverse, often contradictory opinions existed in Russia. The one that really mattered, however, was that of President Yeltsin. Yeltsin, they stressed, had been very restrained and had not sought to exacerbate the situation in Crimea. This restraint reflected Russia's desire for stability on its borders, not just in Ukraine but in the CIS in general.

The key question was whether this restraint would last. Would Yeltsin's successor pursue the same policy? A Russian participant addressed this issue. There was no formal consensus on this policy, he said. However, *an informal consensus* existed within the Russian body politic. Hence, the policy was likely to be continued by Yeltsin's successor.

2. RUSSIAN-UKRAINIAN RELATIONS

The situation in Ukraine was a central topic during the two days of discussions. Russian participants expressed strong concern about the prospects for instability in Ukraine and the impact of a Ukrainian crisis on Russia's relations with the West. Ukraine, a Russian participant argued, was dissolving as an effective state. It was undergoing quasi-federalization or confederalization. Economic reform had yet to begin in Ukraine. While widespread social unrest had not yet broken out, such unrest was likely within two years, if economic conditions continued to deteriorate. As a result of Ukraine's economic weakness, Ukraine was no longer seen as a threat to Russia. However, *instability within Ukraine* posed a serious threat to Russian security. Due to Ukraine's growing internal fragmentation, issues such as migration, narcotics and possible arms flows if the Ukrainian army falls apart were becoming serious problems. An explosive crisis within Ukraine would almost inevitably lead to Russia's involvement. Such involvement could threaten Russia's relations with the West and overburden a weak Russian state with a range of commitments that might bring down the Russian state itself.

Russian attitudes toward Ukraine were changing, Russian participants stressed. Ukraine's economic weakness and lack of economic reform were causing Russians to lose interest in Ukraine. Russia wanted to see a restoration of economic relations, especially in agriculture. However, *interest in reintegration with Ukraine was declining* because more and more Russians felt that Ukraine would be a drain on Russia's economic resources. Over the long term, Russia was interested in Ukraine as an ally, even a defense ally, one Russian participant said. But this was not an urgent issue because at the moment there was no immediate threat. In the meantime cooperation between Russia and Ukraine, he argued, should be pursued on the bilateral level rather than through the CIS.

Would Russia's attitude change, one Western participant wondered, if Russia or Ukraine became stronger? Was there now a "window of

opportunity" for Russian-Ukrainian reconciliation which might vanish over time? A Russian participant replied that if the gap between Russia and Ukraine diminished over time, the current problems between Russian and Ukraine would decrease. However, if the gap remained or grew, the Russian population would favor separation.

Russian participants repeatedly emphasized Russia's desire for stability in Ukraine. "We don't want a crisis in Ukraine," one Russian stressed, "We have seen the results of even a minor crisis in Russia." The deterioration of Ukrainian economy was a particular source of Russian concern. The problems in Ukraine were not of an ethnic nature, one Russian participant argued, but of a historical and regional nature. However, the economic crisis in Ukraine was exacerbating these historical and regional tensions, leading many in Eastern Ukraine and Crimea to favor closer economic and political ties with Russia.

Similarly, Russian participants repeatedly denied any territorial aspirations vis-à-vis Ukraine. A leading member of the Duma categorically denied that Russia had any such aspirations or intentions. The political elite in Russia, he said, is not interested in the dismemberment of Ukraine or in absorbing a part of Ukraine into Russia. "We recognize the territorial integrity of the states of the CIS." Ukrainian fears, he argued, were unfounded. At the same time Russia wished that Ukraine would stop presenting itself as a "bridgehead of containment."

Russian participants emphasized that Russia was not trying to exacerbate tensions with Ukraine. A Russian diplomat involved in the Russian-Ukrainian negotiations argued that Russia was exercising great prudence in its relations with Ukraine and hoped to settle outstanding differences on a normal state-to-state basis. President Yeltsin had been very careful not to encourage the separatists in Crimea. However, this was not simply the policy of the Yeltsin government. The Duma, he noted, had also taken a much more responsible and constructive approach to Crimea and Sevastopol than had the former Supreme Soviet.

