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Ukraine

between East and West

**Report for the NO campaign in the Dutch Referendum on
the EU-Ukrainian Association Agreement, 6 April 2016**

**Kees van der Pijl,
Fellow, Centre for Global Political Economy,
Professor Emeritus, School of Global Studies,
University of Sussex**

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Centrum voor Geopolitiek
Lauwerecht 33, 3515GN Utrecht

Preface

In November 2008 the author along with Ivan Eland, Director of the Center for Peace and Liberty at the Independent Institute, Oakland (Cal.), a specialist in defence and international security matters; Eamonn Fingleton, writer and journalist specialising in Asian affairs and based in Japan; Ronnie Lipschutz, Professor of Politics at the University of California at Santa Cruz, and Nikolai Petro, Professor of Politics at the University of Rhode Island specialising in Russian and Ukrainian affairs, attended a series of events in Kiev at the invitation of the Ukrainian Forum to develop a vision for the future of Ukraine.

During several days we attended a conference on the topic and a televised round table (on 5Kanal, the channel owned by the current president, Petro Poroshenko). The author also gave a public lecture in the Diplomatic Academy (Shevchenko University) as well as an interview to 5Kanal.

The Ukrainian Forum at the time was patronized by the second president of Ukraine after its independence, Leonid A. Kuchma, but also included younger people who had been involved in progressive politics during the Soviet Perestroika period. It was they who had in fact been instrumental in selecting the participants from abroad for the 2008 event.

Little did we know then that in five years' time, the Kiev we visited would be engulfed by a popular movement against oligarchic rule, provoked by the decision of then-president Viktor Yanukovich not to sign the EU Association Agreement. Certainly in 2008 we saw several protest demonstrations against poverty and corruption and during conversations were left in no doubt that real problems for this country with its multi-national make-up and its economy in disarray, remained unsolved. It transpired later that the 2008 event was the last of its kind, as the Ukrainian Forum came under tremendous pressure from ultra-nationalists and

their Western handlers, with some of the leadership joining the Ukrainian nationalists, others lying low, and the organisation effectively marginalised.



The author (right) at the 2008 Ukrainian Forum round table on the future of Ukraine televised on 5Kanal, with former president Leonid Kuchma (left) and the chairman of the Ukrainian Forum, V.P. Semynozhenko (centre). Photo: Nikolai Petro.

Now that the Dutch people are being invited to vote in the referendum on the EU Association Agreement with Ukraine on 6 April 2016, one cannot help thinking back to those days when all the problems that would later explode in the uprising, seizure of power and civil war in 2013-14, were in evidence but still could be debated without fear of one's safety. Perhaps in hindsight the role of criminal enrichment had at that time already put the country on the path of destruction. Certainly the relentless forward pressure by the EU and the United States via NATO, could only exacerbate these destructive tendencies.

The author wishes to express his firm conviction that among the majority of the people of Ukraine a democratic spirit remains alive. A 'NO' in the Dutch referendum should therefore be seen as a signal of support to those across all of Ukraine who resist the plundering of their country by oligarchs, the resurgence of Ukrainian fascism and ultra-nationalism and the cynical meddling of the West in trying to cut Ukraine off from Russia, the country with which it shares a history of more than 1,000 years.

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Author's Notice

This report has been written under some pressure after the referendum of 6 April 2016 had been announced. Hence it relies heavily on a limited number of key sources for the historical account.

Hans van Zon had a quick look at the text and as always provided crucial pointers but he was in no position to take any responsibility for the result, which remains entirely mine.

Except for Ukrainian proper names, Russian ones have been used throughout for simplicity.

1

Ukraine in Historical Perspective. Class and Nation

- *Ukraine is a country composed of several nationalities and with a long history in common with Russia. From its history in the Russian empire and the Soviet Union it inherited a social structure incompatible with that of the liberal West. To force it to choose between East and West as the Association Agreement dictates, is nothing less than a step towards Ukraine's destruction as a functioning society.*

Ukraine literally means borderland, the 'marches' of an empire. It has never existed as a separate state prior to 1991, but was part of the USSR, the Russian empire (the origins of Russia as a civilization go back to Kiev), the Austro-Hungarian empire, and Poland. *Note the addition of parts of Russia in 1922 and 1954 (the Crimea), an enduring divide ever since (Figure 1.1).*

Figure 1.1. State-Building of Ukraine, 1654-1991



Source: Wikipedia

The two key factors for an understanding of Ukraine's political economy after 1991 are its specific class structure, inherited from late-imperial Russia and the USSR, and its ethnic diversity.

Historical Class Structure. General

The modern, global ruling class structure from the 17th century has come about as a result of the first-mover advantage of the English-speaking peoples and emigration from the British Isles and settlement in North America, Australasia and elsewhere. From this liberal core or *heartland*, economic pre-eminence and capitalism forced societies able to resist colonization to try and emulate the Western advantage through revolutions from above, beginning with France and in the 'long' 18th century. The Soviet Union after Stalin's 'second revolution' is an example too (what follows is based on my work on transnational classes, 1998 and 2006).

In such *contender states*, state power and the economy are in the hands of a single class, the *state class*. In a liberal state/society-complex as in the West, a property-owning ruling class occupies the high ground politically and economically, but it delegates the running of the state to a professional governing class and the economy to a managerial cadre. In the state class all these functions are merged into a single social body. There may be, as in the Soviet bloc states, shades of separate 'ideologues' and 'technocrats', but the state class as such cannot let go of the reins of control. Therefore succession crises are frequent, elections exchanging political officeholders difficult.

The ruling class in the West by definition is superior to the managerial cadre and governing class; they have different socio-cultural profiles, overlapping but distinct. In a contender state like the USSR all state and social direction is centred in the state class. After the 1917 revolution the state class was formalised in the *nomenklatura*, lists of eligible functionaries for state and party posts. Under Stalin, this hardened because of the growing role of the secret police as the coercive arm of the state class, used also against the party

and the army (most dramatically in the terror of the late 1930s). The death by starvation of more than 2 million people in the wake of Stalin's collectivisation campaign had its centre of gravity in agricultural Ukraine, and Ukrainian nationalists have enshrined it as a genocide of Ukrainians, the *Holodomor*, 'hunger extermination'. In fact, although concentrated in Ukraine, it was a war against all the peasants of the USSR (Sakwa 2015: 18, 20).

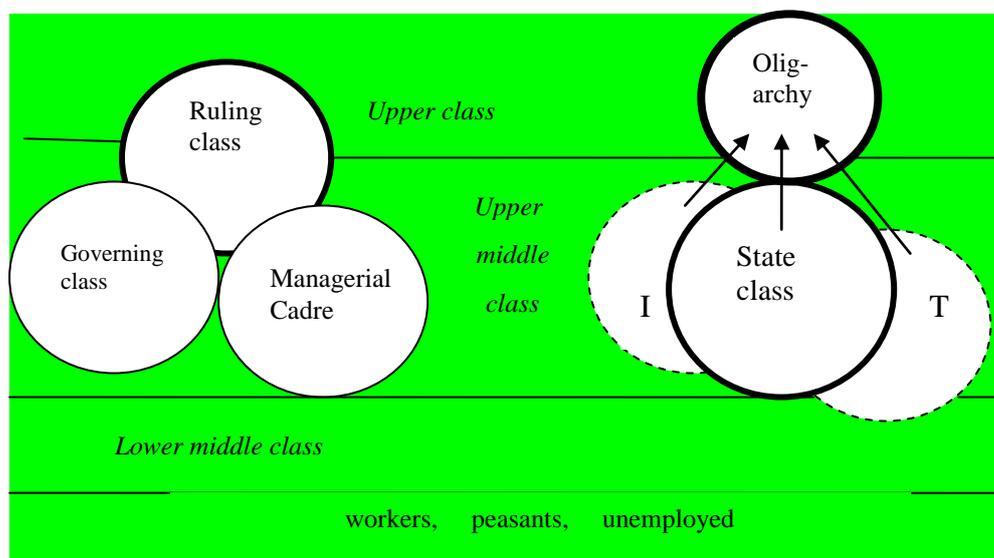
If a state class is displaced from power it also loses its economic assets. Such a double dispossession leaves society essentially without its unifying (and necessarily, coercive) element. In our time, the obvious examples are Iraq after 2003 and Libya after 2011. After the dispossession of the state class, they fell apart in tribal regions and provinces governed by militias with little prospect of a unitary state being resurrected. Unless we assume that this knowledge is unavailable to the Western powers (which is unlikely given the vast academic intelligence base directly accessible to government), we can only conclude that the decision to destroy these state classes was taken by forces intent on destroying their societies altogether.

In the former Soviet Union, the *Perestroika* reforms introduced by Gorbachev after 1985 allowed the nomenklatura to prepare for its dispossession. The first presidents of independent Ukraine, Leonid Kravchuk and Leonid Kuchma, both hailed from nomenklatura positions in the USSR. In addition, 'technocrats' within the state class, such as company directors ('red directors'), and various relative outsiders using criminal methods, all attempted to re-position themselves as an incipient ruling class controlling the private economy. Yet as in France and all other (former) contender states (Germany, Italy, Japan, Turkey and Iran, or China today), state initiative and the overlap between political and economic power, remain. Without them society malfunctions easily.

In Figure 1.2 below, the differences in the concentration and distribution of power in a liberal Western (North America and Western Europe) and a contender state are pictured, in terms of functional class (ruling class etc.) and sociological class (upper, upper middle, etc.). Beginning with Central and

Eastern Europe, practically the whole remaining non-Western world, so Asia, Latin America, and Africa have followed the contender pattern to varying degrees.

Figure 1.1. Western and Non-Western Class Structures. How an Oligarchy Rises from a Contender State Class (like the USSR)



Key: I: 'ideologues'; T: 'technocrats'

Although compartments are not as watertight as depicted here it is important to retain that in the liberal West there is a hierarchy between a hereditary ruling class and below it, a political governing class and an economic managerial cadre (and below them, a lower middle class of lesser administrators, junior cadre and self-employed); in a contender state like the former USSR on the other hand, all are absorbed into a single state class, although the 'shades' of an ideological (I) and technocratic (T) cadre can be discerned on its fringes. In sociological/lifestyle terms, however, there was no upper class comparable to the established ruling class of the West, and lower middle class positions like intellectuals, in the former Soviet hierarchy were relatively well off. As a result, in a country like Ukraine (or Russia, for that matter), an elite from the state class (nomenklatura or from the ideological or technocratic cadre) was able to constitute itself as an oligarchy in possession of *both* the levers of political power and important economic assets.

This legacy of an all-encompassing, political-economic state class remains operative, as can be seen in the case of the resignation in February 2016 of the neoliberal Ukrainian minister of Economic Development and Trade over continued infighting of politically powerful oligarchs over the control of key state-owned enterprises. This concerned notably the main prize in Ukraine, Naftogaz Ukrainy, the gas distribution monopoly. In other words, the attempt to integrate the oligarchic ruling class of Ukraine into the structures of neoliberal Atlantic capitalism (which the West wants for various reasons, and which most oligarchs want because it would consolidate their mostly stolen property) continues to be undermined by practices of a state class seeking both political and economic power.

Capital and the capitalist class are divided into different ‘fractions of capital’, the ‘class fractions’ of which a capitalist class is composed. Capital is competitive, but in order to create its own preferred conditions of competition (laws and rules, tax and labour regime, liberalism or protectionism) capitals congeal into fractions, which alone or usually in some sort of alliance, seek to get hold of state power—in a liberal setting, via elections. Fractions begin from functional starting points, say, bank capital, certain industries (heavy vs. light, domestic versus export-oriented etc.) and then congeal into blocs seeking to control the state. In Ukraine, as we will see in the next chapter, there was a Dnepropetrovsk fraction initially around Leonid Kuchma and his son-in-law Viktor Pinchuk (gas pipes) and with Yuliya Tymoshenko seeking control of gas distribution; it was gradually displaced by a Donetsk fraction originally based in Donbas heavy industry and also extending its control over gas distribution (Rinat Akhmetov, Dmytro Firtash). Today, there is a fraction around current president Petro Poroshenko and other agricultural and food exporters which hopes to gain from the free trade provisions of the Association Agreement; other oligarchs are equally keen on securing their property rights in a Western-style regime, but they stand to lose from opening up their sectors to EU and US competition and from cutting off the Ukrainian economy from Russia.

Ethno-National and Linguistic Diversity

The world is made up of several thousand ethnic and language groups organised in several hundred states, so the question arises how states have historically organised their diversity in ethno-national and linguistic terms (as well as religious, tribal and other cultural markers). (What follows is based on my trilogy on the subject, 2007-2014)

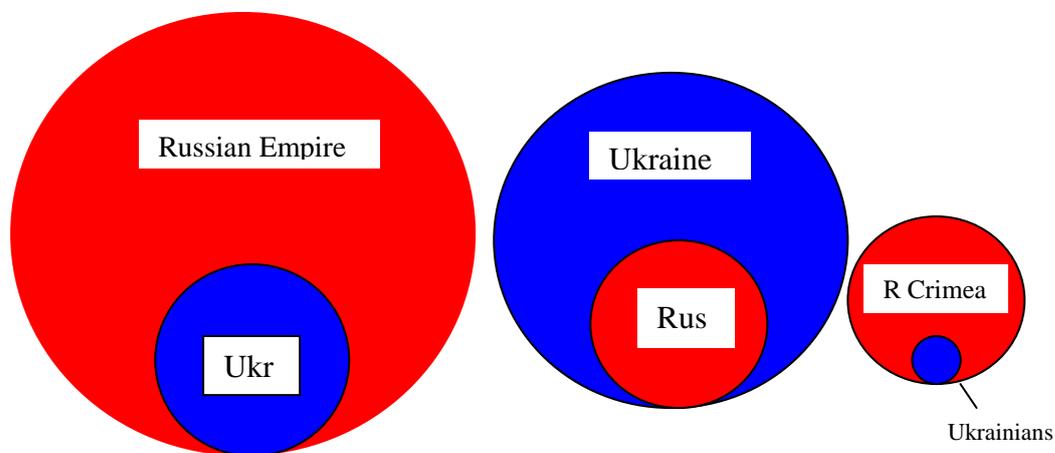
The 'West' and the 'East' here too had very different trajectories. The English-speaking West followed a path of ethnic cleansing and even genocide. The Anglo-Saxons who invaded the British Isles in the early Middle Ages, drove away the resident Celts; in North America, English-speaking settlers displaced and to a large extent exterminated the indigenous Amerindian tribes. Comparable processes happened in Australasia. The principle of citizenship, after the example of the Roman Empire, was the *ius civitatis* (the privilege of belonging to that empire). This was taken up in the British Empire and then loosely applied to the white English-speaking West as a whole. On the other hand, there was second-class citizenship enforced by overt racism, notably in the former slave-owning society of the United States.

There was also the tribal principle of the 'right of the blood', *ius sanguinis*, in which ethnic citizenship is biologically inherited. It still characterises German, Japanese, Hungarian, and others. Finally, in the French Revolution the *ius soli*, 'right of the soil' was formulated as the basis for citizenship. If you were born in France or otherwise admitted, you were French. Of course these principles are ideal types, combined and incomplete in practice.

Empires like the Russian empire of which Ukraine was a part, with around 194 nationalities and ethnic groups, practiced *incorporation*: for some extra tax it was allowed to retain one's own culture within the empire. The same held for the Austro-Hungarian, the Ottoman, the Chinese, and the Persian empires, to name only the most important ones.

Around the turn of the 20th century the Napoleonic nation-state and the *ius soli* were identified as the progressive ideals, but this presumed that every ethnic group qualifying as a nation would be entitled to its own state if it had a viable claim to territory. After the collapse of the Napoleonic empire in 1815, the British, who themselves had solved their ethno-territorial problems by the *ius civitatis* also overseas, came up with a new principle to handle national diversity. For those who now found themselves in a state not ‘of their own’, the British proposed *minority* status (Belgians in the Netherlands, and so on). Minority rights were meant to protect them against the consequences of a *de facto* second-order status. However, as the saying goes, ‘Why should I be a minority in your state if you can be a minority in mine?’ Ukraine is a classical example of this dilemma. Ukrainians were a minority in the Russian empire; Russians, a minority in Ukraine; and Ukrainians a minority (along with Tatars) in the Crimean Autonomous Republic meanwhile returned to the Russian Federation. This is brought out in Figure 1.3.

Figure 1.3. The Logic of Minority Emancipation (example Ukraine).



The logic of minority emancipation, then, is endless fragmentation. The problems associated with this were clearly recognized in the Marxist tradition. Because of the Soviet experience, Ukraine specifically inherited (a mixture of) the solutions that were found over time to the issue of national self-determination. Marx and Engels supported Polish independence from Russia, Hungarian independence from Austria, etc., but also favoured German

unification, for its economic and democratic potential. In the next generation of Marxists two main positions crystallized, one favouring the large unit (the Austro-Marxists led by Otto Bauer), the other willing to give priority to independence (Lenin and the Bolsheviks).

Bauer came up with the principle of *cultural autonomy* within a larger entity which he and other socialists did not want to lose as it was necessary for socialist economic development. On the basis of a passport registering one's (preferred) nationality, a citizen would be entitled to the use of his/her own language, preservation of customs and other cultural markers. This made it possible to accommodate the spatial dispersion of ethnic groups, for instance as a result of migrant labour (Bauer 1907).

Lenin attacked this scheme because he considered it unhistorical. It did not acknowledge that nationalism is a *bourgeois phenomenon*, growing with the rise of that class, but disappearing again with the overcoming of class society. Bauer's scheme would eternalise ethno-national divisions where they did not matter politically anymore. He also thought that cultural autonomy was too close to minority status and therefore wanted the recognition of the right to secession made part of the socialist programme. Thus the Ukrainians should be encouraged to break away from the Russian empire first and then later would voluntarily join a socialist Soviet state; there was no point of forcing them to stay inside such a new state and then struggle with their minority status (Lenin, *Coll. Works*, xxv: 91-2).

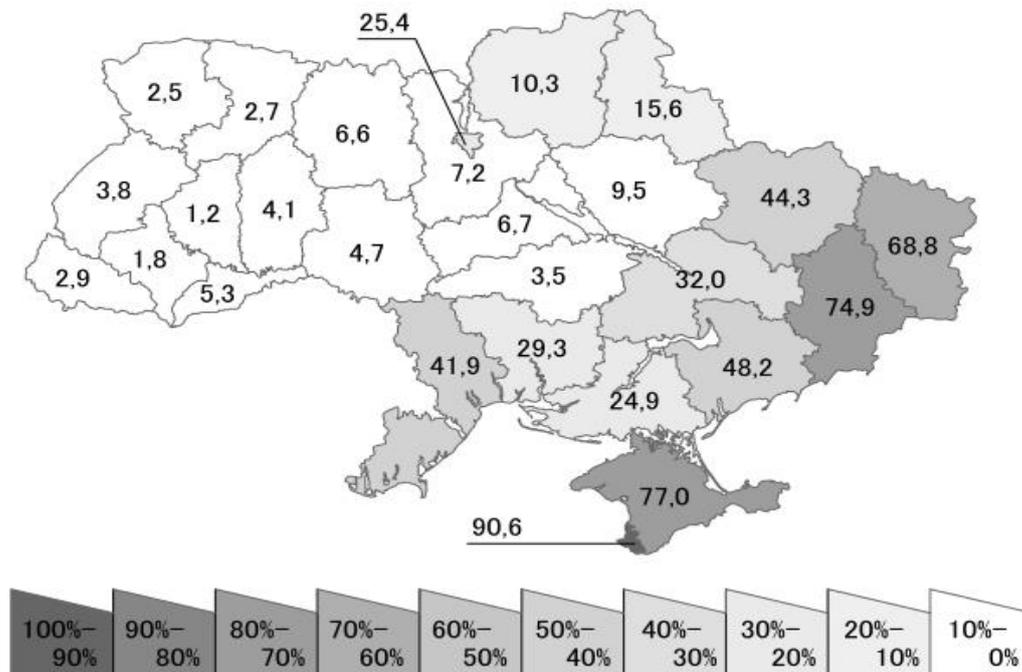
Internationalism, the fundamental equality of ethno-national groups, and *autonomy*, their right to self-determination including secession, thus were the twin pillars of socialist nationality policy; in sharp contrast to the liberal, bourgeois nation-state with minority protection. In practice, the failure of the Russian Revolution to spark a world revolution forced the USSR back into the role of a contender state also in this respect. Stalin, as the supposed specialist on the nationality question who had assisted Lenin, had already shown how he, a Georgian, looked on the aspiration of groups other than the Bolsheviks to lead national movements and exercise the right to secession. In 1921 he led

the repression of the Georgian Mensheviks, and after the Civil War the USSR was compelled to renege on the right to secession generally because in practice this meant surrendering territory to imperialism.

Because the USSR in the circumstances had to prioritise the large territorial entity too, it adopted a nationality policy remarkably close to Bauer's scheme (and of which Yugoslavia after World War II became the practical example). Republics were named after the dominant nationality; within them, autonomous regions were assigned to ethnic groups not numerous enough to have a republic of their own, and a passport system covered the remainder of rights associated with (effectively, cultural) autonomy for all those not living in a area of their own. Thus in the 1960s one could purchase, for a 'Soviet' price, an edition of Goethe's complete works published in the region of the Wolga Germans, one of the ethnic groups profiting from this policy (today, under the *ius sanguinis*, they can migrate to Germany without speaking a word of German).

Ukraine at the time of the Russian Revolution had an ethnic make-up of Ukraine under the Russian empire at the moment of its collapse in 1917 was 67.7 percent Ukrainian, 11.1 Russian and 8.8 Jewish, and then a long list of smaller ethno-national groups. As a result of the industrialisation of the Donbas the percentage of Russians rose: on the eve of the collapse of the USSR, 72 percent were Ukrainians, 22 percent Russians, whilst Jews as a result of the genocide by the Nazis and Ukrainian fascists had declined to 0.9 percent, again with the long tail of smaller nationalities. In 2001, Ukrainians increased to 77.8, Russians declined to 17.3 and Jews further declined to 0.2 percent, less than Belarussians, Moldavians, Crimean Tatars, Bulgarians, Hungarians, Romanians, and Poles, all numbering from 275 thousand to (Jews) 103 thousand, out of a population of 48 million. Figure 1.4 illustrates the main divide, which still reflects the 1922 extension that was depicted in Figure 1.1.

Figure 1.4. Percentages of Russian speakers at the time of the census of 2001.



Source: Wikipedia

The big cities in the east and many of those considering themselves Ukrainians yet have Russian as first language, and between one-third and half of Ukrainians use Russian at home and in social communication. Practically all educated Ukrainians speak Russian (the language of education and media including internet), whilst people in the east tend not to speak Ukrainian. Every third Ukrainian, 17 million in all in 1997, has Russian as the first language; among them 11.4 million actual Russians (van Zon et al. 1998: 54 n. 9). The historic challenge to Ukraine as an independent state is how to give a political form to this fractious legacy.

