

CEPS COMMENTARY



Thinking ahead for Europe

Is a Concordat over Ukraine now conceivable with *Mishka* the bear?

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After receiving devastatingly bad news on the exchange rate of the rouble, President Putin delivered his usual end-of-the-year press briefing, lasting three hours, in which he analysed Russia's current economic prospects: a couple of difficult years, "provoked primarily by external factors ... the price of energy resources, of oil and consequently of gas as well" ... "out of all our problems, the sanctions take up about 25-30%". But after a couple of years ... "a growing world economy will require additional energy resources".

But beyond the dry economics, he indulged in his taste for folkloric imagery and apparently paranoid fantasies about Russia's enemies abroad:

You know, at the Valdai [International Discussion] Club I gave an example of our most recognisable symbol. It is a bear [medved] protecting his taiga. You see, if we continue the analogy, sometimes I think that maybe it would be best if our bear [*Mishka*] just sat still. Maybe he should stop chasing pigs and boars around the taiga but start picking berries and eating honey. Maybe then he will be left alone. But no, he won't be! Because someone will always try to chain him up. As soon as he's chained, they will tear out his teeth and claws. In this analogy, I am referring to the power of nuclear deterrence. As soon as – God forbid – it happens and they no longer need the bear [*Mishka*], the taiga will be taken over.

We have heard it even from high-level officials that it is unfair that the whole of Siberia with its immense resources belongs to Russia in its entirety. Why exactly is it unfair? So it is fair to snatch Texas from Mexico, but it is unfair that we are working on our own land – no, we have to share.

And then, when all the teeth and claws are torn out, the bear [*Mishka*] will be of no use at all. Perhaps they'll stuff it and that's all.

So, it is not about Crimea but about us protecting our independence, our sovereignty and our right to exist. That is what we should all realise.¹

So this is also Putin the patriot and populist at work. *Mishka* the friendly, cuddly Russian bear is being brought on stage, alongside the wicked external forces that want to grab Siberia. The reference here seems to be to the mythological speech by former US Secretary of State, Madeleine Albright, who was alleged in 2005 to have said that it was unfair that Russia had such great

¹ News conference of Vladimir Putin, 18 December 2014. While *medved* is a bear, *Mishka* is Russia's folkloric, friendly, cuddly bear of children's story books and ancient fables. The Kremlin translator was evidently at a loss how to translate *Mishka*, and so settled for the simple bear throughout.

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riches in Siberia. Albright has denied the story and its source has never been found, but it still has its uses for Putin. Whether the former intelligence agent believes the 'Albright narrative' to be real western geo-politics is itself an interesting question: if he believes it, he is paranoid, and if he does not believe it, he is just peddling propaganda and disinformation.

But back now to the hard economic realities. The game changer is the sanctions, multiplied many times over by the collateral oil price collapse (collateral because here Saudi Arabia is fighting for its market share against the US), leading together to the collapse of the rouble. The Kremlin cannot control the financial markets and the country's financial crisis is escalating. Its financial institutions are at risk. Accelerating inflation and unemployment are in prospect for the New Year. Putin has to do something now, but what? For sure, he could do what it takes to get the sanctions removed, but it will take a long time before all the economic damage that Russia has suffered is undone. Still, it might at least turn the tide.

Foreign minister Sergei Lavrov remarked a few days ago, whether he meant it or not, that Ukraine should sort out its political relations with the rebellious eastern Donbass all by itself. So be it, but any understanding must be based on a Concordat between Russia, Ukraine and the West.

The Concordat, first of all between Ukraine and Russia, would be that Russia's volunteers and other phantom military in the rebel territories would all go home. These territories would be demilitarised, and all tanks and heavy artillery pieces would also vanish in the dark of the night over the border to Russia. Kyiv for its part would vow that it would not seek to retake the territories by force. There would be all-Ukrainian political negotiations to determine the degree of autonomy of these regions. Russia would strongly and openly advise its supporters in the rebel territories to negotiate. Kyiv would have to accept for the time being some unattractive interlocutors. But apart from political matters, there would be many economic variables in need of negotiated settlement, where the rebels have no cards to play.

The trilateral elements in the Concordat would be simple but plausible. For their part, the EU and the US would unwind their sanctions. The entire Russian-Ukrainian frontier would be put under proper state control on the Ukrainian side, supported by OSCE monitors for as long as considered relevant. If the disarmament of the eastern Donbass were not implemented or reversed, the sanctions would stay or be reinstated. While it would not be written into any text, if Kyiv resumed a military offensive against a disarmed eastern Donbass, the Russian military would return immediately.

On the basis of this peace, there would be international support for the reconstruction and development of the war zones, in addition to that already being implemented or planned for the rest of Ukraine. Russia is no longer able to subsidise the eastern Donbass beyond some convoys of food parcels. The rebel territory is now an economic disaster zone, with its main industries not functioning, its infrastructure gravely damaged and a large share of its population having fled east or west. It is dependent on Kyiv for gas supplies. Elderly people currently have to travel across the de facto border to collect their minimal Ukrainian pensions, since the Donetsk Peoples Republic cannot fund even these. The region has no hope of economic recovery under the status quo. Normal economic relations would be re-established between eastern Donbass and the rest of Ukraine.

Crimea could be helped as well. Like it or not, the durable legacy of Yanukovich and Putin together has been the practical loss of Crimea to Ukraine. Kyiv may never recognise that formally, but life will go on, and Crimea needs land routes for normal trade supplies and travel for its population. Part of the Concordat would be for Ukraine to agree to normal flows of road traffic from Russia to Crimea. How much better than to see Russian tanks rolling down past Mariupol to seize a land corridor? *Novo Rossiya* would return to the history books.

Above all, this would be a serious peace, not another frozen conflict or another Transnistria. The eastern Donbass would be drawn into more normal processes of political and economic negotiation. The badly wounded Russia would look for a gradual return to more normal international relations, which the European Union would surely be glad to reciprocate at a pace as fast as the Kremlin was willing to go. This tumultuous year of ever-changing episodes – from Yanukovich renegeing at Vilnius last November, to the new Maidan, to Yanukovich fleeing for his life, to Russia’s annexation of Crimea and incursions into the eastern Donbass, the election of pro-European President Poroshenko, the war with over 4,000 dead, the election of a new pro-European parliament and now the crash of the rouble – is coming to a close with possibly at last the end-game in sight. Of course, we are only now witnessing an end to the war, and the beginning of a precarious yet hopefully real peace. The devastating strike of those intangible, anonymous financial and commodity markets against the Kremlin’s tragic misjudgements also becomes a morality tale of historic proportions.