A leading member of the Duma echoed this point. Russia was trying to use its influence, he said, to resolve the Crimean and Sevastopol problems without violence. However, it did not want to see an

internalization of the Crimean problem. Like many Russian participants, he expressed concern about Ukraine's economic situation, especially Ukraine's ability to pay its debt to Russia. Sooner or later, he argued, economic necessity would force Ukraine to reconsider its attitude toward the CIS.

A Russian participant summed up Russian expectations of the West in respect to Ukraine as follows:

1. Genuine understanding of the complexity and interdependence of the issues involved.
2. The West should push Ukraine as hard as possible in the direction of economic reform. The lack of such efforts to date has been a "political and moral failure by the West."
3. The West can best encourage such reforms by helping Ukraine to bear its burdensome energy costs. This, together with any other economic aid to Ukraine, would also constitute significant indirect economic aid to Russia.
4. Do not try to destabilize Ukraine in the event that it heads in a decidedly pro-Russian direction. This would be a very dangerous path for Russia, for the West, and most of all for Ukraine.

Western participants, while somewhat less sanguine about Russian intentions, tended to share many of the Russian concerns about the impact of a crisis in Ukraine, especially on relations with the West. A crisis in Ukraine, one Western participant argued, would have a negative impact on relations with the West regardless of *whether Russia fomented it or not*. The process would be messy and the exact Russian role would be difficult to ascertain. The overall political impact, however, would most likely be to drive the West toward a policy of neo-containment. Russian and Western policy preferences, he noted, were at odds with one another. Russia wanted domination without responsibility, while the West wanted Russian responsibility without domination.

A crisis in Ukraine would have a profound impact on East Central Europe. It would make the Visegrad countries, especially Poland, very nervous and would lead to increased pressure by these countries for a

more rapid enlargement of NATO, complicating the management of NATO-East European-Russian relations and exacerbating current policy dilemmas.

The ultimate impact of any Ukrainian crisis, several Western participants argued, would depend on how Russia reacted. If Russia showed restraint, as it had in Crimea, then the fallout of any crisis on Russia's relations with the West could be limited. However, if it was seen to be fomenting or exploiting the crisis, then the impact on relations with the West would be quite strong. The problem, others pointed out, was that the degree of Russian involvement was likely to be ambiguous. This would complicate Western calculations and make any response difficult. This underscored the importance of devising a coherent Western policy designed to stabilize Ukraine and even of taking joint initiatives with Russia aimed at containing the potential for conflict.

3. INTERNAL AND EXTERNAL ASPECTS OF UKRAINIAN SECURITY

Ukraine's internal stability was a major focal point of discussion at the workshop. Particular attention was paid to Ukraine's economic problems and their implications. However, Ukrainian views on the state of the Ukrainian economy diverged significantly from those of Russian and Western conferees. While not denying that Ukraine faced serious economic challenges, Ukrainian speakers argued that preoccupation in the West with the negative aspects of the Ukrainian situation (which they admitted existed) tended to overshadow many of the positive developments. These included:

-- a better awareness of the complexity of the Ukrainian economic crisis by Ukraine's intellectual elite;

-- the beginnings of the conversion of Ukraine's antiquated military-industrial economy;

-- a sharp reduction in inflation;

-- a robust second economy;

-- the increasing skill and sophistication of the Ukrainian intellectual elite as a result of exposure to the practical problems of governance and international experience;

-- the beginnings of an effort by the Ukrainian government to organize a coherent financial structure.

In addition, the Ukrainian government, they argued, has pursued a very effective ethnic policy, which has been able to avoid ethnic conflict throughout Ukraine. The real problem facing Ukraine, they argued, is not, as is widely thought, ethnic tensions between Russians and Ukrainians, which both Russian and Ukrainian conferees agreed do not exist, but a *differentiated pattern of economic development in eastern and western Ukraine*. The eastern regions, where large Russian populations live, are inordinately dependent on obsolescent military and heavy industry.

The paramount problem challenging Ukraine's security, Ukrainian speakers emphasized, derived from the deplorable state of the Ukrainian economy and the need for effective economic reform. A Ukrainian

economist tried to put the problem in perspective. The state of the Ukrainian economy, he said, was "bad but not catastrophic." He warned against a kind of economic determinism that had crept into many Western and Russian analyses of Ukraine. For example, while GDP had certainly declined dramatically, this had occurred mainly in the obsolescent heavy industrial area concentrated in eastern Ukraine where an increase in production would be highly undesirable. By contrast, in Western Ukraine, many private economic initiatives have been undertaken, and there is a veritable construction boom under way.