Rival Perspectives on Statehood

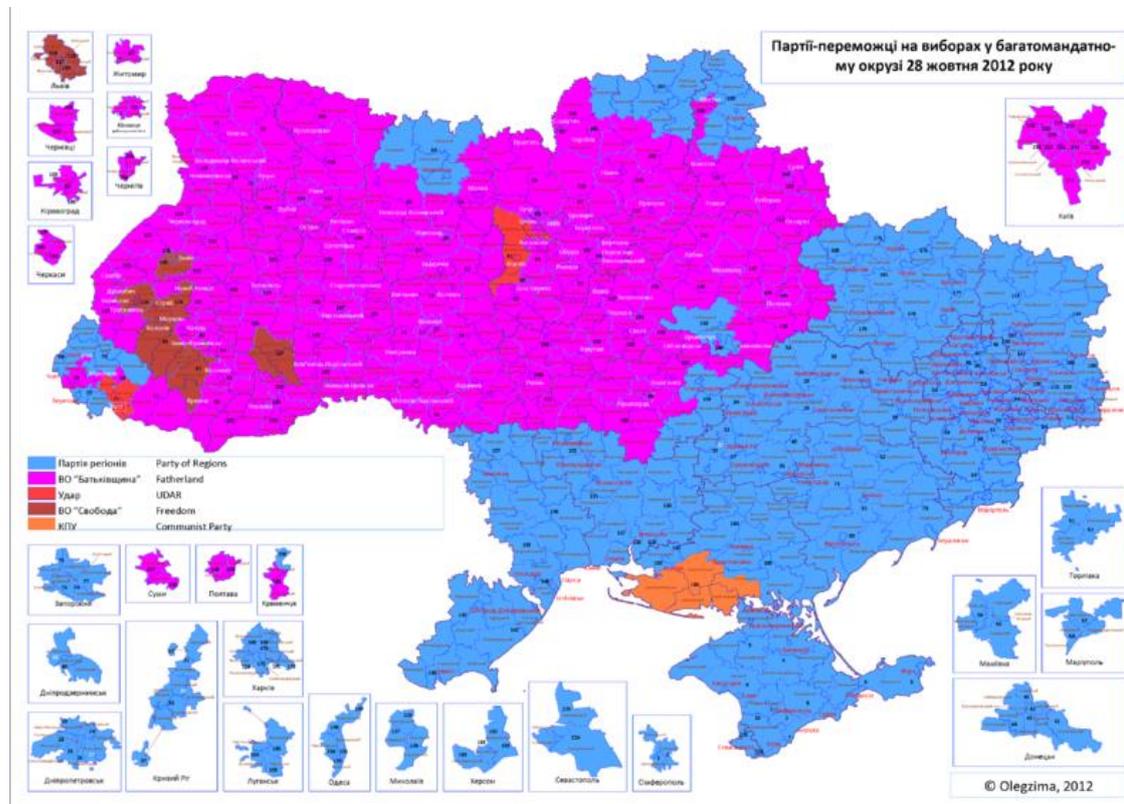
In his powerful *Frontline Ukraine* (2015), Richard Sakwa distinguishes two perspectives on Ukrainian statehood, *monist nationalism* and *pluralism*, recognizing the lineage of diversity. These two programmes are broadly coincident with the aforementioned distinction between a liberal nation-state with minority protection, and (the legacy of) internationalism plus autonomy.

In turn, they have adopted the corresponding principle of national citizenship: the monists inherited the tradition with the *ius sanguinis* as their lodestar, as was made clear in the Nazi occupation in World War II. I will speak of them as (Ukrainian) *nationalists*.

The Russian-speakers on the other hand stand in the tradition of the USSR, which explains why in the rebellious Donbas there is a Donetsk People's Republic and a Lugansk People's Republic, although the Russian Federation, like Ukraine, has exchanged its state-socialist system for (oligarchic) capitalism. Likewise, the incorporation of the Crimea into the Russian Federation from the Western, nation-state perspective amounts to annexation, but from from the perspective of socialist internationalism is an act of self-determination. This is not because of any practical socialist principles in Russia but because its federal system has inherited many characteristics of the Soviet past; otherwise the vast, multi-ethnic entity would be ungovernable. I will call them *federalists* because we rather associate pluralism with a political culture, and a figure like Viktor Yanukovych, the president deposed in February 2014, was a federalist but certainly not a pluralist in this sense.

In Figure 1.5 overleaf, the enduring divide between the Ukrainian nationalist west of the country, the 'monists' in Sakwa's terminology, is illustrated by the areas where Yanukovych's (federalist, aptly named) *Party of Regions* won a majority in the parliamentary elections of 2012 (blue); and in purple, where the Ukrainian nationalist *Batkivshchyna* party of former president Viktor Yushenko and Yuliya Tymoshenko gained the majority (cf. Figs. 1.1 and 1.4). *Since these were the last universal elections before the pro-Western nationalists' seizure of power of February 2014, it is worth emphasising that we are looking here at an objective divide that should entitle the country to a position as a bridge between East and West rather than as a bulwark of the West.*

Figure 1.5. Enduring Division. Ukrainian Nationalists' and Federalist Majorities in 2012 Elections



Key: purple: Ukrainian Nationalists; blue: federalists

Source: Wikipedia

The federalist perspective need not be expounded on here because it was coincident with Soviet statehood and nationality policy. In the 1920s, due to shortage of cadre, the Soviet leadership for a time encouraged the development of national cultures in the hope of raising the number of literate cadre by allowing the far corners of the USSR to train them in their own language. But with the advent of the collectivisation and industrialisation policy in the late 1920s, centralism and use of Russian were reinstated as the principle of having a single, large political entity moved into the foreground again especially since it became obvious that in the West, forces bent on the destruction of the Soviet state were gathering strength in the form of fascism and Nazism.

The Ukrainian nationalist perspective was necessarily condemned to exile except during the Nazi occupation in World War II. It goes back to the vision of Dmytro Dontsov whose ideas shaped the Organisation of Ukrainian Nationalists (OUN), established in Vienna in 1929 (although he did not become a member himself). OUN united those smarting from the collapse of the government of Hetman Pavlo Skoropadsky in 1919, Galicia in the west became part of Poland after World War I and OUN became the spearhead of anti-Polish resistance. Like all revanchisms it early on displayed fascist characteristics, as in its concepts of national rebirth, restoring the country's 'health', elitism and military values (Sakwa 2015: 15).

In 1933, Stepan Bandera became head of OUN. He was jailed in Poland until 1939, when he moved to Nazi-occupied Krakow. Bandera led the most radical wing, OUN-B, which at that point split off from a more conservative wing, and it initially welcomed the Nazi invasion of the USSR in 1941. His extreme anti-Polish, anti-Jewish and anti-Russian positions fitted into the Nazi doctrine and Bandera hoped Hitler would establish an independent Ukraine. The Nazis did recruit a Waffen SS division in Western Ukraine, 'Galicia', but had little time for Bandera who spent the war in Sachsenhausen concentration camp. OUN during the war committed unspeakable crimes against Poles, Jews, communists, and suspected informers, killing hundreds of thousands. Bandera was only released in 1944 when the Germans hoped his army, the UPA, the military wing of OUN-B, might assist in resisting the Red Army's onslaught. This resistance continued as a partisan war after the German collapse (Sakwa 2015: 16-7).

In 1946, Allied cooperation in the prosecution of war criminals broke down and OUN/UPA, like the wartime anti-Soviet Vlasov army (the Red Army general who changed sides against the USSR) and other collaborationist armed groups, became part of the Cold War line-up (Linklater et al. 1984: 46). The Committee of Subjugated Nations, formed in 1943 by the Nazis, was reconstituted under US auspices in 1946, renamed the Anti-Bolshevik Bloc of Nations (ABN) and with the Ukrainian fascists of OUN/UPA a prominent component. Its wartime secret police chief, Mykola Lebed, was brought to the

US to help build a government in exile. Also the Galicia Waffen SS division, 11,000 men in all, were helped to new homes in Britain, the United States and Canada (Bellant 1991: 73; Simpson 1988: 167, 180-81).

In September 1948 the US Joint Chiefs of Staff approved a psychological offensive to undermine the Red Army, along the lines of the Vlasov Movement which the Chiefs claimed had mobilised a resistance of around one million people in the USSR. In Ukraine Britain's MI6 assisted in this struggle and in 1951 Frank Wisner, the head of US covert operations (OPC, later merged into the CIA) estimated that the OUN/UPA had already eliminated 35,000 Soviet police and party cadre. Covert operations by underground guerrillas in Lithuania and the Muslim regions of the USSR also had had successes in subversion; this had the additional advantage of keeping the repressive aspects of Soviet state power in full view (Simpson 1988: 102, 140, 149).

By 1949 however the resistance had been broken, but a vengeful émigré constituency continued to prepare for better times. It became a prominent component in the Captive Nations Committee which in 1959 gained recognition when the US Congress instituted a Captive Nations Week in which several regions created by the Nazis were defined as held captive by Russia. The second wife of Viktor Yushenko (who would become president after the 'Orange Revolution' of 2004) for a time was the chairperson of the Captive Nations Committee. During the Reagan presidency she worked for the US State Department. Her husband eventually would rehabilitate Bandera in 2010, a move immediately rescinded by Yanukovich the year after (Sakwa 2015: 19).

2

The Establishment of an Ukrainian Nation-State and Oligarchic Rule

- *At independence the Ukrainian nomenklatura began to appropriate public property, followed by the establishment of political parties to protect their newly, mostly illegally acquired assets. Following on earlier IMF dictates, the EU Association Agreement consolidates the oligarchs' property rights, further exposes the population to impoverishment, whilst backing up the cultural vandalism of the Ukrainisation policies intended to sever historic links with Russia.*

In the process of breaking up the USSR, initiated by the declaration of sovereignty of Yeltsin's Russia in June 1990, followed four days later by a similar declaration by Ukraine, the Ukrainian population voted overwhelmingly for remaining in a revamped union with Russia and the other former Soviet republics (except the Baltic states). The same electorate that in March 1991 voted by 70.5 percent to remain in a loose union, also re-emphasised that this had to be on the basis of state sovereignty of Ukraine (80.2 percent). Then followed the conservative coup in Moscow of August 1991, aimed at rolling back Gorbachev's Perestroika and restoring the USSR. After its unravelling, in a new vote on 1 December, the Ukrainians voted 90.3 percent in favour of independence. With the exception of the Crimea, all regions of the Ukraine were committed to the country's independence. Certainly Yeltsin from the start was under pressure to demand the return of Crimea to the Russian Federation, but he expected the Commonwealth of Independent States (CIS) to continue the Soviet-era defence and foreign policy so that Russia's pre-eminence would remain (Sakwa 2015: 9, 50 68).

Transformation of the State Class and Political Parties

Ukraine, especially its eastern, Russian (-speaking) parts, had been a centre of

considerable power in Soviet times. The CPSU General Secretary, Nikita Khrushchev, had made his career in Ukraine and in 1954, a year after Stalin's death, in a cavalier way 'donated' the Crimea to the Ukrainian Soviet Republic as a reward for its loyalty to the USSR. Thus he added a second Russian-dominated region after the extension of the Ukrainian state in 1922. Leonid Brezhnev had been party secretary of the province of Zaporozhe in the east, a showcase of Stalinist industrialisation policy (van Zon et al. 1998: 10-11). More than half of the Ukrainian Communist Party top cadre hailed from the key centre of Dnepropetrovsk, whilst Ukrainian party cadre (from Dnepropetrovsk, Donetsk and Kharkov) had dominated the central party hierarchy in Moscow, as well as the party structures of Kazakhstan and Moldova. As a result, (eastern) Ukrainians and officials whose career had passed through the Republic, wielded great influence in overall USSR decision-making (Yurchenko 2013: 81-2).

In light of the bankruptcy and collapse of Soviet state socialism the initial dynamic of political development in Ukraine was obviously to bolster the forces association with anti-Soviet, anti-Russian sentiment. They were intent on establishing an Ukrainian nation-state on Western principles and, after the collapse of the command economy, some form of capitalism. The former would give rise to majority/minority tensions between Ukrainian nationalists and federalists; the latter, in the absence of a functional lower middle class with property (small- and medium-sized enterprise), to an oligarchy appropriating public property for themselves (as depicted in Figure 1.2). At the same time the state class structure of the Soviet era was reproduced as well, with the number of people employed by the state even expanding. In the case of Zaporozhe (Ukr., Zaporizhzhya), the number of officials in the municipal and provincial administrations more than doubled between 1990 and '96. Van Zon et al. characterize the emerging new system as a quasi-'feudal' one with a complicated structure of 'mutual horizontal dependencies, without a clear centre, but run by the same people' (van Zon et al. 1998: 35-6).

In the maps below, the cities mentioned and others can be located. The top left map gives the country as it became independent in 1991, and its

neighbours; the larger, bottom, the capital cities of the respective provinces (*oblasts*) (Figure 2.1).

Figure 2.1. Ukraine at Independence and its Neighbours; Main Cities and Respective Oblasts



The party leader of Ukraine, Leonid Kravchuk, had appointed himself president of his (Soviet) Republic, as Gorbachev had done for the USSR. Kravchuk however remained in office until 1994. After independence, he effectively transformed the Ukrainian party cadre structure into a *neo-nomenklatura*, concentrated in Dnepropetrovsk. The forces empowered by Kravchuk would become the initially dominant fraction in the emerging

Ukrainian oligarchy, but without giving up their political positions or connections, in a pattern reminiscent of a contender state class. In party terms, Kravchuk's political power base was a nationalist party, *Rukh*, which began to organize itself in the westernmost parts from the 1980s. This party was not monolithically Ukrainian-nationalist; the pluralist vision presented itself initially also within the independence camp. Thus V. Chornovil, who emerged from the dissidence in Soviet Ukraine, was a prominent leader of national independence movement that became Rukh. Chornovil considered Ukraine from a pluralist, multidimensional perspective (Sakwa 2015: 23). He died under suspicious circumstances in 1999 (cf. below).

Extreme nationalism on the other hand was articulated by the Social-National Party of Ukraine (its name an obvious reference to the Hitler's NSDAP) which belonged to the current represented by Bandera and OUN. The SNPU was launched in Lviv in 1991 by Oleg Tyagnybok, Andriy Parubiy and others. It carried the Nazi *Wolfsangel* (Wolf's Hook) symbol and organized skinheads and football hooligans. In Figure 2.2., the Wolf's Hook symbol is depicted in the flag of the OUN; pictured right is a march of OUN militants.

Figure 2.2. The OUN and SNPU Wolf's Hook symbol; March of OUN militants.



The SNPU was renamed *Svoboda* ('Freedom') in 2004, and is allied to the Front National of France and other neo-Nazi parties; it is anti-Semitic and

even more so, anti-Russian. Parubiy by then had joined Yuschenko's Our Ukraine (Sakwa 2015: 21).

The Social-Democratic Party was established in 1990 and re-founded in April 1996; the Communist Party remained a powerful political force with around a quarter of the vote until the mid 1990s, after which it began to decline. It was condemned to opposition, like Rukh after 1994. The other parties will be discussed in connection with the rise of the oligarchs who in the tradition of the state class ensured that their economic control was complemented by political office.

Formation of Rival Oligarchic Fractions

The nature of original accumulation (capitalist property formation) in Ukraine, as elsewhere in the defunct USSR, is best characterised as 'predatory', using various degrees of criminal behaviour (van Zon et al. 1998: 41). The first elements of a capitalist class emerged in the milieu of the Communist youth movement, Komsomol, in the context of Perestroika reforms. Gorbachev had given the green light for cooperatives, but 'given the bureaucratic context in which these co-operatives had to develop and the gradual criminalisation of power as well as growing scarcities, the emergence of co-operatives was linked for many with the criminalisation of the economy' (van Zon et al. 1998: 15; cf. Yurchenko 2013: 72).

For the large majority of the Ukrainian population, especially pensioners and others dependent on social protection, the market reforms were an unmitigated disaster. For those still active as workers, the reforms were also mostly negative because scarcities increased and as a response, large enterprises had to extend their non-core services for employees to make up for empty shelves in the shops. It began to make a big difference whether one worked for a Soviet-style conglomerate with its own collective farms (kolkhozes) and meat factories, or not. For in that case one was dependent on the badly functioning state service infrastructure inherited from the USSR (van Zon et al., 1998: 15).

In the closing phase of the Perestroika reforms, the big prizes at stake in the Ukrainian economy for the privatising (neo-) nomenklatura, for criminals, ex-Soviet ('red') directors and Komsomol officials utilising political and economic marketization reforms and crime, were in the gas distribution, ferrous metal and gas pipe domains. These in combination offered the most profitable opportunities. Other promising product chains were those connecting coking coal, cokes, and sheet metal production (also for pipes); and the one linking thermal coal, power generation, and metal (Yurchenko 2013: 67).

Gas was extracted in Russia, Turkmenistan, or elsewhere in the former USSR, but transported through Ukraine. The first figure to emerge in the private gas business was Yuliya Tymoshenko. Tymoshenko hailed from Dnepropetrovsk, had a background in the Komsomol, and in 1988, the late Perestroika period, emerged as a partner in a cooperative renting out videos. In 1991, she and her husband founded KUB, a company importing fuel and lubricants from Russia for the Ukrainian agricultural market. After she branched out into the gas distribution business she was to earn the nickname the 'gas princess' (Sakwa 2015: 61; Yurchenko 2013: 72, 90-91).

Highlighting the continuing dependence on the state class, Tymoshenko joined forces with the chairman of the Dnepropetrovsk oblast, Pavlo Lazarenko. Privatisation favoured those with contacts in the State Property Fund, which would then give them preferential treatment. Therefore, being in the government or having one's sidekick there was crucial. As Lazarenko rose to become prime minister in 1996, he helped Tymoshenko to become, for a time, Ukraine's largest gas importer. In early 1999 Lazarenko, during whose period in office (one year) some \$200 million was embezzled from state funds, fled to the US where he was convicted for extortion and money-laundering. Tymoshenko on the other hand was not subject to US censure or prosecution, although she had been his business partner all along, and would continue in business and politics albeit with less success in the last few years (Sakwa 2015: 62; Yurchenko 2013: 80).

Conflicts resulting from struggles between oligarchs trying to control the gas distribution network at one point led to blocking the throughput of gas to Europe, forcing Russia's Gazprom monopoly to try and develop alternative routes. In 2011 it would succeed to open a pipeline, *Nord Stream*, directly to Germany across the Baltic seafloor. Attempts to create a South Stream across the Black Sea have so far been blocked, first because NATO and the EU convinced Bulgaria (where South Stream was to land) to cease cooperation, and next, after the alternative Turk Stream through Turkey ran into difficulty and was shelved after Turkey shot down a Russian fighter jet operating over Syria in 2015. Hence Ukraine retains a key asset in its relations with Russia for the time being. In Figure 2.3 below the gas pipeline network through Ukraine is depicted.

Figure 2.3. Gas Pipelines Through Ukraine



Source: National Gas Union of Ukraine

The second politico-economic network based in Dnepropetrovsk emerged around Leonid Kuchma, an engineer, CPSU official and former manager of Yuzhmash, the producer of and providing maintenance for the Soviet intercontinental missile arsenal. After independence he continued to appoint people from his former entourage. At the centre of Kuchma's network was his

son-in-law, Viktor Pinchuk, who already in 1990 was active in the pipe producing firm Interpipe (Yurchenko 2013: 72, 82; van Zon et al. 1998: 38). Kuchma was prime minister under Kravchuk for one year but he would then build his own party and become president himself in 1994. Pinchuk, rising through the popular uprisings-cum-regime changes in 2004 and 2014, was to become the second-richest Ukrainian and the biggest foreign donor to the Clinton Foundation in the US (cf. below).

In the early independence period Pinchuk profited from the particular structure of trade in Ukraine. To get rich quick was easiest by the sale abroad of state-owned property out of the large inventories existing at the time of the Soviet collapse and break-up, so that products with little or no cost attached could be sold at private account and turned into illegal profits. With the initial eclipse of the money economy due to inflation and bad debts, trade was reduced to barter, with products directly exchanged against each other, a process handled by dedicated trading companies (van Zon et al. 1998: 24, 27). In the case of the gas-metal-pipe product chain in Ukraine itself, gas was bartered against overpriced pipes, so that pipe producers and traders gained from price arbitrage. Pinchuk was Tymoshenko's business partner in 1994-95; jointly with Lazarenko they owned the company trading Turkmen gas for/through the Ukrainian grid. Lazarenko at that point was governor of Dnepropetrovsk oblast in charge of business. In the mid-1990, Lazarenko, Tymoshenko and Pinchuk jointly with Itera, a company under the control Gazprom and Moscow-based organised crime, effectively ran the gas-metal-pipe product chain (Yurchenko 2013: 90).

Another early ally of Tymoshenko in Dnepropetrovsk was Ihor Kolomoisky, who has triple Ukrainian-Cypriot-Israeli citizenship. Kolomoisky and Henadiy Boholyubov in 1989 were also involved in a cooperative, Fianit. In 1992, they would set up Privatbank to back up their business interests, which were concentrated in airlines, various aerospace activities, oil and metal production (Yurchenko 2013: 72). According to Wikipedia, Kolomoisky used Privat Bank thugs armed with iron rods, gas pistols and chainsaws to intimidate directors and obtain hostile take-overs of businesses such as the Kremenchuk steel

plant in 2006. He is active in various Jewish organisations and after having been criticised for his use of bullying tactics in trying to take over the European Council of Jewish Communities, set up his own. He would briefly serve as governor of Dnepropetrovsk oblast after the Maidan uprising, and has financed a series of ultra-nationalist volunteer battalions in the civil war (cf. below).

If crime was a factor in creating a loose, and eventually, unstable Dnepropetrovsk capital fraction (Tymoshenko, Pinchuk, Kolomoisky...), their use of theft and coercion was child's play compared to the formation of a rival capitalist fraction in Donetsk. Generally the murder rate in Ukraine rose from 9 per 100,000 in 1990 to 21 per 100,000 in 1995, but in Donetsk alone, 55 ordered murders took place in 1991, rising to 5-6 per week in 1992 (Yurchenko 2013: 76; van Zon et al. 1998: 102). The process of original accumulation, i.e., turning state assets into private capital, in this part of Ukraine was dominated by the ethnic Tatar gang of Akhat Brahin (Alec the Greek) and his sidekick, Rinat Akhmetov. In 1995, following a series of murders that had inflated their joint business empire, Akhat Brahin was blown up in his VIP box in a football stadium, making Akhmetov the sole owner (with a few others). Successive acquisitions in 1995 and 1996, secured by further strategic assassinations, allowed Akhmetov to incorporate a whole raft of companies into his holding, System Capital Management (SCM) in 1996, after which new assassinations and new acquisitions followed (Yurchenko 2013: 76-7, table 3.1). SCM soon controlled the largest slices of Ukraine's coal and steel industries; his businesses in the end comprised around one-quarter of Ukraine's GDP and made Akhmetov the country's richest man (Sakwa 2015: 63).

In 1993-94 the first signs of a rise of a Donetsk fraction in the Ukrainian power structure transpired in the appointment of a Donbas 'red director' (of a coal mine) as acting prime minister. The Kiev fraction, represented in politics by Kravchuk, and backed by Victor Medvedchuk and other 'red directors', was relatively weak and was forced to seek a compromise with the Dnepropetrovsk fraction after 1994. Their vehicle in politics was the Social-Democratic Party which as we saw was re-founded in April 1996 (Yurchenko 2013: 87). The

Donetsk on the other hand continued its advance and also decided to share power with the Dnepropetrovsk ruling group, backing Kuchma's candidacy for president. The Dnepropetrovsk-Donetsk compromise also entailed the formation of a political party, the Inter-regional Bloc for Reforms. This party, the precursor of the Party of Regions, was launched late 1993 and formally registered at the end of 1995. Leonid Kuchma had meanwhile won the presidential election of 1994 against Kravchuk. He was the unity candidate of all aspiring capitalist elements and won the vote of the east and the south since he was generally perceived as a pro-Russian candidate (Yurchenko 2013: 84; Sakwa 2015: 51).

The oligarchs in 1994 obtained the support of the IMF to push for further 'market reform'. Viktor Yushchenko, the head of the newly established National Bank of Ukraine (since 1993) was the executor the IMF agreement with Ukraine of 1994, signed in Madrid. The resulting monetary policy led to a dramatic plunge in real wages and drastic price rises for bread, electricity, public transport and fuel. Trade liberalisation resulted in US grain surpluses and food aid being dumped on the Ukrainian domestic market, undercutting Ukrainian grain producers who were facing rising costs of transportation and energy (Hanly 2014). Certainly owing to currency devaluation Ukrainian exports became more competitive, but inflation soared at the same time.

The need to combine political and economic power in the new circumstances took the form of oligarchs allying with politicians who could win elections for them. Rinat Akhmetov and his sidekick, Borys Kolesnikov, after the assassination of Akhat Brahin also began to look for a political operator to cover them with state power, and their choice was Viktor Yanukovich. The rise of Yanukovich owed much to his incarceration in the 1960s and 70s for violent crime, during which time he became acquainted with the security sector running the prisons. Upon his release he rose to become the head of coal transport (key in two of the three main product chains in Ukraine), became acquainted with Akhmetov and Kolesnikov, and governor of Donetsk oblast in 1996 (Sakwa 2015: 51).

The delayed rise of a Donetsk fraction also had been caused by the much deeper integration of its heavy industry in the economy of the former USSR. 69 percent of industrial enterprises in the Donetsk-Lugansk-Dnepropetrovsk-Zaporozhe area operated under the auspices of all-Union ministries, against 56 percent for Ukraine as a whole. To recover from the disconnection from Russia and revive heavy industry, energy was key. The success of any major Donbas industrial operation was dependent on cheap power, because their energy use, for instance in steel production, was twice as high as modern steel mills in the West (van Zon et al. 1998: 57-8, cf. 23). So if the Donetsk oligarchs wanted to rise to power and really challenge the Dnepropetrovsk fraction, they would have to get their hands on the gas distribution network and determine the gas price.

Gas Wars at the Heart of Ukrainian Politics

It was under Kuchma's two-term rule as president (1994-2004) that the oligarchic ruling class imposed itself on Ukrainian society in a durable fashion, assisted by the draconic conditions imposed by the IMF, conditions of same type that the EU Association Agreement imposes. A hundred people or so together control 80 to 85 percent of the country's wealth (Sakwa 2015 : 61). The consolidation of oligarchic power took the form of a series of compromises revealing the internal divisions within the Dnepropetrovsk fraction and the rise of Donetsk, but also the rift between the west and the southeast of Ukraine in ethno-political terms. This would play out at the end of Kuchma's presidency in the form of the first popular revolt turned into an oligarchic reshuffle, the 'Orange Revolution' of 2004.

The Lazarenko/Tymoshenko fraction pioneered the attempt to link oligarchic capitalist interests to one side in the regional divide, the Ukrainian nationalist one based in the west. From the start it had the enterprise had the blessing of the Western powers, the United States and the EU. In March 1994 the duo entered politics with the Hromada party, and Yuliya Tymoshenko would herself be elected to the Kiev Parliament in 1996, still supporting Kuchma. In the meantime, in 1995, Lazarenko and Tymoshenko had re-

registered their company, KUB, as YeESU in a bid by the Dnepropetrovsk oligarchy to control Ukraine's energy-supply. The Donetsk bloc responded by establishing ISD, with a crony of Akhmetov's, Y. Shcherban, at the head. After he had been murdered, Akhmetov alone controlled ISD, which began to monopolise the gas supply business in the Donbas, sidelining Lazarenko and Tymoshenko, although by the end of the 90s ISD had come under the control of a new group of Donetsk financiers. In addition there was competitive pressure from the aforementioned Itera company controlled by Gazprom and the Solntsevo Brotherhood, a Moscow-based organised crime ring. Another rising oligarch from Donetsk initially associated with Akhmetov, Dmytro Firtash, in the mid-1990s rose to a powerful position in Itera (Yurchenko 2013: 68, 85; on Firtash, 72; on Solntsevo, 106; Sakwa 2015: 61-2).

As the position of Tymoshenko and her allies in the gas import market came under pressure and it became obvious that Kuchma would not defend them because he was seeking a compromise with the Donetsk forces, Tymoshenko launched into a political role as the champion of democracy and began to attack Kuchma for his autocratic policies. Indeed to be able to execute his role in representing the general capitalist interest against any democratic opposition, Kuchma in a constitutional change in 1995 had obtained new powers for the presidency. This allowed him appoint lower officials, from the prime minister down, and put his own people in place; but under the compromise with the Donetsk oligarchs this meant giving them their own positions of power too. Thus a neo-nomenklatura state class was being reconstituted in the changed circumstances, with political office tailored to suit the needs of the oligarchy. The appointment of Yanukovych as governor of Donetsk at the behest of Akhmetov underscores Kuchma's intention to give the political front men of the various oligarchic interests their positions in the state. In December 1997 the Party of Regions, a name referring to its federalist programme, was formed to provide the Donetsk fraction with a political vehicle of their own (Yurchenko 2013: 88-9; Sakwa 2015: 51). Tymoshenko however now openly clashed with Kuchma by proposing to postpone the presidential election of 1999, for which the president had come to rely mainly on the Donetsk bloc. The prosecutor general of Ukraine wanted

to lift her parliamentary immunity to be able to bring her to heel, but the Kiev parliament refused.

Kuchma and his cronies from Dnepropetrovsk and increasingly, from Donetsk as well, in the 1990s divided the country's assets among themselves. Unlike the situation in Russia, the embezzling of assets by the oligarchs and the attendant mismanagement chased away whatever foreign investment had been made (Yurchenko 2013: 100). Between 1990 and '99, Ukrainian GDP fell from 81.5 billion US\$ to 31.6bn, causing huge discontent among the population. For his re-election Kuchma had to hire public opinion managers from Moscow, who before had assisted Yeltsin in his unlikely re-election in Russia. Yet it was not only by propaganda that Kuchma secured his electoral success. Two rival candidates died during the campaign: the popular architect of money reform, V. Hetman (the IMF-dictated money reform as we saw had been executed together with Viktor Yushchenko, then president of the central bank), was shot dead by a Donetsk gangster in 1998; the aforementioned V. Chornovil of the Rukh nationalists, a year later died in a suspicious car accident (Sakwa 2015: 23). The crash had allegedly been organised by General Kravchenko on behalf of the Kuchma forces; Kravchenko also arranged the finances to ensure a split of the Rukh part later in 1999. In the run-off (second round) Kuchma then defeated the Communist candidate (Yurchenko 2013: 101-2).

Meanwhile the oligarchs had immunized their assets from political change in Ukraine by offshoring them. The conglomerates of Akhmetov (SCM); ISD, with whom Akhmetov shared control of Donbas heavy industry and which was now run by another group of Donetsk oligarchs (Hayduk, Taruta, and Mkrtychan), as well as the interests of Kolomoisky and Boholyubov (Privatbank), and Pinchuk's Interpipe, were all registered in Cyprus, together they owned 24 out of the top-100 companies (Yurchenko 2013: 169, cf. 114). Thus in the Ukrainian economy they operated as 'foreign investors' and through M. Azarov of the Party of Regions, who was made head of Ukraine's tax authority in 1999, they were able to obtain tax advantages including new tax avoidance opportunities. The establishment of tax free zones in Donetsk

and Mariupol was a tangible result of this power. Since most of the foreign investment into these zones was oligarch money recycled via offshore in Cyprus or elsewhere, it effectively established tax freedom for the oligarchs (Yurchenko 2013: 93-4, 96).

Kuchma after winning the 1999 election had to find ways of offsetting his declining popularity and cover his back in Dnepropetrovsk and the west of the country. He did so by appointing Yushchenko as prime minister and Tymoshenko as deputy prime minister for Fuel and Energy. After her YeESU partner and former Prime Minister Lazarenko had become embroiled in a scandal and had to flee, YeESU had been removed from the energy market, whilst others such as Firtash (Itera) moved in. Since the whole idea of political office is to continue competition by political means, Tymoshenko now used her new position to begin centralizing the gas purchase in Naftogaz Ukrainy, whilst trying to remove all other middlemen through direct agreements with Gazprom (Yurchenko 2013: 104). Naftogaz Ukrainy still exists and the fight over its control recently would cause the neoliberal Lithuanian minister of economic development to resign (cf. below).

Kuchma's decade as president led to the complete criminalization of the Ukrainian government and civil service. According to Misha Glenny, the fusion between political and economic power was facilitated by the intelligence service of independent Ukraine, SBU (Yurchenko 2013: 107-8; the SBU would remain a hotbed of crime and corruption but nevertheless was relied on by the Dutch authorities to make important decisions in handling the disaster with Malaysian Airlines flight MH17 in 2014). Back in the year 2000 the criminalization of Ukraine's power structure reached a new high when Georgiy Gongadze, a journalist investigating Kuchma's business dealings, disappeared in September. His decapitated body was found months later with signs of torture. General Kravchenko had ordered a General Pukach to abduct Gongadze and assassinate him. Pukach confessed in court but Kravchenko was killed the night before his testimony in March 2005. The Gongadze scandal triggered the first wave of popular mobilisation with attempts to organise a referendum to impeach him (Sakwa 2015: 51).

Still in 2000, Vladimir Putin took over as president of Russia, bringing with him his former KGB entourage and various enforcers from the security sector. Putin sought to restore state authority in Russia and clamped down on those oligarchs who used their economic power and control over media to pursue political goals, such as Berezovsky, Gusinsky and Khodorkovsky, whose Yukos energy interests were eventually brought back under state control via Rosneft. Putin replaced R. Viyakhirev at the head of Gazprom by his former KGB colleague Alexei Miller. Among other things this led to intensified rivalry in the Ukrainian market, and with Lazarenko convicted after fleeing to the US, Tymoshenko became the target of fraud cases against her husband and herself over their role in YeESU. In 2001 she was forced to resign again as deputy prime minister, losing control over Naftogaz Ukrainy as a result. The assets of YeESU were re-privatised, ending up in Akhmetov's SCM in 2002-3 (Yurchenko 2013: 105).

The gas wars in Ukraine now entered a new phase as Russia had become directly involved. Putin replaced Itera by EuralTransGaz (ETG), which was granted the monopoly of gas trade between Gazprom and Naftogaz Ukrainy, both state-owned. ETG was set up as an offshore operation on behalf of Gazprom, and was domiciled in a small Hungarian village. In true operetta style its nominal owners were an unemployed Rumanian actress, a Rumanian couple, and Ze'ev Gordon, a Tel Aviv lawyer of the crime boss Simeon Mogilevich, a member of the Solntsevo Brotherhood. In this case however Gordon was acting for Dmytro Firtash, who was also associated with Mogilevich (Yurchenko 2013: 106; Pinchuk too was connected to Mogilevich, *Ibid.* : 116). As deputy prime minister for energy Tymoshenko had tolerated Firtash (then still operating through Itera) but when Firtash and the new ETG in which he was a co-owner, began operating other routes such as gas from Turkmenistan, she turned against it (Sakwa 2015: 62). When a scandal erupted over financial fraud in ETG, it was removed from the gas trade and replaced by RosUkrEnergo, a joint venture of Gazprom and Centragas Holding, another offshore operation (this time in Austria) in 2004-5. Firtash brought his Itera assets into Centragas Holding and became 90 percent owner

Pinchuk was also involved in RosUkrEnergo but less prominently. Viktor Yanukovich in his last days in office in November 2004 signed a decree giving RosUkrEnergo the monopoly of the gas trade in Ukraine, further empowering Firtash and Akhmetov (Yurchenko 2013: 92, 107, 116).

As these gas wars were being fought, the disgust among the population at the unabashed enrichment by the oligarchs was increasingly capitalised by the Ukrainian nationalist forces from the west. Oligarchs such as Tymoshenko, who after her dismissal could only hope to make a come-back via the political process, pro-Western technocrats such as former Central bank president Viktor Yushchenko, and rising oligarchs seeking political positions to back up their business interests such as Petro Poroshenko (Ukrprominvest) used this route because economically they were no match for men like Akhmetov or Pinchuk. In the parliamentary elections of 2002 Yushchenko's party, Our Ukraine, backed by Poroshenko and the oligarchs, Taruta and Mkrchan of ISD, won 24 percent of the vote, gaining 111 seats; the Communists, won 20 percent, and 66 seats; For United Ukraine, which supported Kuchma and was backed by Pinchuk and Akhmetov, came third with 12 although gaining 101 seats, more than the Communists with their 20 percent.

Poroshenko, the current president, built a business empire around the confectionary enterprise Roshen, established in 1996 (one of its largest factories is located in Russia). Through his holding, UkPromInvest, Poroshenko controls a wide array of bus, shipyard, and cable interests. He was a typical political opportunist, or depending on one's appreciation, centrist politician, having been one of the founders of Yanukovich's Party of Regions, before joining Yushchenko's Our Ukraine bloc in 2001. He played a part in the 2004 'Orange Revolution' and in 2009-10 even served as Yushchenko's minister of foreign affairs. When the Orange Revolution ran aground in another round of embezzlement, Poroshenko returned to the camp of Yanukovich, who helped him to a (less prominent) ministerial post (Chapman 2014; Sakwa 2015: 64). Meanwhile Kuchma after the 2002 elections appointed Yanukovich prime minister, which further opened the door for

representatives of the Donetsk bloc and only raised the resentment among the Yuschenko-Tymoshenko forces (Yurchenko 2013: 112).

The Ukrainian Nation-State Project

The support all over Ukraine for independence had been helped by nationalist propaganda about the supposed subsidies Ukraine had always been making to the centre in Moscow. The familiar refrain that all this wealth, siphoned off to keep up the overhead of the USSR, would now remain in Ukraine, an attractive prospect amidst profound uncertainty about the future (van Zon et al. 1998: 49). This sort of propaganda has also been seen in the break-up of Yugoslavia (Croatia and Slovenia subsidising Belgrade), and is still operational in current secessionist movements in Catalonia or Scotland, or in anti-EU campaigns. Such a mobilisation of sentiment against subsidising some far-away centre is one thing, but the regional elite which seeks to exploit it to facilitate its own rise to power then of course must deliver. This of course was not at all the case because the ‘subsidies’ supposedly having been siphoned off to Moscow, instead disappeared into the pockets of the oligarchs. These in turn were effectively condemned to pursue an aggressive policy of Ukrainisation if only to avoid a sober assessment of the real economic situation and distribution of wealth. This on top of the initial anti-Soviet, anti-Russian dynamic already mentioned and engendered by the break-up of the USSR.

Immediately after independence, new history books were introduced in Ukraine’s schools. Initially these were books published under the Nazi occupation of western Ukraine. These texts glorified Ukrainians killing Russians; still today, in new history books, new myths such as that Ukraine grew out of the Greece of classical antiquity, are being peddled (van Zon et al. 1998: 50-51). In June 1996, under Kuchma (whose own mastery of Ukrainian was limited), a constitution was adopted which defined Ukraine as a unitary nation-state, also because it was feared that federalism would lead to the country’s dissolution. The special status accorded to the Crimea as an Autonomous Republic within Ukraine, already was a concession. Also the

country was given one language, Ukrainian, with Russian among the minority languages. Certainly actual Russians are a minority but 80 percent of the population describe themselves as Russian-speakers, and Russian is the primary language of communication, even rising because of the internet. Being told that this language, the language of science and culture, was now a minority dialect led to serious dissatisfaction (Sakwa 2015: 58-60).

By 1997 Ukrainisation in the Russian-speaking east had progressed in secondary schools and even at the elite school level. Salary rises for teaching staff were tied to shifting from Russian to Ukrainian, and many signs were that Russian culture would in due course be reduced to a marginal existence. In early 1997, the state university of Zaporozhe for instance abolished the faculty of Russian language and literature, transferring the teachers to other language faculties and reducing the number of students. However, since even the great Ukrainian literary figures such as Bulgakov and Gogol, had written in Russian, whilst Ukrainian had not developed as a modern language, marginalising the Russian language implied marginalising culture as such (van Zon et al. 1998: 51-2). By making Russian newspapers and books more expensive, and restricting the broadcasts of the Russian ORT network, the nationalist drive worked to downgrade the cultural and information levels in the east of the country, turning 'the Russian speaking majority [into] a discriminated minority'. As Van Zon et al. comment (1998: 53) this contained 'the seeds for future conflict'.

Since from the West everything that assisted a more pronounced stance against Russia now that the honeymoon symbolized by the figure of Yeltsin had been replaced by the geopolitical reality embodied by Putin, was supported, cultural Ukrainisation received unmitigated support. Thus, to name but one example. the Friedrich Ebert Foundation, scientific bureau of the German SPD, supported a seminar in Zaporozhe in 1997 of which the invitation was in Russian but the proceedings in Ukrainian, even though this excluded many of those accepting the invitation (van Zon et al., 54 n. 8). When the present author visited Kiev in November 2008, he was told by representatives of the Ukrainian Forum, an organisation of federalist

inspiration patronised by Kuchma, that any subsidies from institutions like the Ford Foundation required that proceedings were to be held in either Ukrainian or English, but not in Russian. This takes us to the role of the West in the ensuing development of Ukraine.

3

Euratlantic Unity Against Russia

- *The EU Association Agreement fits into the combined NATO-EU enlargement after the collapse of the Soviet bloc and the USSR which have brought NATO as well as the EU to the actual borders of Russia proper. By holding out the prospect of membership of the Euro-Atlantic bloc, the West encouraged anti-Russian forces in both Ukraine and Georgia to the point where the latter country felt emboldened to attack break-away South Ossetia in 2008.*

In the run-up to German reunification, Secretary of State James Baker III famously reassured Gorbachev that the eastern part of Germany would not become militarised. If united Germany would join NATO (against the preferences of Russia, which like the USSR in the Cold War, all along had argued for German neutrality), if Russia pulled out its 24 divisions from the east, NATO would not advance *one inch* (into the former GDR). The same assurance was given by West German foreign secretary Genscher to his Soviet colleague, Shevardnadze. The former British Ambassador to the Soviet Union and Russia, Rodric Braithwaite, told the UK's House of Lords EU Committee that assurances in the above sense were given in 1990 by the US (Baker) and Germany (Chancellor Kohl), and in 1991, on behalf of the UK (by the then Prime Minister, John Major, and the Foreign Secretary, Douglas Hurd) and France (by President François Mitterrand) and that 'this factual record has not been successfully challenged in the West', a position shared by former US Defence Secretary Robert McNamara, but contested by others (*House of Lords* 2015: 35-6; Sakwa 2015: 44-5).

Against this background, Kravchuk in December 1994 signed away Ukraine's nuclear arsenal in exchange for an international guarantee of the country's borders (with the US, Britain, and Russia).

NATO Expansion and GU(U)AM

When Clinton's re-election chances for 1994 began to look dim, the United States nevertheless shifted course to NATO expansion. This coincided with a new role for the hitherto defensive alliance, 'humanitarian' intervention out-of-area, a task undertaken first in the break-up of Yugoslavia when NATO authorized a bombing campaign to force the Bosnian Serbs to accept the Dayton Agreement in 1994. In Figure 3.1 the expansion of the NATO Alliance to the borders of Russia proper has been depicted.

Figure 3.1. NATO Enlargement Towards the Russian Border



Source: *Der Spiegel*

In 1997, as a consequence of the decision of the US to expand NATO, the NATO-Russia Founding Act was concluded. In addition to recognising all existing treaties and organisations, it was laid down in Chapter IV that no nuclear weapons and no stationing of NATO troops would take place in the new member states (Talbot 1997). One year later, in 1998, a low-key organisation of pro-Western former Soviet republics was established, GUAM (after the initials of Georgia, Ukraine, Azerbaijan, and Moldova) under the auspices of the US, the UK and Turkey. The members of GUAM and also Uzbekistan, which joined the others in 1999, adding one 'U', but soon left again, attended NATO's 50th anniversary conference in Washington. Here the transformation of the alliance from a defensive one to a military arm of Western globalising capitalism was formally confirmed. In NATO's Kosovo intervention, which coincided with the first round of NATO enlargement (with Poland, Hungary and the Czech Republic), GU(U)AM members Azerbaijan and Ukraine already demonstrated their new Atlantic allegiance by preventing Russia from supplying the Serbian army and even Russia's own units at Pristina airport.

Georgia, a way station on the Baku-Ceyhan pipeline from Azerbaijan to Turkey's Mediterranean coast, and strategically located on the Black Sea coast, meanwhile was being built up as a regional ally of the West against Russia. Israel on US account already began selling arms to Georgia in 2001. Israeli spy drones conducted reconnaissance flights for Georgia over southern Russia, as well as into Iran (de Borchgrave 2008). The Bush Jr. administration initially was not overly keen on GU(U)AM as it sought Russian support to invade Afghanistan in the aftermath of 9/11, but this changed again after Russia sided with the continental European opposition to the invasion of Iraq in 2003 (Cheterian 2004).

In response to the steady build-up of Western forward positions in post-Soviet republics via GU(U)AM, Moscow in 2002, following earlier attempts to restore some form of a common security organisation with former Soviet republics, established the Collective Security Treaty Organization (CSTO)

uniting Armenia, Belarus, Russia, Kyrgyzstan, Kazakhstan and Tajikistan, and from time to time, Uzbekistan too. However, when it transpired that NATO Secretary General Rasmussen was contemplating a possible cooperation with CSTO, the US ambassador to NATO intervened, as CSTO was seen as antagonistic to the promotion of US interests in the former Soviet republics (Sakwa 2015: 36).

The US now actively began to promote its 'colour revolution'-apparatus, which developed on the foundations of the covert intervention structures exposed in 1991 as 'Gladio' (see van der Pijl 2014: 214-9). In late 2003 a Western-supported take-over brought US-educated Mikhail Sakaashvili to power in Georgia, and Ukraine was next. However, as former Czech president Václav Klaus told the British House of Lords EU Committee, 'Ukraine was an inherently unstable entity, weakened by decades of political faction. He believed that Ukraine was a "heterogeneous, divided country, and that *an attempt to forcefully and artificially change its geopolitical orientation would inevitably result in its break-up, if not its destruction*"' (House of Lords 2015: 64-5, emphasis added).

The 'Orange Revolution' and US Strategy

The 'colour revolutions' that were to run their course through the Soviet bloc, including Albania and Yugoslavia/Serbia, and the former Soviet republics, should be understood as rooted first of all in the respective domestic situations. US and Western power can only be brought to bear in situations which have already become unstable, and without the beginnings of an authentic mass protest, no outside intervention can hope to achieve much. In Ukraine this was not different and it was only thanks to the overt criminalization of oligarchic class formation exposed in the Gongadze murder case in which the president was shown to have been directly involved, that the groundswell of public protest began to rise. It did not help that Kuchma in the closing stages of his incumbency proposed changes in the constitution reinforcing the presidency (Yurchenko 2013: 113-4).