To a large extent economic dissatisfaction has been regionally differentiated. But, Ukrainian participants pointed out, this has not resulted in either social or ethnic unrest. To its great credit, as Russian analysts also acknowledged, the Ukrainian government has pursued a non-ethnically based concept of citizenship, aimed at accommodating the large Russian and Russian-speaking population in the country.

Inflation has been reduced in recent months from 90 percent per month in December 1993 to about 5.5 percent in June 1994. This reflects both the inevitable leveling off of energy prices and a more responsible attitude on the part of the government. As in Russia, actual standards of living in Ukraine, one Ukrainian economist pointed out, are much higher than either the dollar equivalents of per capita income or the state of the statistical economy would indicate, reflecting a symbiotic relationship between town and country that is absent in much of the West and a thriving underground economy. Furthermore, he pointed out, the unofficial private economy that has helped maintain living standards is much less controlled by criminal elements than in Russia.

A high ranking Ukrainian economic official made essentially the same argument. The Ukrainian economy, he said, was being changed despite the will of politicians. The main problems in the Ukrainian economy were caused by disturbances in the Russian economy. The changes in energy prices introduced by the Russian government were forcing Ukraine to undertake economic reform. At the same time, there was a danger of the "Ukrainization" of the Russian economy. Given the close linkage of the two economies, such a development would inevitably have negative consequences for the Ukrainian economy.

Ukrainian speakers admitted, however, that economic reform had not proceeded as quickly as necessary. This was due, they maintained, to the *absence* of four factors:

a. the political will to pursue reform aggressively;

b. technical knowledge of how to implement reform;

c. a cadre of officials able to act on such knowledge;

d. substantial foreign assistance, especially for monetary stabilization.

This situation has begun to change, they argued, as foreign aid began to acquire credibility in Ukraine in the fall of 1993. This also contributed to the signing of the tripartite Russian-U.S.-Ukrainian nuclear agreement, as Ukraine began to have greater confidence in U.S. support for Ukrainian independence. Ukrainian elites have begun to learn, through time and the experience of their ex-Soviet and East-Central European neighbors, about the mechanics of reform (such as monetary stabilization, market liberalization, and privatization) and this knowledge has begun to spread within Ukraine.

As a consequence, the political will to reform has grown, and at least the language of reform has been accepted by all political parties and candidates. If this will can be translated into a real program of economic reform, Ukrainian participants argued, Ukraine's considerable economic potential, e.g., in telecommunications, high-technology areas (reflecting a well-educated and low cost labor force), and agriculture (with per hectare yields potentially several times that of Germany) could be exploited to positive effect.

Discussion of the prospects for Ukrainian economic reform had the characteristics of "the chicken or the egg" problem. Ukrainians argued that reform could not succeed without Western assistance, while Westerners argued that without structural reform, aid could not be effective. The main problem, one American official argued, was that there was no government in Kiev that could implement reform. The parliamentary elections in March seemed to make it even less likely that Ukraine could implement a meaningful reform program. His views were shared by a great many Western participants.

Russian participants were also skeptical about the prospects for reform in Ukraine. A leading member of the Duma argued that Ukraine had missed a chance over the last several years by failing to initiate a serious privatization program. The leftist forces in the parliament, he feared, would block any new reform efforts. Ukraine also had made political errors. At the same time, Kravchuk's powers had been greatly weakened. Sooner or later, he predicted, Ukraine would have to rethink its attitude toward the CIS.

Ukrainian participants, on the other hand, were surprisingly upbeat about the prospects for reform. The economic program put forward by Prime Minister Masol, they argued, contained many market-oriented policies. Privatization was also moving forward. Some forty nine percent of the enterprises scheduled to be privatized in 1994 had already been privatized. However, Ukraine could not privatize too rapidly without risking mass unemployment.

In addition, they pointed out, the composition of the Rada was not yet clear. Only 337 of 450 deputies had been elected to date (late June). Another 100 were still to be elected. Thus, it was too early to say for sure, as some Western participants were inclined to do, that the Rada was anti-reform.