In the presidential election of 2004, former central bank governor and ex-prime minister Viktor Yushchenko, candidate of the Ukrainian nationalists, was allied with Tymoshenko, who only through a political process could hope to regain her position in the gas distribution market. Tymoshenko now inherited the mantle of representing Dnepropetrovsk from Kuchma, but Yushchenko also had some support from Donetsk and from central Ukraine. His campaign was supported in the media by TVi of Husynsky and 5Kanal of Poroshenko (the media owned by Kolomoisky, Glavred, in this campaign still kept aloof. Kuchma meanwhile wanted to cover his back and in September 2004 reluctantly endorsed Yanukovich as his successor. Yanukovich represented Donetsk and was supported by the media owned by Akhmetov, Pinchuk and others; he was also Moscow's favourite. The criminal background of many in the Donetsk bloc may have played out in the attempt to poison Yushchenko, which forced him to conduct his election campaign with a disfigured face (Yurchenko 2013: 117, 120; Sakwa 2015: 51, 63).

The outcome was a close call but in the standard opening move of all colour revolutions, two NGOs on the basis of exit polls contested it. In this case the differences between the official count and the exit polls were too big and fraud was duly established, and it was also found that the Electoral Commission had been complicit in it. Yuliya Tymoshenko called out a mass movement in protest and half a million gathered at Maidan in Kiev, with the *Pora* ('Enough') movement in front, again a familiar feature of other colour revolutions. Even so, the Maidan movement was not a Ukrainian nationalist one; the predominant language was Russian. On 3 December 2004 the Supreme Court ordered a rerun of the election, and now Yushchenko was elected and duly confirmed as president. In the process, the popular revolt against oligarchic-criminal rule was turned into a reshuffle of the oligarchic power structure, with ascendant oligarchs (such as Poroshenko) and oligarchs hoping to regain lost positions such as Tymoshenko in the lead. Yet paradoxically the Orange Revolution would entail the end of the Dnepropetrovsk fraction's commanding role without replacing it by a cohesive new bloc (Yurchenko 2013: 122; Sakwa 2015: 21, 52).

Immediately after the confirmation of Yushchenko as president, the US, the EU and the international financial institutions rushed in to capitalise on the triumph of the most pro-Western oligarchs. In the *WikiLeaks* disclosures it was revealed that US Assistant Secretary of State Daniel Fried lost no time before travelling to Ukraine to assure the new government that it would be backed by the US if it stood up against Russia, as Poland and the Baltic states had done; and that if it would continue market reform, its NATO and Euro-Atlantic aspirations would be backed as well (Sakwa 2015: 53). This highlights the thrust of Western involvement, which is to forcibly open up other states for commodification and exploitation, ‘introduce and intensify ... “the silent compulsion of the market” across political jurisdictions sheltered from the complete instantiation of market imperatives’ (Di Muzio 2007: 519, cf. 531-2). Samuel Huntington’s *Clash of Civilisations*, his patron Zbigniew Brzezinski’s ruminations on the *Grand Chessboard*, or the long-standing strategy of sealing off Russia from Germany by a corridor consisting of Poland and Ukraine, merely provide ideological perspectives articulating the more fundamental pressure of capital to open up new spaces for exploitation and accumulation.

The ‘grand strategy’ to deal with Russia under Yeltsin had been formulated first by Brzezinski, the Democrats’ old hand in foreign policy and mentor of Bill Clinton’s second-term Secretary of State, Madeleine Albright. A Polish aristocrat whose family came to the US in the 1920s, Brzezinski’s anti-Russian stance in the *Grand Chessboard* included proposals for cutting up Russia (Brzezinski 1997: 202). As to Ukraine, Brzezinski’s close associate Samuel Huntington in his *Clash of Civilizations* argument (1993, 1998) had drawn the frontline between the Western and Slavic civilizations right through it, but although he recognized that conflict was possible, he still thought in 1998 that the most likely scenario was cooperation with Russia, citing an authority on the issue that the Ukraine-Russia relationship is best compared to the Franco-German one at the heart of the EU (Huntington 1998: 168).

Brzezinski on the other hand was far more ambitious. Still in the *Grand Chessboard* he argued that once reforms would have brought Ukraine into the

Central European family of countries, the country *somewhere between 2005 and 2010*, 'should become ready for serious negotiations with both the EU and NATO' (Brzezinski 1997: 84, cf. 121). By the year 2010 this would then create a 'critical core of European security' encompassing France, Germany, Poland and Ukraine. This extended geographic formation would give it the much-needed strategic-military depth against Russia, which otherwise would alone enjoy this advantage, one by which it had already absorbed the two great military invasions. For Brzezinski, it was the loss of Ukraine that had been the critical factor in bringing the USSR to its knees. After all, it was through Ukrainian actions such as Kiev's insistence on replacing the Soviet Union by a looser commonwealth and the 'sudden coup-like imposition of Ukrainian command over the Soviet army units on Ukrainian soil, that prevented the CIS from becoming merely a new name for a more confederal USSR' (Brzezinski 1997: 92-3; cf. 85 for the map of the 'critical core'). A Russia without Ukraine in Brzezinski's perspective would become 'Asianized' and more remote from Europe. Therefore, ensuring that Russia 'clearly and unambiguously' accept the separation of Ukraine from its sphere of influence was essential (Brzezinski 1997: 113; 119). Of course these calculations were still based on a Russia under Yeltsin in which the West basically dictated terms, something that would change once Putin had taken over.

However, rather than opening up the Ukrainian political economy to Western capital and political influence, it soon became obvious that the Orange Revolution was first of all a phase in the ongoing struggle between different oligarchic fractions. In January 2005 Yushchenko appointed Tymoshenko as prime minister, as agreed before the elections. She launched a 'war on oligarchs', that is, the *other* oligarchs, Pinchuk (with whom she had still collaborated in the formative phase of the Dnepropetrovsk fraction) and Akhmetov. Even Yushchenko became concerned over Tymoshenko's attempt to re-privatise a metal plant previously owned by Pinchuk, and publicly reprimanded her for it. On the other hand the Privat Group of Kolomoisky and Boholyubov, which had financed her campaign, did not suffer (Yurchenko 2013: 124; Sakwa 2015: 53).

These struggles among the oligarchs now became part of the political process again and the Americans were kept well informed about them. Poroshenko had expected to become prime minister and when Tymoshenko was chosen instead, the disappointment led to an enduring feud between the two; among the resignations that followed conflicts during Tymoshenko's premiership was his resignation as head of the National Security and Defence Council (NSDC). Since Kuchma's proposals for strengthening the presidency had not been put into law, there was more emphasis on parliamentary coalition building. Firtash (RosUkrEnergo) told the US ambassador, according to *Wikileaks*, that he prevented a coalition between Tymoshenko's Fatherland party and the Party of Regions and worked for a PoR coalition with Yushchenko's Our Ukraine instead. Under these circumstances Tymoshenko was not able to exploit her position as prime minister very much; she brought only one figure from her party into the government, A. Turchynov, who was appointed head of the security service SBU (after the regime change in February 2014 he would take up the post of interim president; Yurchenko 2013: 126; Sakwa 2015: 52-3, 64).

Clearly the divisive policies of Tymoshenko were unacceptable to some of the major oligarchs and seven months after her appointment she was dismissed and replaced by a compromise candidate (i.e., a compromise with Donetsk capital), A. Moroz, the leader of the Socialist Party. Animosity between Yushchenko and Tymoshenko had boiled over but in the parliamentary elections of 2006 her party did better than the president's, whose following would dwindle to 5 percent in the 2010 presidential election. A coalition of the PoR, Socialists and Communists then voted Yanukovich into office as prime minister in August 2006; he would hold office until the parliamentary elections of 2007. This facilitated the renewed ascent of the Donetsk bloc and the Party of Regions and the consolidation of the criminal element in Ukraine. The preterm elections were held in September 2007, and Tymoshenko's BYuT once more did well, landing her the office of prime minister again with the support of Yushchenko. This time she remained in office until March 2010. Her main achievement was to remove Firtash and RusUkrEnergo from the gas trade, whose role had the blessing of Gazprom,

Putin and Kuchma. Little wonder that her acrobatics in the struggle over the gas distribution in January 2009 led to a damaging gas shut-down by Russia (Sakwa 2015: 53-4; Yurchenko 2013: 126).

Ramping Up US Strategy—with the EU in Tow

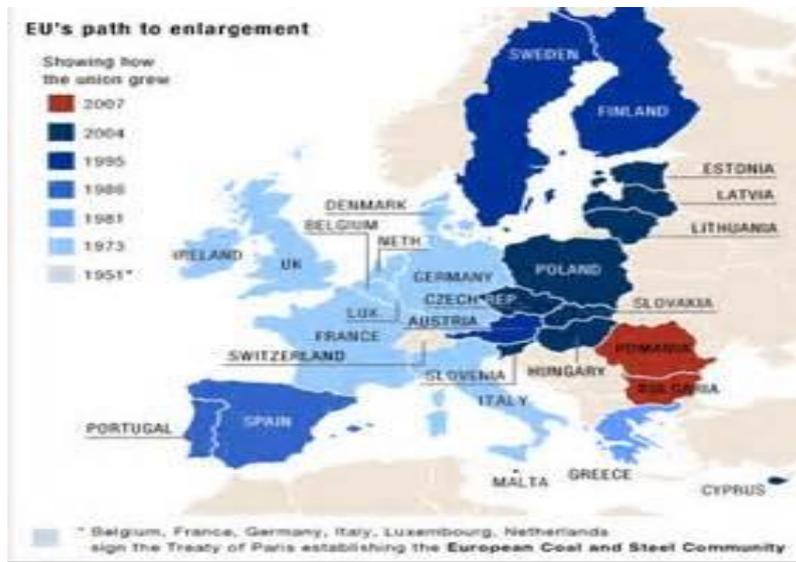
In the aftermath of the Iraq invasion and with regime change optimism riding high in Washington, attitudes towards Russia and the former Soviet sphere of influence were hardening as well. With respect to Ukraine, the Bush administration had grave misgivings about what was happening there after the promise of the pro-democracy, pro-Western Orange Revolution soon faded amidst continuing infighting among the oligarchs. The political entrenchment of the Russophone east was looked at with mistrust but according to leaked cables, Tymoshenko's populist campaign promises, too, were cause for concern (Sakwa 2015: 54).

US Secretary of State Condoleezza Rice, dissatisfied with the timid proposals of her initial policy planning director, in 2005 brought International Relations scholar Stephen D. Krasner to the State Department instead to develop bolder initiatives in the sphere of democracy promotion and the use of American influence in it. With Carlos Pascual, former US ambassador to Ukraine and appointed as Coordinator for Reconstruction and Stabilization, Krasner made the case for preventive intervention in weak states ('weakness' including ethnic or religious divisions) for which a stabilization and reconstruction rulebook would be written listing the measures by which the required 'market democracy' was to be established (Krasner and Pascual 2005: 156-7). On this basis a list of countries liable to 'collapse in conflict' was drawn up. In fact there was no point waiting for a conflict to erupt before rebuilding a state, Pascual explained in a talk. 'To create democratic and market-oriented' states could also proceed on the basis of 'pre-completed contracts ... [with] countries that *are not yet broken*' and where an active '*tearing apart the old*' might be necessary first (cited in Easterly 2006: 238, emphasis added).

This amounted to a radical approach to enact the grand strategy developed by Brzezinski. The new policy worked out by Krasner and Pascual for the Bush administration envisaged the *active encouragement of the break-up of countries and regime change to pass power into the hands of those willing to execute a neoliberal and pro-Western programme on the basis of the aforementioned contracts*, characterised by Krasner as ‘voluntary agreement[s] between *recognized national political authorities* and an external actor such as another state or a regional or international organization’ (Krasner 2005: 70, emphasis added). Given the CV of Pascual and the anti-Russian tendency in Washington, this obviously was also a blueprint for an intervention in Ukraine. Again this is not a matter of random exercise of power, but a specific policy to weld democracy promotion, economic warfare and the application of military force into a ‘new art of military intervention premised on the temporary occupation and technocratic reconstruction-reconstitution of illiberal societies’ (Di Muzio 2007: 517-8).

The European Union at this point was going through a major transformation, in which the remaining areas of friction with Washington revealed at the time of Iraq adventure were being sidelined. In the project for a European Constitution, ‘Europe’ now sought to constitutionalise neoliberal capitalism and Atlantic defence, aligning its future more closely with the prospects of the West in every domain. Of course the constitution was voted down in France and the Netherlands in 2005, but it was recast as the Lisbon Treaty without a change in stride. *Henceforth the conditions of EU association and membership dropped all pretence of representing an autonomous European framework*. Under the Lisbon Treaty, agreed in 2007 and coming into force in 2009, accession countries were not only to open their economies but also align their defence and security policies with those of NATO (Sakwa 2015: 30). The EU’s abandonment of even a relative autonomy in its foreign policy has its origin here; and since the financial crisis of 2008 hit Europe much more seriously than the US, this only further undermined the capacity for an independent policy taking its distance from the radical interventionist American stance. The map of EU enlargement by now was beginning to almost coincide with that of NATO enlargement (Figure 3.2).

Figure 3.2. Enlargement of the European Union



Source: Financial Times

From Moscow, the Euro-Atlantic bloc increasingly began to be perceived as a threat because the refusal to recognise Russian interests was only too obvious. From 2007 therefore, a policy of 'neo-revisionism' was embarked on which no longer attempted to gain acceptance for Russian security concerns by diplomatic means only but demonstrate that Moscow would not be bullied. At the annual Munich Security Conference Putin expressed his frustration over the fact that the West was attempting to transform one of the key structures of European security, the OSCE, into an instrument of NATO foreign policy interests, emphasising that security was indivisible. The use of democracy promotion, as in the Orange Revolution in Ukraine, also was seen as a destabilising factor instrumentalised by the West. Russia thus warned in January 2008 that any attempt to further expand NATO would imply great risks, with Putin himself questioning what the Ukrainian plans for membership preparation had to do with democracy given that a large majority of the people were against it (Sakwa 2015: 30-32, 34, 54). Nevertheless in April 2008, at the Bucharest NATO summit, Ukraine and Georgia were given signals they were candidates for NATO membership, in spite of the fact that Ukraine's constitution declares the country neutral. Only pressure by the

French and Germans on George W. Bush prevented Washington from actually starting the NATO inclusion process at the summit (Sakwa 2015: 55, cf. 47). NATO expansion now was probing the perimeter of Russia proper—the ‘inch’ of Secretary Baker had come a long way and EU expansion was less and less distinguishable from the NATO advance.

As the UK’s House of Lords EU Committee heard, the EU began negotiating an Association Agreement with Ukraine already in 2007, building on earlier discussions about a Free Trade Agreement dating as far back as 1994. At the time Moscow no concerns about the agreement. ‘Mr Neil Crompton, Deputy Political Director, [Foreign Office], informed us that “Russia went through a long period in which it did not make a major issue of Ukraine’s signature” of the Association Agreement’ (*House of Lords* 2015: 53). Beginning in May 2008 these negotiations became part of the plan for six former Soviet republics, Georgia, Ukraine, Azerbaijan and Moldova (the four GUAM states) plus Belarus and Armenia, to become members of the Eastern Partnership (EaP), an EU partnership structure meant to enhance the Western orientation of these states. The EaP was an idea of the Polish foreign minister, R. Sikorski, which he co-drafted with Carl Bildt of Sweden to give the idea more EU leverage. *Individual eastern European countries were expected to sign Association Agreements drawing them into a Deep and Comprehensive Free Trade Area (DCFTA)*. This was to be the new format of the European Neighbourhood Policy launched in 2002, which aimed to create a zone in which countries ‘share everything with the Union but institutions’ (Sakwa 2015: 38-9). Meanwhile, NATO power projection, to which the EU was effectively beholden, was now coming dangerously close to the Russian border and threatened vital security interests.

Emboldened by US, NATO and Israeli assurances and hints, Georgia’s pro-Western president Saakashvili then in August 2008 decided to try and regain control of the breakaway region of South Ossetia by force. Sakkashvili expected that a quick military offensive, launched when the world’s attention was focused on the opening ceremony of the Beijing Olympics, would easily defeat the South Ossetian militias—not realising that Russian intelligence had

gotten wind of his intentions and that the Russian 58th Army was waiting for him on the border with North Ossetia (Mardirossian 2008). Georgian Defence Minister Kezerashvili, an Israeli citizen, had been closely involved in the supply of arms and when the Georgian attack began, now declared that Tblisi in its fight ‘against the great Russia’ was counting on the US. But as Arnaud de Borchgrave reported, not only was the Georgian attack repelled, but the two military airfields in southern Georgia earmarked for the use of Israeli fighter-bombers in the event of a pre-emptive attack on Iran were destroyed by Russian special forces, and Israeli drones were captured (de Borchgrave 2008). The humiliating defeat of the Georgian assault was followed by declarations of independence by South Ossetia and Abkhazia. This was what Richard Sakwa calls, ‘the war to stop NATO enlargement’.

However, instead of interpreting the Russian riposte as a sign that Moscow would no longer tolerate EU or NATO adventures on its borders, Anglo-US politicians only stepped up their efforts in that very process, as when UK foreign secretary David Miliband visited Kiev and pledged Britain’s support. Whilst the Georgia war was still going on, Yushchenko visited the capital Tblisi and announced that the Sebastopol lease to Russia, agreed in 1997, would expire in 2017 (Sakwa 2015: 55, 47). Sikorski and Bildt now sought to convey the image of an expansionist Russia eager to resurrect the Soviet Union. Indeed in the mainstream media in the West the Georgian adventure is routinely labelled a Russian attack, just as the civil war in Ukraine later would be called a Russian invasion.

From 2010 the EU then embarked, with the Lisbon Treaty in hand, on trying to bind Ukraine into the Western camp through an Association Agreement including key defence provisions. Thus the Eastern Partnership, effective from 2009, in spite of sustained Russian opposition was moving ahead to the next stage of actual Association. Soon after the launch of EaP, Alexander Grushko, a deputy foreign minister of Russia, already warned that EaP should not force the partner countries to choose between either Russia or the EU (cited in *House of Lords* 2015: 49). But again, this warning was waved away and the EU was pressing ahead as if it had the means to execute the US

strategy devised by Brzezinski, Krasner et al. all by itself. Indeed in the words of Sakwa,

The EU was launched on the path of geopolitical competition, something for which it was neither institutionally nor intellectually ready. Not only was the Association Agreement incompatible with Ukraine's existing free-trade agreements with Russia, but there was also the Lisbon requirement for Ukraine to align its defence and security policy with the EU. This was an extraordinary inversion: instead of overcoming the logic of conflict, the EU became an instrument for its reproduction in new forms (Sakwa 2015: 41).

Well might Putin at the time of the Prague EU summit launching the EaP propose to create a tripartite structure to modernise Ukraine's gas pipeline system, but this was dismissed, as would other tripartite and greater European initiatives). Although from the perspective of the Eurasian Economic Union (EEU) there need not be an incompatibility between it and the Western EU, from the EU perspective countries will have to choose, either with Russia, or with the EU. 'The effective merger of EU security integration with the Atlantic security community meant that Ukraine's association with the EU... took on dangerous security connotations, as well as challenging Moscow's own plans for economic integration in Eurasia' (Sakwa 2015: 55, cf. 41-2, 44).

Bush-Obama Continuity

The election of Barack Obama to the US presidency in November 2008 would not work to rein in the new offensive stance of the EU towards Ukraine and Russia, on the contrary. The new administration included key figures sharing this perspective such as Secretary of State Hillary Clinton and even more so, Assistant Secretary of State Victoria Nuland, as well as Policy Planning Director Anne-Marie Slaughter. The Krasner-Pascual strategy, which is best understood as the executive, hands-on format of the grand strategy expounded by Brzezinski, remained in the cards too. Initially the Obama administration sought to cultivate the new Russian president Medvedev, initiating a 're-set' with foreign secretary Lavrov and leaving Ukraine to the EU. But as soon as the Maidan protest erupted the Americans would rush back to assume a leading role in Kiev.

In Brzezinski's 2008 update of his views for the Obama team, significantly titled *Second Chance* after the fifteen years in which the US had become increasingly isolated (Brzezinski 2008: 181), he was most concerned with the disaster of the Iraq invasion and the War on Terror. Yet he also referred to what he saw as the painful timidity of Bush Senior's 'Chicken Kiev' speech in August 1991, when the president had warned against Ukraine going down the path of 'suicidal nationalism based upon ethnic hatred'; whereas Brzezinski himself already in the late 1970s (when he was Carter's National Security Adviser) had proposed to organise covert support for the aspirations of the non-Russian nationalities in the USSR to break away from it (Brzezinski 2008: 60-61). The Krasner/Pascual project of igniting the break-up of insufficiently liberal and/or pro-Western countries and force regime change on them was merely the latest instalment of this longer-term perspective.

From within Ukraine, the most powerful oligarch to emerge from the Dnepropetrovsk fraction, Kuchma's son-in-law and pipeline king, Viktor Pinchuk, immediately after Obama's inauguration solicited the support of the new administration against his rivals in the east. According to the *Wall Street Journal* Pinchuk in 2009 pledged a 'five-year, \$29-million commitment to the Clinton Global Initiative, ... to train future Ukrainian leaders "to modernize Ukraine"'. Revealing the list of foreign donors in a Murdoch newspaper may be part of Republican opposition to Hillary's presidential bid, yet the fact that Pinchuk's contribution topped the list of foreign donors of the family foundation signalled that as far as the intent to seek 'voluntary agreement' with Western states and institutions is concerned, Pinchuk's aspiration that Ukraine become 'a successful, free, modern country based on European values' (*Russia Today* 2015 citing the Pinchuk Foundation) only required that the 'recognized national political authorities' the Krasner/Pascual strategy refers to, change from the PoR and the forces associated with the Donetsk fraction, to others.

Pinchuk's generosity towards the Clinton Global Initiative may have been exceptional but the Ukrainian oligarchs were generally receptive to continuing

the quest for Euro-Atlantic integration, also those from Donetsk. Cables from the US ambassador in Kiev made public by *WikiLeaks* revealed that the Atlantic preferences of the oligarchs were not shared by the population at large. In April 2009, popular support for NATO stood at only 25 percent and support for the EU has not yet won over a majority either although it is closer (Sakwa 2015: 70; Van Zon 2016).

4

The EU Association Agreement from the Maidan Revolt to Regime Change

- *The conditions of the EU Association Agreement and the last-minute withdrawal of the Ukrainian president's signature to it brought out the destructive implications of forcing the country to choose between East and West. As the population revolted against oligarchic rule and authoritarianism, the US and EU supported an armed seizure of power by Ukrainian fascists a year ahead of presidential elections.*

In the January 2010 presidential election Tymoshenko was beaten by Yanukovich in two rounds, which again clearly revealed the regional divide. This time observers confirmed the outcome as reasonably trustworthy. Yanukovich now proceeded with instituting an authoritarian strong state by restoring the original presidential system and annulling the 'Orange' shift to a parliamentary one. This allowed the president to appoint regional governors as well as the chair of the PoR, Azarov, as prime minister (Kuchma privately recommended a candidate eliminated in the first round, A. Yatsenyuk, who at the time was seen as a 'technocrat'). Yanukovich also forced through a law returning some status to the Russian language. All presidential candidates after 1996 had promised to make Ukraine a two-language state but only now was a law adopted which ruled that a language spoken by at least 10 percent in a region would have the status of an official language. As a result, 13 of Ukraine's 27 regions adopted Russian as the second official language, but it did not solve the language issue in the central administration or in higher education, where doctoral dissertations could not be submitted in Russian (Sakwa 2015: 56, 59).

Yanukovich's heavy-handed centralism removed the last remaining obstacles to the consolidation of the Donetsk bloc (Yurchenko 2013: 132). Personal enrichment also played a part in his rapidly eroding popularity. His

son Oleksandr entered the list of 100 richest Ukrainians soon after his father assumed office (Yurchenko 2013: 171). In between, the 2008 crisis struck the country with particular intensity and exacerbated divisions to the benefit of right wing populism and actual fascism. Firtash took control again over the gas distribution sector. The monopoly position of RosUkrEnergy, removed by Tymoshenko, was effectively restored. In 2007 Firtash reorganised his empire, after his initials, into the DF Group domiciled in the British Virgin Islands, with various companies based in Austria and Switzerland (Sakwa 2015: 62-3, cf. 22; Yurchenko 2013: 133). In another sign of the rise of Donetsk capital, Akhmetov's revenues in 2011, a year of economic crisis, increased from \$17.8 to 25.6 billion. This was part of a bubble derived from IMF loans, demand for Donbas steel (for another bubble in real estate) and cheap personal consumer credit. Ukrainian banks were able to borrow at record low interest rates in the West and then re-loan at higher rates in the domestic market (Yurchenko 2013: 131).

Towards the EU Association Agreement and Back

The Maidan revolt erupted over the last-minute rejection by Yanukovych of the EU Association agreement, which people viewed through the lens of their exasperation over the corruption. The 'choice for Europe' served as the proxy for a blocked domestic situation; people were desperate over the continuing impoverishment and viewed adherence to the EU as a means of cleaning up their country's and reining in the rapaciousness of the ruling oligarchy (Sakwa 2015: 67, cf. 21).

Negotiations on the Association Agreement and insertion of the country into the DCFTA were begun in 2010. In 2009, one of the most ardent advocates of EU enlargement into the former USSR, the Swedish foreign minister, Carl Bildt, already argued that the Association Agreement was not just a free trade agreement. Instead, the entire legislative configuration concerning property and competition in associated countries (Ukraine, Moldova, Serbia) should be changed 'which will provoke *really fundamental transformations in the long run*' (cited in Verceuil 2014, emphasis added).

Indeed the detailed provisions of the 1,100-page Association Agreement make abundantly clear this is not just a free trade agreement, as we will see later.

The Russians responded with a proposal for a customs union (mutual free trade, a common external tariff) with Belarus and Kazakhstan. When Yanukovich accepted the EU offer in principle in 2011, he simultaneously proposed a 3+1 formula that would give Ukraine, and indirectly, the EU, free access to Putin's new customs union. Given that the Russian market was then roughly 30 percent of Ukraine's foreign trade, this would expose Russia to the EU's competitive advantage whilst jeopardising the survival of Ukraine's own Donbas industrial belt. The fear of dumping on the Russian market and alignment of regulatory standards were Moscow's main concerns of the Association Agreement's implications. The dumping under free trade rules is obvious. As to the regulatory aspect,

[Once] Ukraine introduced EU technical regulations, it would no longer be able to "export many products of the steel industry, for example, or railroad vans to Russia, because they will not meet Russian technical regulations or customs union technical regulations." [Expert witness] Mr Kliment explained that Russians feared that the "shift in Ukraine to European standards and regulations—technical standards, phyto-sanitary standards, the whole run of it—would in fact make goods produced in Ukraine incompatible with supply chains for Russian firms and Russian sectors that rely on Ukraine for key economic inputs (*House of Lords* 2015: 66).

In Ukraine itself independence had amply demonstrated what happens when an ageing industrial infrastructure, one highly dependent on cheap energy to operate at all, is exposed to competition whilst losing its energy price advantages due to domestic gas wars among oligarchs and as a result, worsening relations with its energy supplier Russia. Car production at Avtovaz, the Ukrainian monopoly of passenger cars, was 156,000 at the time of independence (around half of capacity), dwindling to 57,000 in 1995 and then collapsing to 7,000 in 1996, leading to its temporary closure. In 1999 production was resumed at a much lower level (van Zon et al. 1998: 61-3; 62, Table 5.2; communication by Hans van Zon). This, in a nutshell, captures the

scenario of the consequences of the free trade provisions of the EU Association Agreement and the DCFTA.

However as the House of Lords EU Committee report also noted, the approach to Russia by the EU was aggressive, on a take it or leave it basis, and without consideration of the Russian ability (after its already difficult adjustment to WTO rules) to accept the full blow of EU competitiveness rules and free trade. On top of this the Committee heard that EU diplomacy and media were generally badly informed of the situation in both Russia and Ukraine. Thus 'President Yanukovych's decision not to sign the Association Agreement (AA) had been the subject of speculation in the Ukrainian press long before he announced his decision, but took the EU by total surprise' (*House of Lords* 2015: 23-4). The obvious attempt to manoeuvre in between Brussels and Moscow highlights that Yanukovych was not so much pro-Russian, but a hard-boiled representative of Donetsk capital within Ukraine, a federalist and concerned with Russian language rights. He even allowed himself to be convinced by Poroshenko not to make his first foreign visit to Moscow, but to Brussels. Poroshenko in turn was not anti-Russian but *post-Russian*, convinced Ukraine must align with the West. In April 2010 Yanukovych signed a new agreement with Russian president Medvedev renewing the lease of Sebastopol for another 25 years (until 2042) in exchange for a discount on the gas price (Sakwa 2015: 65, 71).

All along a kleptocracy of the worst kind continued to drain the economy. As a result Ukraine's GDP remained at the 1991 level, the only post-Soviet country to achieve this dismal result besides Kyrgyzstan. This caused Yanukovych's support to erode dramatically. It looked as if in the 2015 presidential elections the boxer, Vitaly Klitschko of the UDAR party, would beat him. However, as we will see, Klitschko was unacceptable to the United States. Tymoshenko's Fatherland party had done well in the 2012 elections (judged flawed in terms of the advantages the PoR enjoyed as the presidential party), but she herself was in jail serving a seven years' sentence after criminal proceedings had been initiated against her for fraud and embezzlement, charges that basically all or most oligarchs were liable to face. Svoboda pulled

10.4 percent of the vote, prompting a resolution of the European Parliament that condemned the party as ‘xenophobic, anti-Semitic and racist’. The World Jewish Congress in 2013 called on European countries to outlaw Svoboda along with Jobbik in Hungary and Golden Dawn in Greece (Sakwa 2015: 22, 72, 57; Niemöller 2014: 181).

The EU Association Agreement was signed by Yanukovych on 30 March 2012 and the DCFTA on 12 July of the same year. Negotiations had been going on for three years although the text of the agreement was not even available in Ukrainian until the very last moment, no mean omission given that the agreement is 1,100 pages long and without an index (Van Zon 2016; Sakwa 2015: 40). Indeed the Russians too only got the full picture at a very late stage. ‘According to Mr Dmitry Polyanskiy, Deputy Director, First Department of CIS Countries, Russian Foreign Ministry, it was only in the summer of 2013, when the text was published, that the Russians had sight of the agreement. The detail in the annexes “clearly showed to [the Russians] that with such an agreement Ukraine would no longer be able to maintain the same level of relations” with Russia’ (*House of Lords* 2015: 54).

In light of the expected complications, President Yanukovych suggested ‘trilateral meetings with Russia in order to clarify the consequences of the DCFTA’ (*House of Lords* 2015: 56). Certainly Tymoshenko from her jail cell urged the government to sign the EU association agreement and the DCFTA, due to be signed in Vilnius in November 2013. After all, one of the EU’s conditions was her release from prison, but it was also clear that the EU priority lay with incorporating Ukraine in the Western sphere of influence, and the condition of Tymoshenko’s release might be soft-pedalled (Sakwa 2015: 57). Nevertheless the plan was to sign the AA at the EaP summit in Vilnius in November 2013. This was a bold ‘forward press’ on the part of the EU, partly out of over-confidence in the face of Russian objections: indeed as Sakwa observes, this would be *the first time in the history of EU enlargement that the bloc encountered opposition from an external power* (Sakwa 2015: 78). It was also out of ignorance, for as EU external relations adviser Pedro Serrano testified, ‘the “first inklings” of trouble from the Ukrainian side came

in September 2013, when the President indicated that “it would be difficult for him to sign the DCFTA.” Finally it was power politics with respect to Ukraine itself played a role, for as Elena Korosteleva, a colleague of Sakwa’s at Kent, put it, the EU undertook a ““moderate but miscalculated campaign to accelerate or arguably compel Ukraine to a decision over the AA’ at the Vilnius summit (*House of Lords* 2015: 55).

The United States, too, now was zeroing in on developments in Ukraine. 2012 was Obama’s re-election year and in his second term the legacy of Bush’s War on Terror would be balanced to a much greater degree by the anti-Russian policy Brzezinski had been recommending throughout—under Carter, via Albright under Clinton, and again under Obama. With Putin returned to the Russian presidency, the US was stepping up its pressure. The arrival of a new US ambassador in Moscow in January of 2012 had already provoked a scandal when he met oppositionists amidst demonstrations against election fraud in Russia. In December 2012, when the 1974 Jackson-Vanik amendment (tying trade and arms control agreements with the USSR to Jewish emigration) was finally repealed, Congress in order to keep the pressure on Moscow promptly adopted the Magnitsky Rule of Law Accountability Act, (referring to the death of a Russian attorney in prison, Sakwa 2015: 219).

Also in December 2012 Hillary Clinton commented on Russia’s Eurasian development plans, at the heart of which is an ambitious Trans-Eurasian Development Corridor (TBER in Russian) with projects new cities laid out along integral energy transport highways (Gromyko 2015). Clinton however declared that whatever it might be called, this was an attempt to re-‘Sovietise’ the region. Therefore she promised that the US would find effective means to slow it or better, prevent it altogether (Clover 2012). On an earlier occasion she had openly discussed the chances of regime change in Moscow but concluded that the possibility of removing Putin by an internal revolt were too remote. The US instead should work to convey to the Russian president that the rise of China and the challenge of radical Islam would force his country to align with the West. A crisis in Ukraine would bring home the message; or as the president of the National Endowment for Democracy in Washington, C.

Gershman, stated in September 2013, not only was Ukraine ‘the biggest prize’ but it would also put Putin ‘on the losing end not just in the near abroad but within Russia itself’ (cited in Sakwa 2015: 74-5, 34).

At the September 2013 G20 summit in St Petersburg the US had positioned itself as an overt antagonist of Russia, attempting to lead a boycott of the Sochi Winter Olympics in February 2014. The prospect to bring about Brzezinski’s aforementioned ‘critical security core’ offering ‘geostrategic depth’ now came within reach; ‘tearing apart the old state’ as envisaged in the original Krasner/Pascual strategy, might be the intermediate step to establish the required ‘market democracy’. Meanwhile the Americans were trying to force Yanukovych’s hand by playing with arrest warrants for the oligarch, Dmytro Firtash, who was in Vienna in November. After the Ukrainian president had indicated he would not sign, a US arrest warrant was issued for supposed bribes paid by Firtash some years before in India. On the same day Victoria Nuland travelled to Kiev and succeeded in convincing Yanukovych to sign after all; now the arrest warrant for Firtash was withdrawn again (van Zon 2015).

However, Putin, who had little respect for Yanukovych personally, meanwhile had his experts explain to the Ukrainian president the losses Ukraine was going to incur if it signed the Association Agreement. Russia’s counteroffer on the other hand would bring Ukraine into the Eurasian Economic Union (EEU), with an additional \$15bn and preferential gas tariffs (Sakwa 2015: 57, 79). In fact the EU had committed to facilitate an International Monetary Fund (IMF) loan in the region of the same amount, ‘but this was conditional on reforms which would have been difficult to deliver in the short term’ (*House of Lords* 2015: 55). One of the IMF conditions was to raise the retirement age from 55 to 60, although the life expectancy in Ukraine is ten years below the European average (Verceuil 2014).

When the Ukrainian president seven days before the signing ceremony announced he would postpone it, pent-up exasperation at oligarchic rule brought crowds to Maidan again. The idea that in ‘Europe’, human rights and

the fight against corruption would be taken seriously, was a powerful factor, whilst for the nationalist ultras it meant that Ukraine would be able to push back Russian influence (Sakwa 2015: 22, 57). As one Russia specialist of Chatham House explained to the House of Lords EU Committee, ‘the EU ... “got way out of its depth” in pushing the Association Agreement, though there had been warning signs at least two years earlier, when “some people warned that if Yanukovich carried on looting the country in the way he was, the lid was just going to blow off in Ukraine’ (*House of Lords* 2015: 54). The EU had lost control of a process driven by the US and the virulently Atlanticist eastern member states, and was now slipping into a momentous clash with Russia (Sakwa 2015: 80).

The February 2014 Events

After initial protest dwindled again in late November, an ill-judged attempt by the Kiev police to clear out the square altogether backfired and with a crowd of half a million returning to Maidan, the Lenin statue off the main street was pulled down by anti-Russian extremists. An alliance formed in anticipation of the 2015 presidential election (Tymoshenko’s Fatherland party, Klitschko’s UDAR, A. Yatsenyuk’s Front for Change and Svoboda under Tyagnybok), now fast-forwarded their opposition to Yanukovich, moving in to organise the opposition in the streets, with Yatsenyuk as leader (Sakwa 2015: 82).

The government and its majority in parliament stuck to a repressive stance. In mid January anti-protest laws were enacted that threatened severe punishment for ‘organising unrest’. The first protester was killed on 22 January and now regional insurrections took a violent turn. In Lviv the city hall was stormed by armed men and Nazi banners were hoisted, and a military arsenal looted. These regional centres of revolt promptly sent their units to Maidan and assisted in the rapid escalation of violence. In three regions (Volyn, Lviv and Ternopil), new administrative structures were erected. At Maidan a self-defence committee under Andriy Parubiy, transformed the demonstrations into street fighting with the riot police. It was soon joined by Right Sector fascists funded by Kolomoisky and led by Dmytro Yarosh (Sakwa

2015: 83-4; van Zon 2015). Foreign neo-Nazis such as members of the *Svenskarnas Parti* (the Party of Swedes, and one of their leaders, Andreas Carlsson, had joined the fight. A second Swedish group, *Nordisk Ungdom*, also dispatched fighters to Kiev—Livesey 2014).

The growing presence of fascists did not deter Western politicians from flocking to Maidan. Sweden's aforementioned foreign secretary, Carl Bildt, declared on the P1 channel of Swedish radio that Svoboda, the Party of Swedes' sister party in Ukraine, 'are European democrats aspiring to values that are also ours' (cited in Livesey 2014). This was now the EU position towards a party that the European Parliament in 2012, as we saw above, had condemned as 'xenophobic, anti-Semitic and racist' and the World Jewish Congress had demanded be outlawed. Outgoing EU Commission president Barroso called on the demonstrators to 'have the courage to go out and fight' (cited in Sakwa 2015: 225). Dutch Far Right liberal MP Hans van Baalen (second from left in the picture below) and the former Belgian prime minister, Guy Verhofstadt (second from right) jointly addressed the crowd at Maidan, urging them on to 'victory' (Niemöller 2014: 34; as did Dutch Labour Party MP, Jacques Monash. In Chapter 7 I return to Verhofstadt's business connections with respect to Ukraine).

Figure 4.1. Liberal EU Politicians at Maidan Square



EU support was not just rhetorical. Brussels supplied 496 million euros for ‘front groups’ and of individual EU countries, the Netherlands was the biggest donor to Hromadske TV, an internet TV station that was instrumental in bringing hundreds of thousands to Maidan and also mobilised demonstrators in provincial cities. In 2013 the Dutch government paid the station around 100,000 euros, twice the amount paid by the US embassy. Other donors included the George Soros International Renaissance Foundation, Canada, and many individual contributors (van Zon 2015). The European Endowment for Democracy (EED), funded by its fifteen member states, the EU and Switzerland, according to its executive chairman, Alexander Graf Lambsdorff MEP, had supported civil society, blogs, newsletters and radio broadcasting, as well as emergency relief of people injured in the demonstrations. Warnings by the former President of the Czech Republic, Václav Klaus, not to support the Maidan demonstrations in an unconditional way, were not heeded (*House of Lords* 2015: 56-7; Sakwa 2015: 90).

Indeed the UK House of Lords EU Committee highlights a baffling short-sightedness on the part of the EU and member states. After extensive hearing of witnesses it concludes that the EU in this matter has largely failed to actively and independently develop a policy towards Ukraine.

An element of ‘sleep-walking’ was evident in the run-up to the crisis in Ukraine, and important analytical mistakes were made by the EU. Officials in Brussels as well as Member States’ embassies all participate in the EU foreign policy process, but all seem to have missed the warning signs. The EU and Member States lacked good intelligence-gathering capacity on the ground. The lack of an integrated and co-ordinated foreign policy was also evident. Collectively, the EU overestimated the intention of the Ukrainian leadership to sign an Association Agreement, appeared unaware of the public mood in Ukraine and, above all, underestimated the depth of Russian hostility towards the Association Agreement. While each of these factors was understood separately, Member States, the European External Action Service and the Commission did not connect the dots. The Russians, on their side, were taken by surprise and misjudged the determination of Member States to sign the Association Agreement. When Russian hostility became explicit, the EU had a very small window of opportunity to act. By that stage, events began to take on a momentum of their own (*House of Lords* 2015: 63-4)

Of course the hawkish US Senator, John McCain, also visited Maidan. Victoria Nuland, Assistant Secretary of State and the wife of neocon writer and activist Robert Kagan, made three visits, distributing sandwiches, and in a speech revealed the US had already poured \$5 billion into Ukraine for ‘democracy promotion’ (Sakwa 2015: 86). In an intercepted phone call with the US ambassador, Geoffrey Pyatt, Nuland designated Yatsenyuk (‘Yats’) as the most desirable successor to Yanukovych (whose PM Azarov had already resigned on 28 January), but she ruled out Klitschko, whom Yatsenyuk ‘should talk to four times a week’ but who was otherwise unacceptable to the US. In this conversation Nuland not only made the infamous ‘fuck the EU’ comment but also demonstrated that effectively the US was putting in place a new government whilst an elected president and an elected parliamentary majority were still in office. Meanwhile the demonstrations took a violent turn as armed fascists, Ukrainian ultra-nationalists and football hooligans took over the demonstrations. The picture below (Figure 4.2) conveys the atmosphere including the ultra’s flag.

Figure 4.2. Ultranationalist flag waving amidst violence at Maidan, February 2014



Source: VEOOZ 360

On 18 February 28 people were killed including ten riot police. The angle from which the shots were fired pinpointed the Philharmonic Hall, where Parubiy was in command, as the source. No Right Sector activists were among the victims (Sakwa 2015: 88). Also on 18 February an arsenal of 1,200 pieces, pistols and Kalashnikovs, had been seized by insurgents in Lviv, with only a quarter recouped; the remainder was said to be on its way to Kiev (Higgins and Kramer 2015). On the 20th violence dramatically escalated when at least 39 protesters and again 17 police were killed by sniper fire from Hotel Ukraina, the trade union building, the music conservatorium, and other locations controlled by the Maidan defence groups. A leaked phone call by the Estonian foreign minister to EU foreign policy chief Ashton would later (on 26 February) confirm the suspicion that the sniper fire came from the opposition, but the investigation into the incidents has not yielded any results. In a detailed investigation, Ivan Katchanovski concludes that

the massacre was a false flag operation, which was rationally planned and carried out with a goal of the overthrow of the government and seizure of power. It found various evidence of the involvement of an alliance of the far right organizations, specifically the Right Sector and Svoboda, and oligarchic parties, such as Fatherland. Concealed shooters and spotters were located in at least 20 Maidan-controlled buildings or areas (Katchanovski 2015, summary; Hall 2014).

Katchanovski from his interviews found that members of the Ukrainian nationalists (OUN) and UNA-UNSO, which is part of Right Sector, were actually firing at police from the conservatorium and other buildings. The snipers were linked also to Tymoshenko's Fatherland Party, led at the time by Turchynov, who would become acting president after the seizure of power (Katchanovski 2015: 20-21). Besides shooting riot police and special forces, the snipers also specifically targeted demonstrators with nationalities other than Ukrainian, such as Poles and Jews; on the basis of detailed evidence Katchanovski concludes that these killings were intentional to incite support for Euromaidan in Israel, Poland and the United States (Katchanovski 2015: 53). In the picture overleaf (Figure 4.3) a Maidan sniper is seen shooting at police from the Music Conservatorium.

Figure 4.3. Sniper Firing, 20 February 2014



source: Katchanovski 2015: 16.

Amidst this orchestrated violence, the EU briefly embarked on a policy no longer dictated by Washington or NATO when it decided to intervene and attempt to restore calm (after first having caused it with its Association Agreement proposals). On the night of 20 to 21 February, the foreign ministers of Germany, Poland and France (Steinmeier, Sikorski and Fabius) flew to Kiev to negotiate a deal with Yanukovych. The proposed accord included a return to the 2004 constitution and the formation of a government of national unity; preparing a new constitution for 2014 with reduced presidential powers; new elections; an investigation into the violence; an immediate ceasefire, and renunciation of force by all sides. It was signed on the afternoon of 21 February by the EU ministers (a French official standing in for Fabius who was due in China), Yanukovych, Yatsenyuk, Klitschko and Tyagnybok, with a Russian diplomat, V. Lukin, present as Putin's special representative (Sakwa 2015: 88; Higgins and Kramer 2015). No US representative participated in these discussions, no wonder after the Nuland

remarks about the EU and the Atlantic tensions about NSA surveillance of European politicians' private phones.

The US however would not allow itself to be sidelined. Whilst the EU ministers were negotiating with Yanukovich and the Ukrainian opposition politicians, the Americans and NATO diplomats were negotiating with Andriy Parubiy, the head of the armed wing of the insurgency and the representative of the Ukrainian nationalist ultras. On the evening of Thursday 20 February, whilst German foreign minister Steinmeier was reaching agreement with Yanukovich and the political opposition, his own embassy in Kiev hosted the US ambassador, Geoffrey Pyatt, and diplomats from other European countries, to meet with Parubiy, who appeared in balaclava dramatising that he represented the armed opposition. At the meeting, Parubiy threatened that 'if Western governments did not take firmer action against Yanukovich, the whole process could gain a very threatening dimension' (cited in Higgins and Kramer 2015), although he later claimed that no weapons from Lviv had actually reached Kiev.

The *New York Times* report makes no mention of what response Parubiy got from Pyatt and his colleagues, but effectively this meeting set in motion an armed seizure of power. Indeed after its signing on Friday 21 February, the crowd at Maidan rejected the EU-Yanukovich deal. One of Parubiy's squadron leaders announced that if Yanukovich had not stepped down on Saturday, they would take up arms and do it by force, rejecting any agreement. The opposition politicians returning from the ceremony in the presidential palace now acted as if they had not just signed the agreement with Yanukovich (Sakwa 2015: 89).

The government's means for restoring order and allow the agreed cessation of violence to take hold, fell away at the same time. The police, which had already lost several men to sniper fire on the 18th and again on the 20th, feared that the transfer of the Lviv machine guns to Kiev might cause a bloodbath; they also were suspicious of a passage in the EU-brokered agreement that referred to the investigation of those responsible for the killings, fearing that a

desperate Yanukovych might sacrifice them to stay in power (Higgins and Kramer 2015). In the afternoon of the 21st, riot police commanders called the interior ministry for orders, which were not forthcoming except that they obtained safe passage out of Kiev with their men. As a result more than 5,000 Berkut riot police, Alfa special forces and others were escorted out of the capital in buses. The Polish foreign minister, Sikorski, recorded his amazement at seeing, upon leaving the palace where the agreement with Yanukovych had been signed, that the riot police were leaving as well (Higgins and Kramer 2015). The next day, 22 February, the insurgents profited from the withdrawal of the security forces to take control of the capital and occupy parliament. Lenin statues across the country were torn down, gleefully applauded by Sikorski in a tweet entitled ‘Goodbye Lenin’—so much for the diplomatic code of conduct of the new EU member states.