Several Ukrainian participants also challenged the view that decentralization of power would lead to the fragmentation or break-up of Ukraine. A leading Ukrainian economist suggested that devolving more power to the regions was both necessary and positive. He cited the example of Switzerland. Several Ukrainian participants also warned against exaggerating nationality or ethnic problems in Ukraine. This was not a serious problem and diverted attention from the real social and economic problems, which resulted from the slow pace of economic reform and regional differentiation.

As far as external security was concerned, Ukrainian participants showed little enthusiasm for closer ties to the CIS, especially in the security and defense area.[2] What use was such a collective security

[2]Readers should bear in mind that the workshops were held several weeks prior to the Ukrainian presidential elections on July 10 and that many of the Ukrainian participants at the workshops were strong

organization, one Ukrainian participant asked. Whom was it aimed against? China? The West? Another questioned the very use of the term "collective security" when two signatories of the Tashkent agreement, Armenia and Azerbaijan, were at war with one another.

In particular, Ukrainian participants expressed strong reservations about peacekeeping in the CIS. One Ukrainian participant, for instance, voiced concern about the "hidden agenda" behind Russia's push for CIS peacekeeping. Ukraine was reluctant to mandate one country to carry out peacekeeping in the CIS. CIS peacekeeping, he argued, was a misnomer, "It is not CIS peacekeeping; it is *Russian* peacekeeping."

Rather than closer involvement with the CIS, most Ukrainian participants favored closer ties to Europe. Ukraine, as an advisor to President Kravchuk put it, was a "balancing factor for security in Europe," and wanted closer integration into European security structures. Without closer integration into Western political and economic organizations, he argued, Ukraine would not be able to develop its economy and overcome its current economic difficulties. The West should realize that a strategic investment in Ukraine was an investment in European security.

Several Ukrainian participants expressed fear that Ukraine would be caught between Europe and Russia and would be forced into the Russian sphere of influence. Ukraine, as one Ukrainian participant graphically put it, did not want to be "the last car on the Russian train." Kiev, did not want to see the bloc system recreated. Instead, it favored the creation of an all-European system of security. It wanted to join PFP. But PFP was not a bloc. It was open to others, including Russia.

The nuclear issue received surprisingly little attention, a reflection, perhaps, of the degree to which the issue has lately been overshadowed by Ukraine's economic crisis. Touching on the issue in passing, a close advisor to President Kravchuk emphasized that Ukraine was committed to denuclearization along the lines of the tripartite

---

supporters of President Kravchuk. The Ukrainian position on relations with the CIS may shift somewhat under Kuchma, who has generally taken a less nationalistic position than Kravchuk and who is on record as favoring closer ties to Russia and the CIS.

agreement signed in January by Presidents Yeltsin, Clinton and Kravchuk. At the same time, he cautioned the West against exerting pressure on Ukraine. The tripartite agreement, he argued, could have been signed earlier, if the West had not exerted pressure on Ukraine. This should not be repeated with the NPT. Ukraine would ultimately sign the NPT, but increased pressure would not help.

4. RUSSIA, UKRAINE AND EUROPEAN SECURITY

The workshop devoted considerable discussion to questions of European security, especially the implications of NATO expansion. Russian speakers, including representatives from the military leadership, repeatedly stressed that Russia did not see NATO as a hostile alliance. Russia's fear was that an unregulated expansion of NATO eastward would cement Russia's isolation from Western Europe and the United States. The CSCE, a Russian participant argued, is too weak to be a viable foundation for an all-European security system. At the same time, the North Atlantic Cooperation Council (NACC) is clearly in limbo. Therefore, an expanded NATO would, by default, become the core of a new European security system. The problem for Russia was that Russia would be excluded from this system.

Russian concerns about NATO expansion, however, were not limited just to Eastern Europe. Expansion of NATO would open up the prospect of Baltic membership of the Baltic states in NATO. Membership of the Baltic countries in NATO, Russian participants stressed, would be regarded by Russia as a provocation.

One German participant pointed out that the European Union (EU) aspect had been almost entirely overlooked in the discussion about NATO expansion. The European Union was more than an economic grouping. It had an important foreign and security component. Finland--which had a border with Russia--would become a member of the EU in 1996 and perhaps eventually a member, or at least an associate member, of the WEU. Thus Russia will soon have a Western political security organization on its border. This issue will come up before the question of Central European membership in NATO or the EU, but it will have implications for the Visegrad countries' membership in both organizations.

Considerable attention was also focused on Russia's relationship to NATO. Most Western participants agreed that Russia should be offered a "special relationship" with NATO. The key issue, several U.S. participants argued, was the *content* of the special relationship. This was likely to significantly influence the Russian response to NATO

expansion. The West needed to offer Russia enough "compensating equities" to take the sting out of expansion and "provide cover" for Yeltsin and the democrats.

A number of Western analysts, however, sharply disagreed with this analysis. They argued that the Russian response to NATO expansion was likely to be negative regardless of the content of the special relationship. The West, they stressed, should stop kidding itself and stop pretending that Russia would gradually come to accept expansion if it were given adequate "compensation." Russia was--and would remain--opposed to NATO expansion and no amount of "compensating equities" would change that fact.

Another contentious issue was the question of consultations between NATO and Russia on European security matters. Some participants suggested that Russia become a member of the G-7. Others suggested that a group analogous to the "Quad" be set up with Russian participation. This would operationalize the issue of consultations and provide a means for Russia to be brought into the security debate.

On this issue, however, there was no consensus. Several Western participants argued that Russia should not be brought into NATO discussions until after NATO was clear in its own mind what it wanted. Others disagreed. One American participant argued that NATO was at a crossroads. If NATO continued to decide things itself first before discussing them with Russia, this would continue the Cold War patterns and Russia would seek to weaken NATO and subordinate it to the CSCE. At the same time, if NATO did show more candor with Russia, it had a right to expect Russia to be more open and candid about its policy and goals in the CIS.

Rather than carping about the bad hand that the collapse of the Soviet Union dealt it, American analysts suggested that the Russian government should be examining what it can do to alleviate East European fears about future Russian conduct and seek to make the best rather than the worst out of the likelihood of NATO expansion. Was it really in Russia's interests to seek to exploit the compensatory measures that NATO has offered Russia, for example, within the framework of the Partnership for Peace (PFP)?

The primary value of PFP was seen as affording the diplomatic time necessary for the governments involved to learn how they can forge an effective new security partnership. If it turned out instead that PFP meant wasting time in order to defer important decisions about the future of NATO and European security, NATO would have wasted a considerable opportunity to advance its mission under new circumstances.

5. WESTERN POLICY

There was a strong consensus among Western participants at the workshop that the continuation of Ukrainian independence within the present borders of the Ukrainian state was strongly in the interest of the West. A secure Ukraine, as one U.S. participant stressed, increases the likelihood that Ukraine will complete the process of military denuclearization that it has begun, diminishes the threat to these weapons that instability in Ukraine might produce, and reduces the potential of a conflict between Ukraine and Russia. Moreover, a secure Ukraine would provide convincing evidence to the outside world that Russia is following a constructive good neighbor policy rather than a neo-imperial policy in its relations with its ex-Soviet neighbors. Finally, a secure Ukraine would reduce the chance that Ukraine might become a destabilizing factor between Russia and the West.

Yet a secure Ukraine depends not only on the attitude and conduct of Russia and the West, but also on critical choices that the Ukrainian government has to make for itself. These pertain most importantly to the Ukrainian economy. A protracted economic decline of the sort witnessed over the past two years could lead to a social explosion within Ukraine that could intersect with regional and ethnic differences and produce a crisis in Russian-Ukrainian relations.

The question of "whither Ukraine," several American participants suggested, was the single most important European security issue today. A failure to stabilize Ukraine could lead to turmoil that could make the conflict in Bosnia pale by comparison. Indeed, a crisis in Ukraine could spark a triple crisis:

-- a crisis between Russia and Ukraine;

-- a crisis between the U.S. and Russia;

-- a crisis within the alliance between the U.S. and its allies over how to respond to the spreading instability in Ukraine.

There was a strong consensus among Western participants that the Western response to stabilizing an independent Ukraine had been inadequate. So far Russian policy had been relatively prudent, but

there was no guarantee that it would continue to be the case in the future. To reduce the prospects that instability could lead to a full-blown crisis, Western governments, one U.S. participant suggested, needed to take four steps:

1. The U.S. president must take the lead in persuading the U.S. government and the European allies of the United States to make the future of Ukraine a priority in their foreign policies.