Yanukovych had left Kiev by helicopter in the evening of the 21st to attend a PoR conference in Kharkov, which called on local councils to take power (Sakwa 2015: 206; Higgins and Kramer 2015). Given that there had already been four attempts at his life and the police no longer protected him, the president had already sent private possessions to Russia (although Putin had advised him against leaving Kiev). In the end Yanukovych went via the Crimea to Rostov with Russian help. From Rostov he called for Russia to intervene and restore him to power, so if the Russians had had any intention to do so, they could have used this because Yanukovych was still the elected president (Sakwa 2015: 89, 206).

An Ultra-Nationalist Seizure of Power

With the president away and armed insurgents strolling through the debating chamber, the Kiev parliament on 22 February, impeached Yanukovych. Turchynov, the former head of the SBU, close to Tymoshenko and a veteran of her gas wars with Firtash, was appointed acting president; Yatsenyuk was made prime minister, confirming US preferences. The process was flawed and constitutional procedure violated: Yanukovych had not yet left the country, declaring on TV he was not stepping down and in spite of armed insurgents in

the room, the constitutional requirement of a three-quarters majority of the full house for the impeachment was not met. The Firtash and Akhmetov factions of the PoR remained divided although both men at the decisive moment apparently withdrew support from Yanukovich. Two days later, in a further breach of constitutional procedure, the parliament dismissed the High Court (Sakwa 2015: 94-5). There were no complaints from Western capitals, on the contrary, the attempt to put pressure on the oligarchs was resumed and the arrest warrant against Firtash was issued again in late February (van Zon 2015). In mid-March he was arrested in Vienna on account of a US extradition request and freed on a bail of \$125m, the highest in Austrian history (Sakwa 2015: 138-9; the US request would eventually be turned down by an Austrian judge).

The seizure of power was an Ukrainian ultra-nationalist affair. What was most characteristic was not the presence of Galician fascists and ultra-nationalists at Maidan but the fact that the demonstrators and the West had no qualms about welcoming them in the movement. In the new 21-strong cabinet only two ministers hailed from the south and the east of Ukraine, the part traditionally voting for federalist candidates. Several key posts in the coup government were taken by Svoboda and Right Sector, including the national-security, defence and prosecutor-general posts. Parubiy was made secretary of the National Security and Defence Council (NSDC); and although Svoboda held only 8 percent of the seats in parliament, it got five out of 21 cabinet seats, whilst five governorships also went to the party, covering one-fifth of the country (Sakwa 2015: 91, 95).

In the prevailing mood of Ukrainian nationalist triumphalism, parliament on 23 February revoked the law of the second languages, so that Ukrainian would again become the sole state language. This was not just an attack on Russia but also on Russian-speakers in the Crimea and the Donbas. Turchynov waited till 28 February before declining to sign it; but in the meantime the damage had been done and fear among Russian-speakers that this measure would hold had spread, among others resulting in a new regime in the Crimea. In March Kiev imposed a ban on cable companies carrying

Russian TV channels into the country. Meanwhile armed gangs patrolled the streets, among others breaking into and sacking the Communist Party headquarters. On May 1 conscription for the army was reintroduced. In the meantime the interim government tried to gain control over the most extreme groups such as Right Sector; in late March one of its most vehemently violent and racist leaders was killed in a shoot-out with police. The reconstitution of the National Guard, abolished in 2000 by Kuchma, on 13 March 2014 by the coup interior minister, A. Avakov, besides serving to compensate for the poorly equipped and trained regular army, also was meant to bring some discipline to the many criminal and fascist elements emerging in the uprising. (Sakwa 2015: 60, 137, 96-7).

There need not be any dispute about the illegality of the seizure of power, a year ahead of the next presidential election. Sakwa thinks 'coup' is too narrow and 'revolution' too broad for the February takeover, because the basic structures of society were not altered (Sakwa 2015: 93). Higgins and Kramer (2015) argue that 'the president was not so much overthrown as cast adrift by his own allies'. This would refer to the oligarchs backing the PoR, Akhmetov and Firtash, as well as the riot police and other security bodies, and many in the PoR itself. Best is perhaps the term 'regime change', except that the 'regime' strictly speaking did not change, only one group of oligarchs replaced another after the violent seizure of power. One of the main winners of the 2014 coup among oligarchs was Kolomoisky, whose media had demonised both Yanukovych and Putin (who in return called him a crook).

Indeed Kolomoisky embezzled \$1.8 billion IMF money intended to shore up Privatbank and through pseudo contracts siphoned it off to offshore accounts (van Zon 2015). As the largest bank in Ukraine, Privatbank had received 40 percent of the almost 5 billion from the IMF meant to shore up the country's banking sector which had only limited reserves left and were close to collapse. Yet capital ratios which in June 2014 had stood at 15.9 percent in the early months of 2015, so following the IMF injection, had actually dwindled to 13.8 as a result of massive stealing. Yet the IMF did not act, probably because the United States realised that Kolomoisky was meanwhile becoming the main

financier of the militias fighting the Donbas rebels—he was reputed to have spent \$10 million to create the Dnipro Battalion, and also funds the Aidar, Azov, Dnepr 1, Dnepr 2, and Donbas (van Zon 2015; *Wikipedia*).

The rapidity with which these fascist gangs were rampaging across Ukraine led Russia to become seriously concerned about the implications of the new regime for its strategically vital naval base in the Crimea. On 1 March 2014, three former Ukrainian Presidents, Leonid Kravchuk, Leonid Kuchma and Viktor Yushchenko, called on the new government to renounce the Kharkov Agreements under which it had been agreed to extend the lease of Sebastopol from 2017 to 2042. Four days later, the secretariat of the Kiev parliament registered draft legislation to reinstate the goal of joining NATO as Ukrainian national strategy. Acting President Turchynov also issued a statement that Ukraine was considering changing its non-bloc status (*House of Lords* 2015: 57-8). The prospect of NATO navy units appearing in Sebastopol was no longer unthinkable, certainly in light of the key posts in the new security sector being occupied by fascists and ultra-nationalists.

In the most dramatic instance of fascist outrage, scores of people were burnt alive in early May in Odessa, following clashes on the 2nd between pro- and anti-Maidan protesters. Parubiy himself had arrived in the city along with 500 Right Sector fighters to take part in the fights. On 7 May the anti-Maidan protesters were driven into a trade union building that was firebombed, and between 48 (the official figure) and more than a hundred perished in the flames, the survivors attacked in the streets. Around a hundred anti-Maidan protesters were arrested but liberated a few days later from police custody (Niemöller 2014: 36; Sakwa 2015: 99). Yatsenyuk claimed the incident was all the work of Russians trying to stir up chaos; from the West there was again little response. On 8 May Turchynov appointed a close associate of Kolomoisky, I. Palitsa, governor of the Odessa region, but violence continued and the ultras soon controlled the streets, a signal to the Crimea and the Donbas of what could be in store for them.

5

Break-Up into Civil War

- *The eruption of a popular revolt hijacked by fascist and Ukrainian nationalist militias whose deadly force was condoned by the West, was bound to activate the century-old dividing lines within Ukraine. As gangs was rampaging across the country, Russians in Crimea and federalists in the east of the country responded by their own insurrection against Kiev—which Russia used to secure its naval base in Sebastopol. The oft-predicted civil war caused by forcing Ukraine to choose between East and West was now a fact.*

The effect of the regime change was to displace the democratic impulse of the original protests by oligarchic and ultranationalist/fascist positions of power. ‘The profound civic impetus for dignity and good governance at the heart of the Maidan revolution was hijacked by the radicals who followed the monist path to its logical conclusion while allowing oligarch power to be reconstituted’. The effect was not long in coming. As before in Moldova (Transdnistria) and Georgia (Abchazia and South Ossetia), Ukraine was breaking up as a result of Western forward pressure, exactly as Vaclav Klaus had predicted. As the mainstream International Relations scholar, John Mearsheimer, has argued, it is the West that bears full responsibility for the crisis. The US and EU were totally blinded and even after the war with Georgia in August 2008 still did not want to recognise that Russia would not tolerate NATO controlling vital advance routes towards its homeland, right on its border (Mearsheimer 2014; cf. Sakwa 2015: 131, 254).

The Secession of Crimea from Ukraine

The first rift in post-independence Ukraine occurred in the Crimea. Given its history and the disputed transfer of the peninsula to Soviet Ukraine by Khrushchev in 1954 and its ethnic composition (majority Russian), the Crimea

had from the start wanted to take its distance from independent Ukraine. Right in January 1991 93 percent voted in favour of a separate Crimean Republic, whilst in the vote for independence of Ukraine in December, the yes vote was considerably lower than in the rest of the country. In 1992 it declared independence but a referendum to confirm that was not held. Crimea nevertheless created its own institutions; in 1995 Ukraine scrapped the institutions of Crimean self-government, instead granting it the status of an Autonomous Republic under the 1996 constitution. Tensions remained (Sakwa 2015: 101-2).

For Russia, the naval port of Sebastopol, home to its Black Sea fleet, was the big prize. The Orange Revolution already questioned the port's lease till 2017, let alone its extension to 2042. NATO was quick to add to the tensions by the announcement of a military exercise for 2006. For Moscow the prospect of Sebastopol becoming a naval base for the American 6th Fleet was an existential threat since no sufficient alternative was available. The seizure of power in Kiev dramatised the situation and with the new language law in abeyance in February 2014 the Crimea's parliament discussed holding a referendum to break away from Kiev, a cause that until then rallied a (substantial) minority of the population but not more. Given the strategic importance of Crimea and Sebastopol, Russian special forces from among the 12,500 Russian troops stationed in the peninsula (half of what the lease agreement allowed), wearing no insignia, secured the area to prevent incursions by the Kiev forces. On 28 February they occupied two airfields in the Crimea to prevent Kiev from bringing in troops. On 16 March a referendum was held and a majority voted for unification with Russia although estimates as to the real turnout and majority numbers vary (Sakwa 2015: 102-5; Niemöller 2014: 35).

Putin had initially called the troops self-defence forces but soon became more open and scathing of Western designs to push back and humiliate Russia. He announced that Moscow would not abandon the millions of Russians and Russian-speakers in Ukraine, indicating that this protection was also Kiev's duty and interest because it was the material guarantee of Ukraine's territorial integrity. On 21 March 2014 Crimea joined the Russian

Federation as its 22nd republic and Sebastopol was added to cities with federal status. On 2 April Russia abrogated the basing agreement for which it had paid \$45 billion (Sakwa 2015: 106-7). The EU through the European Council responded by declaring the referendum and the secession of Crimea and its incorporation into the Russian Federation illegal. Unconcerned about the violation of the Ukrainian Constitution when Yanukovich had to be deposed, the Council declared on 20 March 2014 that

The European Union remains committed to uphold the sovereignty and territorial integrity of Ukraine. The European Council does not recognise the illegal referendum in Crimea, which is in clear violation of the Ukrainian Constitution. It strongly condemns the illegal annexation of Crimea and Sevastopol to the Russian Federation and will not recognise it (cited in *House of Lords* 2015: 74).

Although it was a rupture in Russian foreign policy, the many precedents of Western infringement of existing international obligations, such as the recognition of Kosovo in spite of UN resolutions stressing the integrity of Yugoslavia, emboldened Moscow to take this step. Kiev responded by blocking the fresh water supply which destroyed the 2014 rice harvest. The changed status of Crimea also jeopardised the titanium and sodium factories owned by Firtash, which together accounted for 60 percent of Crimea's GDP, but if their property title was transferred to Russia would be subject to sanctions. In April Moscow restored the nationality and language rights of the Tatars in the Crimea, in line with Russian nationality policy, although Kiev also mobilised its own Tatar extremists (Sakwa 2015: 110-12). The effect of the Crimean incorporation into Russia was to further antagonise Ukrainian elites (Sakwa 2015: 113).

Donbas Rebellion

Meanwhile Russians and Russian-speakers elsewhere too had joined in a belated response to the events in Kiev and the west. On 1 March a large crowd waved Russian flags in Donetsk as well the flag of a new Donetsk Republic. This was a much more vital area than the Crimea for the survival of Ukraine because 16 percent of GDP and 27 percent of industrial production was

accounted for by the Donbas. Yet even so, a strong majority wanted to remain in Ukraine. Unlike the middle class and Ukrainian nationalist background of the Maidan movement, the anti-Maidan movement in the Donbas was lower class, anti-oligarch and in part, Russian nationalist (Sakwa 2015: 148-9).

The authorities in Kiev responded to this with heavy-handed methods. On March 10 a former governor of Kharkov region was arrested for separatism, and a few days later interior minister Avakov went to Donetsk to incite football hooligans to arm themselves against pro-Russians in the city (Sakwa 2015: 150-51). Another response, one that Turchynov and Yatsenyuk both opposed but Tymoshenko persuaded them to do nevertheless, was to appoint oligarchs to governorships in the east. Taruta (ISD) was appointed in Donetsk although Akhmetov would have been the more logical choice. However, Taruta soon lost control when on May 11 a referendum declared the region independent from Kiev. Kolomoisky was appointed to Dnepropetrovsk which contains some of the most prized industrial assets of the east, including Pinchuk's Interpipe and Akhmetov's Metinvest. Kolomoisky's initiatives for regional development signalled he was intent on extending his own business empire; generally the regime change meant that the Dnepropetrovsk fraction gained at the expense of Donetsk (Sakwa 2015: 127-8). The appointment of Kolomoisky's associate, Palitsa, as governor of the Odessa region was already mentioned.

In early April government buildings in Donetsk and other cities were occupied, and on 12 April, obviously professional military without insignia occupied buildings in Slavyansk, turning the movement into an armed insurrection. In between, a Donetsk People's Republic had been founded and Lugansk followed at the end of April. Russian veterans now flocked to the region and in May the two People's Republics merged to a Novorossiia Republic. Separatism however was not supported and calling them separatists by Western media was mistaken. A motley collection of Russian veterans, Cossacks and others joined with their brethren in the Donbas to defend them against the onslaught of the Kiev authorities and their volunteer militias (Sakwa 2015: 150, 153). This was an authentic mobilisation against Kiev's

monist policy; it coincided with Moscow's decision to exploit the insurrection to gain leverage on the new forces in power in Kiev. In April NATO foreign ministers weighed in by suspending military cooperation with Russia in protest over 'its actions in Ukraine' (cited in Sakwa 2015: 156).

The enlisted militants, volunteer battalions and the regular army on 13 April were launched against the restive Donbas in what was called the anti-terrorist operation (ATO) (Sakwa 2015: 128-9). It was nominally under SBU command, since the constitution only allows the use of force internally if it is to combat terrorism, not against an insurgency (Sakwa 2015: 151). Vice-president Biden visited Kiev on two occasions, followed by a flow of senior US defence officials. But the Americans did not provide the heavy weapons requested by the coup government (Sakwa 2015: 226). During the weekend of 13 and 14 April the director of the CIA, John Brennan, paid a secret visit to the Ukrainian capital too (*Forbes* 2014). The next day the ATO was launched against the occupations in the Donbas. This initially ended in a farce, because in Kramatorsk the elite troops of the 25th airborne division, selected by Kiev because no other unit of the regular army could be trusted, did not encounter armed fighters but citizens with flowers, and they either retreated or adorned their armoured cars with Russian flags, siding with the insurgents. This shifted the burden of the fighting to the ultra-nationalist and neo-fascist volunteer battalions and the National Guard.

There was much talk about removing Russians 'to restore national health' whilst Tymoshenko recommended killing the Russians in Ukraine with nuclear weapons (Sakwa 2015: 152). In an attempt to de-escalate the conflict in Ukraine, Russia, the US and EU convened in Geneva on 17 April, but the absence of the Donbas federalists (blocked by Kiev from attending) made the ceasefire proposal (in many respects resembling the agreement with Yanukovich in February) ineffective ((Sakwa 2015: 157). A second agreement was concluded on 20 April in Geneva by the US, the EU, Russia, and the new rulers in Kiev. Again, amnesty (for the occupiers in the Donbas), elections, constitutional change were agreed. Promptly the next day a violent attack ensued, this time by Right Sector, on unarmed civilians in Slavyansk, killing

five (Vasovic and De Carbonnel 2014). On 5 May government forces followed on with an attack on checkpoints around Slavyansk (Sakwa 2015: 157). In May Akhmetov, after discussions with Frank Steinmeier, called on the workers of his steel mills in the Donbas to end the separatists' uprising in order to retain their jobs, but the majority of Akhmetov's workers ignored his call (they did obey his instructions in Mariupol). The uneven response may be related to the fact that according to the self-appointed leader of the Donetsk People's Republic, Gubarev, his forces were also being financed by Akhmetov (private communication). Attempts by Firtash to moderate the Ukrainian nationalist centralism and allow regional autonomy, or Pinchuk, who has close connections to power centres in Washington, did not prevent the country from sliding into civil war (Sakwa 2015: 134).

The consequences of forcing the country into the Western straitjacket now entered a new phase. The Ukrainian state was further weakened by the regime change itself, the violence and the collapse of the police, and then by dismissing around 1 million people associated with the former regime, with no clarity about the recruitment of competent replacements (Sakwa 2015: 140). The fascists and ultra-nationalists on the other hand were absorbed into the security structures after February 2014. They were under the command of Parubiy who remained at the head of the NSDC until his surprise resignation on 7 August (Sakwa 2015: 129). Paradoxically the SBU has not only been accused of criminal involvement but also of being one of the main conduits of Russian influence in the Ukrainian state (Sakwa 2015: 130).

The National Guard now numbered 35,000 men with some foreign volunteers; next to the 77,000 regular Ukrainian army. The most ferocious units fighting for Kiev were Right Sector which had transformed into a political party but retained its armed battalions, allied with football hooligans; the Aidar battalion drawn from Maidan self-defence units; Azov, brandishing the Nazi Wolf's Hook symbol originally used by the SNPU. Some three dozen such battalions were created in the end, with around 8,000 men under arms, often malcontents and an enduring threat to the new regime. As noted, the new National Guard was an attempt to mobilise them under a new command,

but cruelty remained a hallmark of their actions. Instead of federalism, *feudalism* according to Sakwa is the better term for the Ukrainian state taking shape after the seizure of power. It was noted above how Kolomoisky, who emerged from the regime change as a clear winner along with Tymoshenko and Ihor Yeremeyev (like Kolomoisky active in the petrol retail network) was the main financier of the various volunteer militias fighting against the Donbas rebels, whilst supplying fuel for the Ukrainian air force for free. The bounty placed on ‘Russian spies’ captured led to widespread cruelty and fear (Sakwa 2015: 133, 158-9; *Wikipedia*).

Trying to Rein in the ‘Anti-Terrorist Operation’

Already in March, Firtash, confined in Vienna, received Klitschko and Poroshenko and assigned the boxer the position of mayor of Kiev and Poroshenko the presidency. The agreement also included that oligarchs who had supported Yanukovych would be granted immunity from prosecution (van Zon 2015, citing *Kyiv Post* 8 October 2015).

The elections were scheduled for 25 May, and Poroshenko thanks to the Vienna agreement only faced Tymoshenko as a rival and owing to her ferocious anti-Russian stance, was able to present himself as a moderate. Another candidate, the pro-federal Tsarev, after a TV interview had been severely beaten by fascists and was forced to flee the country. With a turnout of 60 percent, 10 million fewer than the 28 million in the 2004 election, Poroshenko got 54 percent mostly in the west and became president. Fascist candidates from Svoboda or Right Sector won only negligible support (1.7 and 0.7 percent, respectively) although the Far Right nationalist Lyashko, who immediately after the election went to the Donbas at the head of his Ukraine Battalion, won 8.3 percent. Poroshenko too, instead of engaging in dialogue with the Donbas rebels, promised to ‘liquidate them in days’ (Sakwa 2015: 121-5). The IMF meanwhile intervened to keep the new regime afloat, disbursing the first \$3.2bn tranche of a loan in the month of the election, with stringent conditions. Slashing subsidies to reduce the budget deficit, further

increasing the household gas price, and downsizing the pro-family programme to reverse the population decline were included in the package.

Even so the dramatic collapse of the economy forced the new team to seek a solution to the fighting. Right after the brief encounter of Putin and Poroshenko at the Normandy landings commemorations, on Sunday, 8 June, 2014, negotiations on a ceasefire began between Poroshenko and an emissary from Putin in Kiev (*Business Week* 2014). But any attempt to interrupt the fighting could be counted on to produce a strong reaction from the hawks led by prime minister Yatsenyuk. On 16 June Parubiy announced Ukraine's intention to build a wall along the border with Russia; in July, the Communist Party of Ukraine was banned for 'financing terrorism' and legal proceedings initiated against hundreds of individual members (Sakwa 2015: 137, 165). The new EU/NATO members in the east led by Lithuania and Poland, along with Georgia under Sakaashvili, were in the forefront of keeping the Ukrainian conflict going, until Russia would be forced to give up its involvement. Polish president Komorowski even called for Russia's UN veto power to be taken away (Sakwa 2015: 229).

The Russian Federation Council, which in March had authorised the president to deploy Russian troops in Ukraine (mainly to secure the Crimea), revoked this authorization on 24 June in order to normalise the situation, indicating Russia's readiness to compromise. On that day Putin warned in Vienna that without a federal solution no ceasefire would hold, but Poroshenko's peace plan was torpedoed by Parubiy's NSDC (Sakwa 2015: 162-3). In spite of calls for restraint by vice-president Biden and Secretary of State Kerry, the war party in Washington too favoured a resumption of the fighting intent as it was on isolating Russia and asserting US world leadership. Samantha Power in the UN Security Council praised the Kiev regime in spite of evidence of war crimes, whilst warning Europe against caving in to 'Russian aggression' (Sakwa 2015: 162-4). In fact already in March there were reports over the recruitment by Kiev of 300 mercenaries from Greystone, a subsidiary of the American private military company Academi, formerly Blackwater, registered in Barbados for tax reasons. These reports were confirmed in the

German press. Based on information from the German BND, it emerged that 400 Academi/Blackwater mercenaries were involved in attempts to regain control of Slavyansk (*Der Spiegel* 2014; cf. *Russia Today*, 11 May 2014), whilst CIA and FBI advisers were reported to be assisting the Ukrainian putschists in Kiev (*Bild* 2014).

Every time there was the beginning of a rapprochement between Poroshenko and Putin, rational from the perspective of both if only on economic grounds (and with the core EU states Germany and France ready to back it up) the war party—Yatsenyuk, Parubiy etc. in Kiev, the new EU/NATO members in eastern Europe, as well as Samantha Power, Susan Rice, and others in the Obama administration, would intervene. This is important to keep in mind to interpret the political context of the MH17 disaster that was to happen in a fortnight's time. The resumed fighting added to the human toll, with rising casualty numbers and refugee flows both to Russia and within Ukraine. In many cases the regular army of Ukraine refused to use violence against their compatriots as well as suffering from draft evasion, so the command shifted to long-range artillery fire and air strikes against civilian targets adding to the carnage (Sakwa 2015: 163). At the time of this writing, the number of casualties has surpassed the 9,000, and more than a million have fled, mainly to Russia.