2. The West should formulate a major aid package to help provide a social safety net for Ukrainian economic reform. The Ukrainian government has to take the first steps by implementing a meaningful reform program.

3. Western governments should be much more vocal regarding the independence and territorial integrity of Ukraine. Decisive progress toward continued nuclear dismantlement and signing the nuclear non-proliferation treaty will depend on the degree of confidence that the Ukrainian government has in Western willingness to help preserve its independence and security.

4. The West should bring Russia directly into the effort to stabilize Ukraine economically.

Increased Western investment and economic assistance, it was strongly felt, could play an important role in stabilizing an independent Ukraine. Out of the 12 newly independent states that received economic assistance in 1993, Ukraine had ranked 10th. Practically no OPIC money was going to Ukraine. The EX-IM Bank was also doing very little business in Ukraine. Ukraine's high inflation rate was a major impediment to investment by the EX-IM Bank and OPIC. Thus, one of the main Western priorities should be to help Ukrainians reduce inflation. *Western investment should be targeted at Eastern Ukraine in particular.* U.S. assistance also needed to have a payoff in terms of U.S. jobs.

Several U.S. participants, however, warned against setting too strict conditions for assistance that even a reformist Ukrainian government could not meet. An assistance package could serve two important purposes. First, it could provide an incentive to get the Ukrainian leadership to take the first steps toward reform. Second, it

could buy time to allow Ukraine to continue with the dismantlement of nuclear weapons.

However, an assistance package should not be limited just to Ukraine, one U.S. participant argued. Aid was needed for both Ukraine *and Russia*. Given the close interconnection between the Russian and Ukrainian economies, an economic crisis in Russia would have major consequences for Ukraine. Thus the two problems needed to be treated in tandem.

It was felt that more attention also needed to be paid to the security aspects of Ukraine's predicament. Ukraine needed to be integrated into European security structures, especially subregional structures. Ukraine was in many ways unique. Its security was of critical importance for overall security in Central Europe, but it was hard to see where exactly Ukraine fit into the new emerging European security architecture. Would Visegrad membership in Western security institutions make Ukraine feel more secure or more isolated? The answer was not entirely clear.

PFP, it was suggested, might be the best that Ukraine could hope for. Ukraine could participate in PFP with fewer reservations than Poland, several Western participants pointed out. The West, therefore, should use PFP to address at least some of Ukraine's security concerns. A German participant, however, saw a danger in the recent American emphasis on "bilateralism." This trend, he argued, pointed in the wrong direction. Instead, multilateral institutions needed to be invigorated.

Several alternative Ukrainian security futures were possible, each of which had implications for Western policy:

1. *Finlandization*. In this scenario, Ukraine would be tied economically and politically to the West, but not integrated into Western military structures. This scenario would require a very large commitment of Western resources, which the West did not seem ready to make.
2. *Ukraine "Light"*. In this scenario, Ukraine would be economically but not militarily integrated with Russia. This would still require a moderate level of Western engagement, but

heavier than any that the West has so far indicated it is willing to make.

3. *Ukraine "Heavy"*. In this scenario, Ukraine would be both militarily and economically integrated with Russia and the CIS.
4. *Partition*. In this scenario, Ukraine would fragment, with the Eastern part joining Russia or a Russian-dominated CIS and Western Ukraine oriented toward the West. The West would face the dilemma of how to deal with a highly nationalistic Western Ukraine.
5. *Full Integration*. In this scenario, Ukraine would be incorporated into Russia or a Russian-dominated CIS.

The first scenario—Finlandization—is probably unrealistic because the West is unwilling to commit the resources to achieve it. Moreover, even if it did, it is unclear whether Ukraine could effectively utilize these resources. The second scenario--Ukraine "Light"--probably is the best that the West could hope for. Western policymakers face three critical questions:

-- What is the West prepared to do in order to realize the second scenario?

-- How would the West react to the third scenario—the military integration of Ukraine into the CIS—especially if this took place, as would be likely, in a gradual manner?

-- Is it possible to have economic and political integration without eventual military integration?

The final two scenarios--partition or incorporation by Russia--would be the easiest for the West to deal with in policy-terms. But they would also be the most unfortunate in that they would likely spark a new round of conflictual relations between Russia and the West. They could also lead to disagreements between the United States and its West European allies over how to respond to the resultant demands of the states of East-Central Europe for security guarantees and incorporation into NATO.

There was considerable support, especially among Russian participants, for joint Russian-Western initiatives and cooperation designed to help stabilize Ukraine and prevent any crisis in Ukraine

from leading to a crisis between Russia and the West. Russia, several Russian participants argued, could not stabilize Ukraine alone. What, they asked, was the West willing to do concretely to stabilize Ukraine? What could be done jointly?

Western participants came up with few concrete answers or proposals for joint initiatives. In part, this reflected the ambivalence in Western policy toward making a large-scale commitment to stabilizing Ukraine. Germany, German participants argued, was already overextended; it could not take on the burden of stabilizing Ukraine. Others would have to take on the task.

But Western reserve about any coordinated action with Russia also reflected Western ambivalence about Russian objectives vis-à-vis Ukraine. While Russian participants continually professed to have no desire to reintegrate Ukraine into a federation--at least in the short-term--largely due to the excessive costs of such an effort, Russia's long-term objectives were less clear. Would Russian restraint continue once Russia had become stronger?

The inability of Western participants to suggest common initiatives or put forward a coherent program designed to stabilize Ukraine left many Russian participants frustrated. The West, they argued, wanted to have its cake and eat it too. It wanted Russia to refrain from actions in areas (the CIS and Ukraine) which were of paramount importance to Russian security. But it was unwilling to help stabilize the region itself.

At the same time, there was widespread recognition on both sides that Russia and the West shared a common interest in preventing a crisis in Ukraine from erupting and disturbing Russian-Western relations. The question was how best to do this. In the end, the issue of economic reform, many agreed, was likely to be critical. Without economic reform, Ukraine's crisis was likely to intensify, exacerbating pressures for autonomy, even separatism. To prevent this, outside economic assistance was imperative. But this assistance could only be effective if there were a government in Kiev committed to economic reform and capable of using the assistance effectively.

APPENDIX A

LIST OF PARTICIPANTS

U.S. PARTICIPANTS

Ronald D. Asmus
RAND

Robert D. Blackwill
Harvard University

Fritz Ermarth
RAND

Thomas Graham
Policy Planning Staff
Department of State

Daniel Hamilton
Policy Advisor to the Ambassador
American Embassy

Arnold L. Horelick
RAND

A. Ross Johnson
Director RFE/RL Research Institute

Charles T. Kelley, Jr.
RAND

Zalmay Khalilzad
RAND

F. Stephen Larrabee
RAND

Allen Lynch
Rapporteur
RFE/RL Research

Robert C. Nurick
RAND

Roman Solchanyk
RFE/RL Research Institute

John Tedstrom
RAND

GERMAN PARTICIPANTS

Hannes Adomeit
The Fletcher School of Law and Diplomacy
Tufts University

Georg Bautzmann
Stiftung Wissenschaft und Politik

Hermann Clement
Osteuropa-Institut

Suzanne M. Crow

Stephan DeSpiegeleire
Stiftung Wissenschaft und Politik

Eckhard Fischer
Fü S III
Bundesministerium der Verteidigung

Frank Kupferschmidt
SPD Staff Member

Christine Kirschstein
Stiftung Wissenschaft und Politik

Peer H. Lange
Stiftung Wissenschaft und Politik

Friedemann Müller
Stiftung Wissenschaft und Politik

Uwe Nerlich
Deputy Director
Stiftung Wissenschaft und Politik

Bernard von Plate
Stiftung Wissenschaft und Politik

Alexander Rahr
Deutsche Gesellschaft für
Auswärtige Politik e.V

Harald Riedel
Fü S III 1
Bundesministerium der Verteidigung

Christoph Royen
Stiftung Wissenschaft und Politik

Wilhelm Schonfelder
Eruopean Department
Auswärtiges Amt

Stefan Schwarz
Deutscher Bundestag

Axel Seemann

Planning Staff
Bundesministerium der Verteidigung

Klaus Segbers
Stiftung Wissenschaft und Politik

K. Peter Stratmann
Stiftung Wissenschaft und Politik

Oleg Strekal
presently:
Stiftung Wissenschaft und Politik

Michael Stürmer
Director
Stiftung Wissenschaft und Politik

Victoria Vegerova
presently:
Stiftung Wissenschaft und Politik

RUSSIAN PARTICIPANTS

Yuri Dubinin
Ambassador
Head of the Russian Delegation on
Negotiations with Ukraine