One day after the resumption of hostilities, on 2 July, the German and French foreign ministers met their Russian and Kiev colleagues in Berlin, without a US representative present. An agreement was hammered out that caused an outcry against Putin among the Donbas insurgents (Sakwa 2015: 164-5). They had to retreat from Slavyansk to Donetsk with little prospect for retreating from that city in case of defeat. On 16 July new sanctions were slapped by the US on Russia, *although at that very moment a compromise was being negotiated*. Indeed on the eve of the MH17 disaster Putin and Chancellor Merkel were well on track in negotiating a comprehensive *Land for gas* deal to stabilise Ukraine's border in exchange for financial rehabilitation of the country (Niemöller 2014: 38; Sakwa 2015: 171). A key role in the negotiations over a new gas deal with Gazprom was apparently played by

Firtash, who between 2006 and 2009 negotiated the first big gas deal with Russia. Although a supporter of Poroshenko, Firtash at the time still lived in Vienna on bail. According to a report in *The Independent*, the Merkel-Poroshenko-Putin deal, which was close to being concluded, envisaged mutual concessions of which the most important were energy and economic sovereignty for Ukraine; cessation of Russian help for the armed insurrection in exchange for a measure of federalisation, and recognition by the West of the referendum in the Crimea to rejoin Russia. The gas paragraph would bring economic relief for the bankrupt country; in exchange Poroshenko would agree not to pursue NATO membership, whilst Putin would drop his objections to the free trade agreement with the EU. In addition the Russians would compensate Ukraine with a billion-size package for the loss of rental income for the Russian naval base at Sebastopol (Pagano 2014; Sakwa 2015: 179).

This was so obviously a plan motivated by economic considerations vital to the three parties that the excluded Atlantic war party would not go along. A spokesperson of the British ministry of foreign affairs declared in a comment that it was most improbable that the US or Britain would *ever* recognise Russian sovereignty over Crimea (Pagano 2014). At any rate, when the Malaysia Airlines plane was shot down; these negotiations were promptly suspended.

6

The MH17 Disaster

- *The downing of the Malaysian Airlines Flight MH17 over eastern Ukraine in one respect was a further consequence of the situation going bad to worse as a consequence of Western forward pressure. On the other hand it would not immediately be connected to the issue of the EU Association Agreement were it not for the fact that most casualties were Dutch citizens, and the government in The Hague went out of its way to exploit the incident to increase pressure on Russia and the rebels.*

After the downing of MH17 on 17 July Washington responded by having secretary Kerry declare he had the knowledge to determine who did it. Even before details were clear the US intensified sanctions on Russia; former secretary of state and presidential candidate Hillary Clinton castigated European governments for their lenient response, characterising Ukraine as ‘European territory’. CNN again reported briefly after the incident that US intelligence from radar images observed the use of a missile, which the US embassy in Kiev asserted was likely (‘we believe’) an SA-11 (Buk) missile from rebel-held territory (Niemöller 2014: 56-7). No proof was provided, according to the Dutch newspaper *NRC-Handelsblad* because the US and Kiev don’t want to reveal what they are able to see, according to Niemöller (2014: 70), perhaps because they don’t actually have any.

CNN was soon able to report that 8 out of 10 US citizens considered Moscow directly or indirectly responsible. But then, the mainstream media no longer play an independent role in these matters (van Wolferen 2014). Their biased reporting in the Netherlands (directly affected because the plane had departed from Amsterdam and most passengers were Dutch) produced the expected result: 78 percent held Russia directly or indirectly responsible (Niemöller 2014: 40-41). One example of how essential information was

suppressed concerned the fact that the plane had been asked by air traffic control to descend from 11 to 10 kilometres (light levels 350 to 330) to avoid coming too close to another plane. This was signalled directly by pro-Russian media but only after it was confirmed by the Dutch government one-and-a-half month later, it was reported in the Dutch media (Niemöller 2014: 61).

On the map below (Figure 6.1) one can see the direction of the flight over the corridor separating the Lugansk and Donetsk rebel areas, a corridor that the Kiev forces were trying to break through in order to disrupt communication between them.

Figure 6.1. Crash of MH17 in the Zone Separating Lugansk and Donetsk Rebel-held Areas



Source: *Le Monde Diplomatique*

There is no doubt that the effect of the disaster was a rising tide of anti-Russian sentiment across Europe and the West. ‘The tragedy of the downing of flight MH17 hardened the political position of EU Member States on Russia,’ the UK’s House of Lords EU Committee notes. According to several witnesses, ‘the plane crash “very much changed the politics of Russia within European Governments.”’ ... and it ‘had increased the “level of impatience and

frustration on the part of a number of leading European countries” (*House of Lords* 2015: 61). Two theories explaining the tragedy were immediately floated, with very different implications as to the responsibility for the downing. In Chapter 8 we come back to the results of the investigation into the disaster, which in the absence of concrete outcomes continue to keep suspicion focused on Moscow, allowing a last-moment mutation of the referendum on the Association Agreement to be turned into one on ‘Putin’.

The Buk Theory

Ukraine in 2001 had shot down a Siberia Airlines plane flying from Tel Aviv to Novosibirsk with an S-200 long distance SAM, as a result of a mistake during air defence manoeuvres. The incident was witnessed by another civilian airliner which saw it explode in mid air which is normally what happens in case of a direct hit. However the preliminary report of the Dutch Safety Board (DSB, one of the two bodies entrusted with the investigation, cf. below) concludes that MH17 did not explode in the air but broke up in the sky and only the middle section exploded when it hit the ground. Other parts such as the cockpit show no signs of fire. In 2001, Ukraine and Russia both confirmed after a delay that a missile gone astray had been the cause and Ukraine had to pay indemnity and suspended manoeuvres with SAM systems for 7 years. The United States also confirmed on the ground of radar information it was a missile, but did not release the data (Niemöller 2014: 96-7). So in a period of good relations, the three countries had radar observation in place and were able to immediately assess the results; on 17 July, there was a civil war going on and radar was part of the military operations, release of the data part of psychological warfare.

On 14 July rebels had shot down an Antonov An-26 transport plane with a short range SAM (meaning it must have flown between 4.2 and 6.5 kilometres depending on different sources). The Kiev authorities claimed it was flying higher and at first blamed the Russians. At that time they had not yet made the claim the rebels had powerful systems like the Buk (SA-11). However, this would have meant Russia would have directly entered the conflict. A few

hours before the downing of MH17, Kiev revised its verdict on the An-26, now claiming it was shot down by the rebels after all. *Jane's Defence Weekly* concluded from the fact that parachutes were used by crew members indicated it was not a long-distance SAM because then the entire plane would have blown up in the air. On 16 July an Ukrainian SU-25 was shot down, and on the 17th, right before the crash with MH17, another jetfighter was lost according to Kiev by a Russian plane chasing it from the border, although this incident was not confirmed by the Russians (Niemöller 2014: 75-6).

A complete Buk system, with radar, command and launch vehicles, can spot and fire at a target in a radius of 140 kilometres. If only the launcher is available, it can operate in a reduced radius of 42 kilometres. The problem is that since the US and the West claimed the launch took place from Shnizhne, that would be somewhat beyond the launcher's radar range and well beyond the missile's range (Niemöller 2014: 113-4). Ukraine on the other hand had Buk units in the area, which were even shown in a YouTube film removed on the 17th (*YouTube* 2014). The Ukrainian Buk units were in bad condition due to lack of maintenance and even if the rebels had captured one or more, they would not have been operational. Sources in the American intelligence services told journalist and author Robert Parry the same, but on the basis of satellite images—these in fact showed traces of slack discipline around the launcher (Parry 2014; cf. Niemöller 2014: 78-80).

As proof of a Buk launch by the rebels from Shnizhne there is a photograph, printed amongst others in the consistently anti-Russian *NRC-Handelsblad*, that shows a vertical white smoke trail against a clear blue sky—although the DSB claims it was overcast the 17th (Niemöller 2014: 86-7). Sakwa gives credence to a Russian SA-11 Buk missile launcher in the hands of the rebels, supposedly as a result of Putin becoming hostage to groups he did not control. On the other hand he rejects the idea that this was deliberate terrorist act (Sakwa 2015: 169). An interview with Reed Foster of *Jane's Defence Weekly* contained the statement that the impact pattern of small fragments suggests a surface-to-air missile, either an SA-11 or another missile. He was not available for comment on certain anomalies such as the concentrated pattern which

contradicts the idea of a wide spread of particles to inflict maximum damage, or why the cockpit broke off (Niemöller 2014: 67-8). We come back to these matters when discussing the investigation process.

Alternative Assessments. An Ukrainian Jet

On 21 July the Russian Ministry of Defence gave a press conference in which Lt.-general A. Kartoplov explained that their radar showed that MH17 departed from its route after Donetsk to a maximum of 14 kilometres after which the plane tried to get back to its proper route but then disappeared from the radar. He added that Kiev troops had four to five Buk-M1 units in the vicinity. With satellite photos it was then shown that on 14 July these units were still at their base, but on the 17th they had disappeared. Other photos show tracked vehicles parked on a side road near Zaroschinkoe, 8 kilometres north of Shakhtyorsk, a strategic area between Lugansk and Donetsk, where it seemed briefly as if the Ukrainian forces were about to achieve a breakthrough. The radio frequencies used by Ukrainian Buk units were busy prior to the 17th but afterwards used less and less. The satellite photo of 18 July shows an empty field; the supposed Buk unit has gone (Niemöller 2014: 89-92).

In the same press conference processed radar images were shown displaying four civilian airliners including MH17, and a fifth unidentified one, which Kartoplov suggested might have been an SU-25 jet fighter, seen approaching MH17. He rhetorically asked why there had been an Ukrainian military plane so close to MH17. Another general, I. Makushev, then showed processed radar images showing the approaching plane was a military one because it did not return the radar signal. He also posed the question why there was a US satellite developed to observe missile launches over southeast Ukraine between 17.06 and 17.21 hours on the 17th (MH17 disappeared from the radar at 17.23 hours Moscow time), and challenged the Americans to show images of the launching of a missile by the rebels (Niemöller 2014: 93).

At the press conference in which the Russians showed the information they possessed, they asked ten questions: why did MH17 depart from the international corridor over Donetsk and who gave the order (2 questions); why were there so many Buk M1 launchers near rebel-held areas and so much radio traffic, and where was one missing Buk launcher (5 questions); why was there an Ukrainian military jet near MH17 (2 questions), and finally, why did the US not publish satellite data showing a Buk was fired by rebels as they claimed they had. The Russians then presented their materials to the international commission. After the press conference the Russians appeared to have less and less interest in the Buk theory (Niemöller 2014: 94-5, 115).

Asia Times journalist Pepe Escobar combined evidence from a Canadian OSCE observer, a BBC Russian language report and the assessment by a German pilot to document the Ukrainian jet theory. Escobar's own report is no longer accessible but his witnesses' are. His first witness, Ukrainian-Canadian OSCE observer Michael Bociurkiw, was one of the first to arrive on the scene of the disaster. In an interview for CBC News on 29 July reported that even after the bodies had been removed, the cockpit was being worked on with chain saws and slowly dismantled for unknown reasons. He also thought the parts where most holes were concentrated, looked like having been shot at by heavy calibre machine gun fire (although modern fighter planes do not use machine guns but cannon; *CBC News* 2014; Niemöller 2014: 98-9). The hacker collective KiberBerkut claimed it had hacked a conversation between two Ukrainian lieutenants over a longer period. On 17 July they heard them say that MH17 was brought down by a fighter jet which first fired at it with a cannon salvo but when he could not maintain his plane at that height any longer he fired a missile. The order was supposedly given by Kiev to Kharkov air defence military command centre (Niemöller 2014: 103-4).

On the BBC's Russian programme witnesses declared having seen a jet near MH17 but the weather conditions make it improbable that they could have witnessed this at a height of 10 kilometres. Perhaps more importantly the reporter also went to the supposed launching site of a Buk near Shnizhne, showing there were no traces and that since the spot was exposed to all sides,

there would have been many witnesses of a launch. Indeed if a Buk is launched, the deafening roar is audible up to a distance of 10 kilometres, and the sound of the missile after launch remains audible from up to 3,000 meters high. The smoke trail remains in the air for 10 minutes or so. Yet although almost every incident in the Donbas had been recorded by photo or video, and everywhere were people claiming to have witnessed Buk-M1 launchers driving by, there is not a single piece of visual evidence of a Buk launch, although apart from the high clouds, vision was good (confirmed by the interim report of the DSB, Niemöller 2014: 121-2). The BBC removed the broadcast from its site, and a YouTube version too was removed with a delay. A rebel website however salvaged it with English subtitles (*Slavyangrad.org* 2014; Niemöller 2014: 59-60).

Finally on 30 July German former pilot Peter Haisenko declared after studying the pictures of the wreckage that there were entry *and* exit holes on both sides. The cockpit especially showed signs of shelling; Haisenko argued that the cannon used 30 millimetre antitank ammunition which enters as round holes and comes out in frayed exit holes. He concluded that the cockpit had been fired at from two sides. Because of the pressure, the holes then caused the breaking up of the plane as a result of a sudden decompression (Haisenko 2014; Niemöller 2014: 101). In Malaysia, where limited press freedom ensures that a key newspaper such the *New Straits Times* will not depart from the government position, the jet theory was embraced on the basis of the statements of Bociurkiw, Haisenko and also Robert Parry of *ConsortiumNews.com* (New Straits Times 2014; Hussain 2014; Niemöller 2014: 112).

Another German, a former officer of the East German army, also contested the claim of a SAM because of the concentration of impact holes. Their regular form as entry holes and irregular form as exit holes is explained by nature of the ammunition, meant to penetrate armour. On the other hand, the 30,000 or so fragments of a SAM have such a high kinetic energy that everything flammable on the plane will catch fire and the plane will explode in flames as happened in 2001, whereas MH17 did not burn except for one section when it

hit the ground. A Rumanian pilot, V. Vasilescu, also claimed that a missile of the SA-11 category would have caused the plane to explode in a fireball, not make it break up in mid-air (Niemöller 2014: 102, 109). Vasilescu maintains a MiG-29 has the sort of weapons to penetrate the cockpit and kill the pilots (30 millimetre anti-tank ammunition), explaining the hole pattern but no fire because they don't explode. A missile was not used according to him because a heat-seeking R-60 would find the engine and make the whole plane explode. Vasilescu also argued that not Ukrainian pilots but Israeli-trained Polish MiG-29 pilots performed this mission. They have much more experience and are familiar with Ukrainian air space since they trained together in Ukraine for the last 4 to 5 years (Niemöller 2014: 110-11).

Why the Russians kept insisting that an SU-25 had been involved although opinion is divided as to whether this type of plane can reach 10 kilometres with armaments added (Haisenko is among those who think it can do so easily), and not other Ukrainian planes such as SU-24 or MiG-29, is unclear (Niemöller 2014: 107-8). If there was an Ukrainian jet, there is debate whether it was under the command of the Ukrainian ministry of defence or not. According to the Spanish traffic controller, 'Carlos' who soon disappeared but whose twitter feeds contain information that can only have been available to a Spanish-speaking person present in the air traffic control room, the Ukrainian military after the disaster confirmed it had been an Ukrainian operation, but they did not know who had given the order (Bazov 2014). Others have claimed that the plane was operating under the authority of the National Security and Defence Council of which Andriy Parubiy was the secretary, a post which he unexpectedly left a few weeks later.

7

Between Europe and Eurasia. Implementing EU Association

- *The tragedy of Ukraine's civil war as a result of IMF, NATO and EU promises and pressure continued after the conclusion of a ceasefire and agreement to restore a measure of federalism in the Minsk Accords. The implementation of the Association Agreement includes cutting off the Ukrainian defence industrial base from Russia and a transformation of the country into an export agriculture location using GM cash crops plus shale oil and gas exploitation, all amidst deepening poverty. The Dutch referendum campaign is about whether the criminal oligarchy in power in Ukraine should receive the EU stamp of approval.*

In the negotiations towards the EU Association Agreement, the Russian counteroffer, and its signing after the regime change, the EU subordinated itself entirely to the US/NATO line of confrontation with Russia. The regime change in Kiev was followed by an intensification of US and EU measures against Russia. Even before the breakaway of the Crimea the US and EU already agreed on sanctions on 6 March 2014; EU-Russia cooperation was suspended whilst the G8 planned for June 2014 in Sochi, was cancelled. After the Crimea referendum on the 16th of March, sanctions against individual Russians and Ukrainians were implemented, Bank Rossyia blacklisted. The Lithuanian EU representative in Moscow was not moved by a delegation of EU businessmen pleading for other means than sanctions (Sakwa 2015: 187).

From the Association Agreement to Minsk

On 27 June Kiev signed the Association Agreement with the EU, along with Georgia and Moldova. In so doing Poroshenko intended to join a bloc with no appetite for Ukrainian products whilst cutting off its most important market,

Russia. In a concession to Russia the EU postponed the introduction of DCFTA to 31 December 2015 to allow the two free-trade zones to become compatible.

The shooting down of MH17 was followed by another round of US and EU sanctions on a series of Russian companies (Sakwa 2015: 194-5). EU Member States went beyond previously imposed asset freezes and visa bans. On 31 July the European Council agreed 'stage three sanctions', comprising restrictions and bans in three key areas: finance, military and dual use products, and high-tech energy exports. Unlike the aftermath of the Russo-Georgian war in 2008, when the mood was to get back to 'business as usual', the Malaysian Airlines disaster worked to align the EU states unconditionally on the NATO line (*House of Lords* 2015: 67-8, citing a witness who characterised the events as 'Putin's decision to go further with the escalation' in routine reference to MH17). Early August Russia, the EU second-largest client of food and drink, retaliated by banning imports of EU agricultural goods.

On 26 August 2014 the leaders of the nascent Eurasian Economic Union, Putin, Nazarbayev and Lukashenko, at the initiative of the latter, met in Minsk, the capital of Belarus, to discuss the compatibility of the EEU with the EU and Ukraine's place in the latter's association zone. After a week of negotiations, on 5 September 2014 the Minsk Protocol was signed between Ukraine, Russia and representatives of the 'People's Republic of Donetsk' and the 'People's Republic of Luhansk', setting out the terms of a ceasefire and a political process. Besides the separatist leaders, Leonid Kuchma represented Kiev, in the presence of an OSCE representative and the Russian ambassador to Kiev.

The Protocol set out 12 steps, including (as in *House of Lords* 2015: 61)

- a ceasefire monitored by the Organization for Security and Co-operation in Europe (OSCE);
- mutual withdrawal of troops and heavy weapons;
- border monitoring by the OSCE;

- decentralisation of power in Ukraine and provisions for local governance in Donetsk and Luhansk;
- hostage release and prisoner exchange;
- inclusive national dialogue; and
- humanitarian and economic measures to be adopted in the Donbas region’.

This Protocol remains the basis for any development towards a durable peace in Ukraine, of the type discussed by Merkel and Putin at the time of the MH17 downing.

A trilateral working group (EEU, Ukraine, EU) was to work out a strategy by 12 September to avoid a precipitate lowering of Ukraine’s import duties, the avoidance of application of strict European regulations that would exclude Russian goods from the Ukrainian market and the unification of sanitary rules by both blocs. It all seemed as if the clock was being set back to before the MH17 disaster that dramatised the Ukrainian conflict in the eyes of the world. Thus, ‘in November 2014, Chancellor Merkel said that Germany was prepared for the EU to engage in trade talks with the Eurasian Union, if progress could be made in eastern Ukraine’ (*House of Lords* 2015: 46). *Had the EU considered such a harmonisation option in November 2013, as suggested by Putin to Yanukovich but rejected by the EU, the revolution and the civil war might have been avoided* (Sakwa 2015: 175-6).

However, the EU with its neoliberal programme (which it seeks to impose on all its external partners with even more insistence than in its own sphere where it still must count with parliamentary checks), and the Eurasian Economic Union with its oligarchic state capitalism, are fundamentally incompatible. In the words of Dmitry Polyanskiy (a functionary entrusted with CIS relations in the Russian Foreign Ministry), EU free trade agreements and the customs union aspect of the Eurasian Union cannot coincide. Customs Union members would pursue their policies as a bloc: members ‘have a common, unified customs tariff, and they conduct free-trade agreement negotiations together.’ Members have transferred their trade competences to

the Eurasian Economic Commission, who will negotiate on their behalf (*House of Lords* 2015: 44).

The view from the European Commission too is that ‘the Deep and Comprehensive Free Trade Area between the EU and Ukraine was ... incompatible with Ukraine becoming a member of the Eurasian Customs Union’. The EU in fact had rejected to have any dealings with the EEU in order ‘not to legitimise it’, angering the Russian leadership. On the other hand, because only Russia was a member of the WTO among EEU member states, this complicated a rapprochement, threatening a new division of Europe (*House of Lords* 2015: 45-7). One of the experts interviewed by the House of Lords EU Committee argued that ‘the rhetoric around the Association Agreement (AA) offered to Ukraine was framed around a choice between either the EU or Russia. [This expert] argued that both the EU and Russian approaches failed to “understand the region itself and its historical urge for complementary rather than dichotomous relations” with wider Europe’ (*House of Lords* 2015: 50).

Ukraine-Russia Economic Relations, Association and Sanctions

Already in 2013 Ukraine was ranked alongside the Central African Republic, Nigeria and Papua New Guinea at spot 144 at the bottom end of the 177 corruption index. Now the fighting was taking its toll also. Instead of funding reform IMF funds were being diverted to fighting the war in the east (Sakwa 2015: 141, 173). The Russian economy too was reeling because of the sanctions, the disruption of the Donbas economy due to fighting in Ukraine, the refugee inflow, and the Crimea’s rejoining Russia. Already in March 2014 the rouble lost value, the stock exchange likewise, and economic growth was back to zero percent, heralding inflation and social unrest in the longer run (Thompson 2014).

Economic relations between Russia and Ukraine are not confined to the supply and transit of gas. Russia imports from Ukraine rolling stock for the railways, machinery, pipes and all kinds of metals; and also an entire range of

agricultural produce. In addition to trade between Ukraine and Russia, 3 million Ukrainians live there, and emigrant remittances to Ukraine at some \$10 billion a year account for 4 percent of Ukraine's GDP (Sakwa 2015: 77). The dependence on the Russian market is highly uneven, though. More than a quarter of Ukraine's foreign trade is with Russia, whereas for Russia, the Ukrainian market is only 5.5 percent of total foreign trade. Dependence also varies per sector. Almost the integral meat export and three-quarters of milk exports of Ukraine go to Russia, whilst machinery and electrical machinery for around half of their output rely on the Russian market. Here quality matters, and since the EU would not buy much of either, the Association Agreement with Europe would have meant the demise of Ukrainian agriculture and a heavy blow to machinery production.

From the time of independence, Ukraine's economic relations with Russia have deteriorated, slowly at first, more steeply after 1994. Still in 1994 68 percent of Ukraine's exports went to the countries of the former USSR; by 1996 this had declined to 36 percent. In spite of the announcement of a free trade zone of the CIS, trade barriers went up and in late 1996 Kuchma complained of economic warfare after Russia had slapped a 20 percent levy on imports from Ukraine, responding in kind (van Zon et al. 1998: 134). What happened basically was a disruption of Soviet-era supply chains which all across the USSR but especially between Ukraine and Russia. The effect of being able to choose alternative markets in Europe was to set in motion a series of bankruptcies once a Soviet-era or just local supplier was replaced by a new one from outside. Van Zon et al. give the example of how a leather jacket exporter lost business when the leather supplier found it more profitable to sell leather directly to the West, setting in motion a series of bankruptcies as others in the supply chain also saw opportunities to sell directly in European markets (van Zon et al. 1998: 135).