Sergei Karaganov
Deputy Director
Institute of Europe
Chairman of the Board
Council on Foreign & Defense Policy (CFDP)

Andrei Kortunov
Head of Department
Institute of the USA and Canada (ISCAN)

Evgeni Kozhokin
Director of the Russian Institute for
Strategic Studies
Member of the Board
Council on Foreign and Defense Policy

Konstantin Zatulin
Chairman of the Committee on CIS Affairs
and Relations with Compatriots Abroad
State Duma
Member of the Council on Foreign and Defense
Policy

Pavel Zolotarev
Major General
Head of the Analytical and Information Center
of the MoD

UKRAINIAN PARTICIPANTS

Borys Basylevsky
Senior Adviser
Verkhovna Rada Of Ukraine

Anton Buteyko
Deputy of the Verkhovna
Rada of Ukraine

Bohdan Havrylyshyn
Special Advisor to the
President of Ukraine

Ihor Kharchenko
Director of Policy Analysis
and Planning Directorate
Ministry for Foreign Affairs

Mykola Kulynich
Deputy Director
Ukrainian Institute of
International Relations

Serhiy Pyrozhkov
Director
National Institute for Strategic Studies

Borys Sobolev
Deputy Minister for Finance of Ukraine

Olexandr Yemets
Minister of Nationalities and
Migrations of Ukraine

APPENDIX B

AGENDA

SUNDAY, JUNE 19

ARRIVAL OF GERMAN AND AMERICAN PARTICIPANTS

RUSSIA, UKRAINE AND WESTERN POLICY: AN AMERICAN-GERMAN BILATERAL

15:00-18:00

AFTERNOON SESSION

-- Current European American Divergencies in Approaches to Russia and Ukraine in European Security

-- Security Implications of Internal Developments in Russia and Ukraine

-- Roles for Russia and Security for Ukraine

ARRIVAL OF RUSSIAN PARTICIPANTS

19:00 Cocktails

19:30 Opening Dinner

MONDAY, JUNE 20

UKRAINE'S SECURITY AMIDST RUSSIAN AND WESTERN POLICIES: AN AMERICAN-GERMAN-RUSSIAN TRILATERAL

09:00-12:45

SESSION I

A. RUSSIA AND CIS SECURITY

-- Possible Futures for CIS Security

-- Russia's Role in CIS Peacekeeping/Stabilization

-- Russian Choices in Regard to Disruptive Ukrainian Developments

-- Russian Aims toward Ukraine

-- Russian Interests in the Pursuit of Russian-Ukrainian Security Relations

- Joint Western-Russian Support Efforts for Ukrainian Political and Economic Transformation

12:45-14:00

Luncheon, Conference Center

14:00-18:00

SESSION II

B. RUSSIA AND EUROPEAN SECURITY

-- NATO expansion

-- Institutionalizing Russia's Relationship with NATO

-- Future of CSCE, CFE and FSC

-- Relations with EU/WEU

ARRIVAL OF UKRAINIAN PARTICIPANTS

UKRAINE'S SECURITY AMIDST RUSSIAN AND WESTERN POLICIES: AN AMERICAN-GERMAN-RUSSIAN-UKRAINIAN QUADRIPARTITE CONFERENCE

18:30

Drinks

19:00

Welcome and Opening Dinner, Conference Center

TUESDAY, JUNE 21

09:00-12:45

SESSION I

INTERNAL AND EXTERNAL ASPECT OF UKRAINE'S STABILITY

-- Scope and Conditions for Internal Stability, Political/Economic Development and Territorial Integrity of Ukraine

-- Russian-Ukrainian Relations

-- Problems of Multinational Crisis Management in the Territory of the FSU

-- Russian-Ukrainian Security Relations in the Context of Multilateral Frameworks (CSCE, NACC, CFE, et. al.)

12:45-13:45

Luncheon, Conference Center

13:45-16:00

SESSION II

-- Ukraine's Economic Relations with Russia and the Scope for CIS Development

-- Joint Western-Russian Support Efforts for Ukrainian Political and Economic Transformation

-- Policy Conclusions: Four Perspectives

16:00

END OF CONFERENCE