Ukraine's position in Russia's external economic relations in the period prior to the seizure of power is given in the table overleaf (Figure 7.1).

Figure 7.1. Russia's Foreign Trade and Ukraine's Share, 2012 estimate

Exports	\$542.5 billion (2012 est.)
Export goods	petroleum and petroleum products, natural gas, metals, wood and wood products, chemicals, and a wide variety of civilian and military manufactures
Main export partners	<ul style="list-style-type: none">  <u>Netherlands</u> 14.6%  <u>China</u> 6.8%  <u>Germany</u> 6.8%  <u>Italy</u> 6.2%  <u>Turkey</u> 5.2%  <u>Ukraine</u> 5.2%  <u>Belarus</u> 4.7% (2012 est.)
Imports	\$358.1 billion (2012 est.)
Import goods	machinery, vehicles, pharmaceutical products, plastic, semi-finished metal products, meat, fruits and nuts, optical and medical instruments, iron, steel
Main import partners	<ul style="list-style-type: none">  <u>China</u> 16.6%  <u>Germany</u> 12.2%  <u>Ukraine</u> 5.7%  <u>Japan</u> 5%  <u>United States</u> 4.9%  <u>France</u> 4.4%  <u>Italy</u> 4.3%

Source: Wikipedia

In 2013 trade between the EU and Russia stood at \$370 billion, whereas the US only trades for \$26 billion. In that year EU Member States accounted for 57 per cent of Russian exports and 46.5 percent of Russian imports. This made the EU Russia's most significant trading partner, whilst Russia is the EU's third largest trading partner (9.5 per cent of EU trade). One-third of the EU's gas comes from Russia. Disruption of this supply had occurred notably as a result of actions by Yuliya Tymoshenko (Sakwa 2015: 190). The largest trade with Russia is on account of the Netherlands (\$52.1 billion, of course mainly due to oil and gas), Germany (\$46.7 billion), and Italy (\$34.3 billion, all first half of 2014, when trade was diminishing (compared to December 2013, the EU's imports from Russia by the end of 2014 had fallen by 6.8 percent while exports have fallen by 9 percent (*House of Lords* 2015: 12).

German trade with Russia, totalling \$ 77 billion over 2013, declined significantly between August 2013 and August 2014—exports have fallen by 26 percent and imports by 19 percent (*House of Lords* 2015: 13).

After the Minsk agreement in September 2014 the war party in Ukraine was seriously hit economically. Kolomoisky's assets were seized because he was perceived as a danger to both Moscow and Kiev, whilst Poroshenko's assets (including in Russia and even Sebastopol) were not touched. Also in spite of an appeal by Poroshenko to the US Congress for weapons, he only got a small sum for non-lethal military aid. Sakwa sees this as a shift of US concern to the ISIS and other threats in the Middle East (Sakwa 2015: 177). Yet sanctions against Russia, mostly against companies with nothing to do in the Ukraine conflict, were 'unprecedented in their scale and reach against a major power' and on 23 September China let it be known it would never join such a sanctions regime and would continue to work as a partner with Russia to ward off the effects of Western economic warfare (Sakwa 2015: 197). However, there is no doubt that also due to the falling oil price, Russia is incurring serious losses as a result of the sanctions, from military modernization to the state budget.

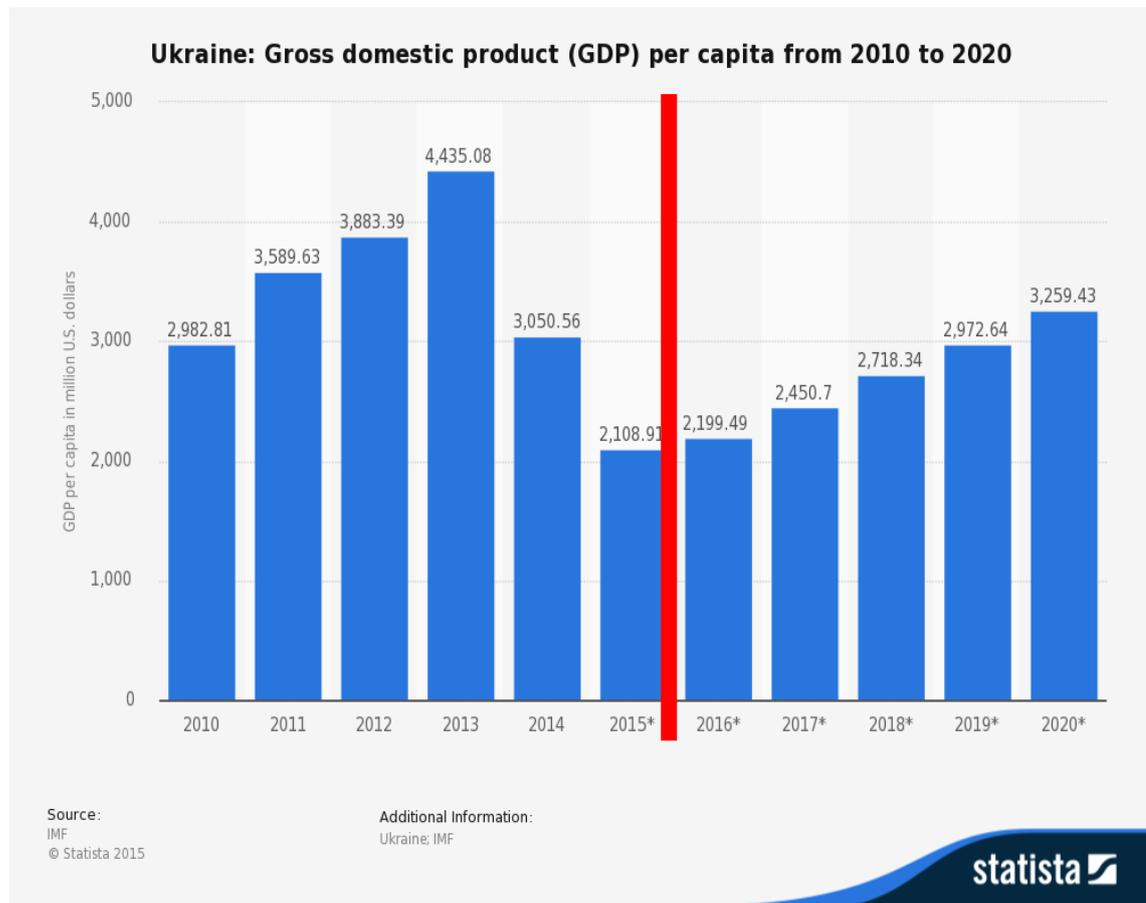
The economic warfare the West has launched against Russia to punish it, is the end of the era following the collapse of the Soviet Union, when the elder Bush proclaimed the triumph of free markets. The EU plan to take the case of Russia's countermeasures to the tribunal of the World Trade Organisation as a breach of its rules, reveals that Brussels apparently has not realised that sanctions are always a breach of free trade, so the side that introduces them first, theoretically at least, is also the first to be liable to WTO jurisdiction (Elliott 2014). Sanctions are a breach of WTO rules for free trade, which Russia had embraced to the level of a 52 percent level of trade to GDP, as high as China's, double Brazil's and far higher than Indonesia or India. EU sanctions moreover were probably illegal due to the lack of UN-backed sanction imposition and the randomness of choosing individuals and businesses to be punished (Sakwa 2015: 201-2).

Sanctions have compounded the damage done to the Russian economy by two other factors: falling oil revenues, on which the government budget is very dependent, and an unreconstructed economic structure. Russia has been haemorrhaging capital.... the rouble had sunk to a record 16 year low against the dollar and that the ratings agency Fitch had estimated that sanctions had caused Russia's reserves to "fall from about \$470 billion to \$450 billion" by the end of 2014. In November 2014, Russian Finance Minister Anton Siluanov said that Russian capital outflows may reach \$130 billion in 2014 (*House of Lords* 2015: 68-9).

The United States has exploited the Ukraine crisis at every point. It was the Obama administration that '*encouraged the overthrow of a democratically elected president, launched an economic war against Russia and impeded the peaceful resolution of the civil conflict in the Donbas*' (Sakwa 2015: 225, emphasis added). Neither did the EU take any steps towards resuming a dialogue; it too stuck to the language of sanctions and threats. Even so Europe was suffering itself from the sanctions against Russia imposed from the economically disinterested, but geo-strategically focused NATO perspective, as when France was put under pressure not to deliver two Mistral assault ships to the Russian navy (Sakwa 2015: 234, 198). The EU's farmers were especially sacrificed to the Atlantic master plan.

Meanwhile the economic situation in Ukraine, too, continued to worsen. Two years after the regime change, a report on Ukraine by the University of Bremen concluded that a complete breakdown of the country's economy was in progress. Real wages had fallen by 30 percent, food prices in the course of 2015 had risen by 34 percent, whilst housing costs had doubled since the regime change. One-third of Ukrainians can no longer afford the basic necessities, only the consumption of bread and potatoes has remained stable (*German Foreign Policy* 2015). The dramatic collapse of the economy since the seizure of power and the outbreak of the Donbas rebellion is documented in Figure 7.2. The vertical red line marks where current reality ends and IMF projections begin—and even these are so modest that in 2020 Ukraine will still not have reached the level of 2011. So much for the real costs of rallying to the West in its confrontation with Russia.

Figure 7.2. Ukraine: Gross Domestic Product 2010-2015 and IMF Forecasts



Source: IMF Statista 2015. The red vertical line demarcates reality from projections

This has not prevented those in favour of the Association Agreement to fantasise over an economic miracle about to happen in Ukraine. Thus a Dutch journalist, waving away the BRICS as a thing of the past (!), cites a report by ABN Amro Bank that Ukraine heads the list of emerging markets (cited in Bos 2016). However, as a result of continuing corruption and nepotism, less than one-third of the population still expressed confidence in president Poroshenko, who meanwhile is even less popular than Yanukovich was in December 2013 after his rejection of the EU Association Agreement (*German Foreign Policy* 2015).

The Defence Aspect: Uncoupling Ukraine from Russia

Ukraine is vital for Russia for strategic depth in military terms. Hence long-standing observers of international affairs such as Henry Kissinger have counselled that ‘the best outcome would be for Ukraine to become “a bridge between east and west” rather than a western “outpost”’ (cited in *House of Lords* 2015: 38). Retaining the Sebastopol navy facilities for the Black Sea Fleet was not the only military-strategic concern of Moscow. Any further movement in the direction of NATO and the laxity with which the EU responded to such movement was therefore bound to raise anxiety in Russia. When Svoboda on 23 July proposed in parliament to restore Ukraine’s status as a nuclear power, there was no noticeable reaction from Western capitals, on the contrary (Sakwa 2015: 158). On 7 August, the day Parubiy unexpectedly resigned from the NSDC, NATO Secretary-General Anders Fogh Rasmussen was in Kiev to give a boost to the leader of the war party, Prime Minister Yatsenyuk. On 28 August 2014 the NSDC approved the cancellation of Ukraine’s neutral status; the next day Rasmussen stated that Kiev was free to pursue NATO membership even though polls showed a majority opposed this in spite of the upsurge in patriotic sentiment (Sakwa 2015: 247).

With a NATO summit coming up in Wales in September 2014, the fear that the Afghanistan debacle might cause a crisis in the alliance, gave way to a new militancy to ward off ‘Russian aggression’. A ‘Multinational Corps Northeast’ sector in northwest Poland, near Szczecin (German, Stettin) on the Baltic coast, was named as the most obvious location for a base which would have the equipment, materiel and supplies, ready so that ‘follow-on forces’, troops flown in in case of a crisis, would find all they need to immediately go into battle was scheduled for the agenda of the Wales summit (Haynes 2014). Of course such a permanent headquarters would be a violation of the NATO-Russia Founding Act of 1997, the consolation prize for Russia after the NATO expansion that was pushed through after 1994 and which meanwhile has reached the Russian borders.

Still in August 2014 Russian paratroopers joined in the fighting in eastern Ukraine to prevent a rout of the Donbas forces and in early September, in anticipation of NATO's Rapid Trident manoeuvres on Ukrainian territory later that month, Moscow officially changed its military doctrine to respond to NATO pressure (Sakwa 2015: 155, 174, 222).

A key aspect of the Ukraine conflict in terms of great power rivalry is the role played by its military-industrial complex. If for the EU the economic motive to link up with Ukraine may be most important, for the US and NATO the military position relative to Russia predominates, and the arms industry of Ukraine is key here. Military (-related) production in Ukraine is vital for Russia. As Putin put it later, 'we have 245 Ukrainian enterprises working for us in the defence industry alone' (cited in Sakwa 2015: 78). This is therefore one of the reasons for Moscow to try with all their might to keep the region close to itself and keep economic relations intact (just as it is important for the US and NATO to disrupt them). The government in Kiev already suspended defence exports to Russia in reprisal over the Crimea joining Russia.

Initially independence meant that Russia and Ukraine became competitors in arms exports to third countries (Babinets 2011). The Donbas inherited an overblown defence industry that forced it to look for markets in third countries. With cheap tanks and other military equipment Ukraine found markets in Asia, the Middle East and Africa, where it competed with Russian arms exporters. But the complementarities inherited from the Soviet era outweigh this rivalry by far. They concern missile, aerospace and naval components, complete systems, spare parts and maintenance, and the disconnection of several key Ukrainian defence industries from Russia is seriously damaging Moscow's defence-industrial base.

The Antonov factory is a case in point. According to the resolution of the Ukrainian Government of 8 September, 2015 (Resolution No.920-r), the Ministry of Economic Development and Trade, then still under the Lithuanian investment banker, A. Abromavičius (meanwhile resigned) instructed the state-owned aerospace concern to exit the joint venture with its Russian

counterpart, United Aircraft Corporation. The joint Russian-Ukrainian enterprise UAC-Antonov LLC had been agreed in October 2010 in Kiev to intensify cooperation in purchasing spare parts, production, marketing and sales, as well as servicing and joint creation of new modifications of Antonov aircraft. Antonov had been set up in 1946 as a top-secret Soviet aerospace design and research institution and was relocated to Kiev in 1952. The joint venture of 2010 suggested that Ukraine's independence would not destroy the many links between Ukraine and Russia in the areas serviced by Antonov, but in the spring of 2015, the Kiev government assigned Antonov's three divisions to the state holding Ukroboronprom and in July replaced the firm's management. The severance of its ties with Russia thus is a major blow. The AN-225, the largest transport plane in the world (Figure 7.3) is the pride of the Russian air force along with a series of other plane types, including the two presidential planes of Putin. Antonov also manufactures jet engines that are exported to Russia. The AN-225 is used among others to transport the Russian space shuttle.

Figure 7.3. Antonov AN-225, Largest Plane in the World.



In January 2016 Antonov was itself liquidated and absorbed into Ukroboronprom. It is obvious that all this is not a matter of business but a targeted attempt to undermine the military-industrial base on which Russia

has far relied to withstand the Western geopolitical advance and encirclement. Although the new management has not been willing to reveal which alternative clients will now purchase Antonov planes, the presence of Saudi Arabia among them highlights the shift of alignment towards the West (*UNIAN* 2015, 2016; Moore 2014).

The story of other Ukrainian defence companies is different in the detail but the overall tendency is the same. Thus engines for planes such as the Russian fighter jet YaK 160 and its helicopters are made at Motor-Sich in Zaporozhe in eastern Ukraine. Without these engines it will be practically impossible to realise the Russian plan to add 1000 attack helicopters to its arsenal (Moore 2014). These connections were so important in deciding that Motor-Sich would not seek strategic alliances with aviation companies in the West, although there had been negotiations with BMW-Rolls Royce to develop a new engine in the mid-90s. Henceforth Motor-Sich suffered from a brain drain as engineers and other qualified personnel moved to Russia for better paid jobs (van Zon et al. 1998: 66) and it seems that Motor-Sich is currently being resurrected in Russia, not unlike the way Soviet industry was relocated to the east to evade the Nazi invasion.

Earlier we already noted that Russian SS-18 ICBMs are being produced by Kuchma's old fief, Yuzhmash, in Dnepropetrovsk. These were no doubt being phased out but their maintenance is still in the hands of Yuzhmash engineers. In addition, as to the Russian navy, of the 54 planned new Russian warships, 32 will have an engine manufactured in Ukraine. Finally there are the tank factories in Kharkov, where once the T34, T54, and T64 were being built and now the T80 and T84, and this is not the end of it. If Russia would lose this supply line, still according to Gregory Moore, it will have to find, at short notice, replacement production for this and a series of other military requirements. If on the other hand NATO gets access, a lot will become known about the strengths and weaknesses of Russia's existing military capabilities (Moore 2014; Sakwa 2015: 75 on Yuzhmash).

Yet here precisely the EU, acting as a proxy for the US and NATO, is aiming at disrupting the Ukrainian supply line to Russia. Article 4 of the Association Agreement speaks of the need for ‘gradual convergence on foreign and security matters with the aim of Ukraine’s ever-deeper involvement in the European security area’. Article 7 calls for convergence in foreign affairs, security and defence, and article 10, on ‘conflict prevention, crisis management and military-technological cooperation’ make the EU a direct competitor with Russia (Sakwa 2015: 76). Hence as the House of Lords EU Committee concluded in February 2015, in Russia,

NATO is seen as a hostile military threat, and successive rounds of NATO’s eastern enlargement have, as the Russians see it, brought it threateningly close to the Russian border. *EU enlargement, as it has become conflated with NATO enlargement, has also taken on the aspect of a security threat.* These views are sincerely and widely held in Russia, and need to be factored into Member States’ strategic analyses of Russian actions and policies (*House of Lords 2015: 38, emphasis added*).

The question is therefore what the heavy industry relation with Russia will be replaced with, since we cannot expect that Airbus will reduce production to make room for Antonov.

From the Post-Soviet Industrial Complex to World Market Agribusiness

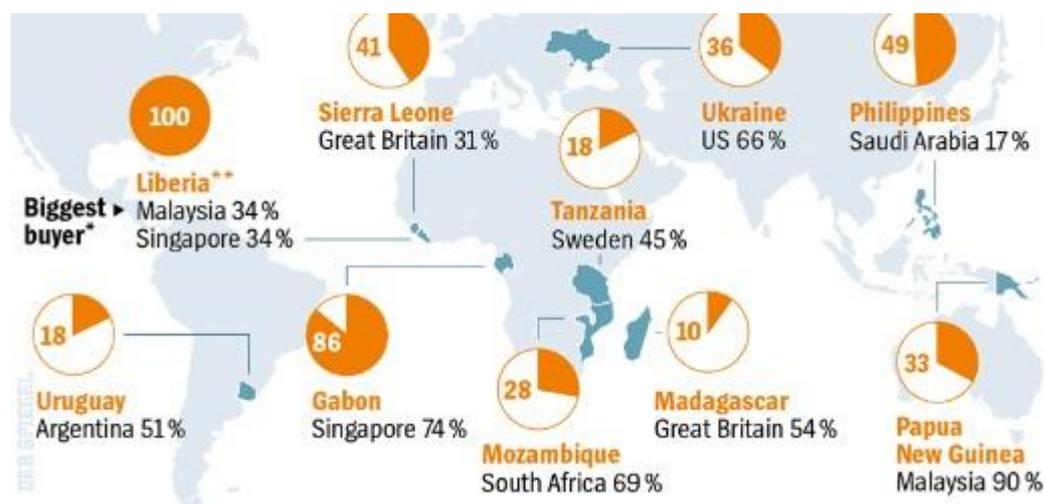
Whilst regime change was effected in Kiev in February 2014 and the fighting in the Donbas was downgrading the industrial infrastructure in the east, there were signs that a possible economic transition of major consequences was in progress as well. This would concern the transformation of Ukraine’s economy from being a part of the post-Soviet economic complex, supplying Russia with migrant labour, foodstuffs, and heavy-industry products, to a global breadbasket for transnational agribusiness moving in the same period. Of course such a transformation will always be partial and incomplete but nevertheless the trend is there and the EU Association Agreement in this respect too leaves no doubt as to Western intentions.

Ukraine has over 32 million hectares (ha) of fertile, arable land, the famous 'black earth', equivalent to one-third of the entire agricultural land in the EU (Fraser 2014: 2-3), and at the time of independence 'most experts pointed to agriculture as one of the country's main assets'. However by the late 1990s, the de-nationalisation of collective farms, the kolkhozes, had not much progressed and around half of the land had been distributed among farmers or leased to non-farmers. 'Agriculture [was] in deep crisis and for many years practically nothing has been invested. Harvests gradually declined due to degradation of soils and organizational and financial problems of the kolkhozes'. In addition, immediately after independence Ukraine was 'flooded with food products from Western and Central Europe' (van Zon et al. 1998: 78. and 68).

From around 2007-8 Ukraine and its fertile soil became a target for transnational agribusiness on the lookout for suitable areas for outsourcing food production. The leasing of land and the unrestricted application of new agricultural practices such as genetic modification and other applications of biotechnology were key to its strategy. Around that time, as an aspect of the financial crisis, there had been a spread of food riots in many poorer countries. 'Panic-stricken governments rushed to increase their food imports, leading several food-producing nations to restrict exports, fearful that they too could be hit by shortages' (Branford 2011: 79). A country like China, with 40 per cent of the world's farmers but only 9 per cent of the world's farmland, was looking to spend some of its \$1.8 trillion in foreign exchange on buying or leasing farmland, or importing foodstuffs from agricultural leased by transnational agribusiness (Branford 2011: 80). Chinese and other investors were buying up large tracts of arable land in Ukraine but corruption drained the inflow of money.

Ukraine by early 2013 already had leased out more than one-third of its agricultural land, two-thirds of which to US agribusiness. It is the only European country to have done so, amidst mostly Third World countries. The position of Ukraine among these countries is illustrated in Figure 7.4.

Figure 7.4. Ukraine As an Agribusiness Target Country. Share of Land under Foreign Control and Main Leaseholder’s Nationality



Source: *Der Spiegel* 2013.

Already in 2013 a Polish think tank investigated the potential reshuffle among oligarchs as a result of a transformation towards an agrarian export economy. According to the DCFTA provisions, some of them would ‘gain short-term economic benefits from the elimination of import tariff duties, which might have otherwise impeded their access to the EU market’. This especially concerns food producers.

A decrease in duties would be useful to the likes of confectionary giant Roshen, owned by Petro Poroshenko, given that these products are levied import tariffs of about 35–40% in the EU. Lifting import duties would also be beneficial to the Kernel group, owned by Andriy Verevskiy, as his company exports about 17% of its grain and oil to the EU. Likewise, Mironivsky Hliboprodukt, owned by Yuri Kosyuk, could gain from the elimination of both sanitary barriers and import duties, to increase its fowl exports to the EU from the meagre share of 5% (Kościński and Vorobiov 2013: 1).

The problem is that in 2013 these men had little influence on Ukrainian government policy which was still under the control the most influential oligarchs, who dominated the Party of Regions, and had more to lose: Akhmetov, who exports steel, Firtash’s Group DF which exports about half of its nitrogen fertilisers to the EU and which levies a duty of 6.5 percent (which would be removed). Pinchuk on the other hand has no access to the EU and would profit from a lifting of duties which in 2013 kept his exports of pipes to

one percent of output. The Polish researchers estimated that the Yanukovich forces were clearly in the way of implementing the Association Agreement. Far from being just a trade agreement, the required overhaul of the public procurement procedures would harm those like Akhmetov, Oleksandr Yanukovich and Firtash who profited from it most, and the same held for competition (anti-monopoly) rules (Kościński and Vorobiov 2013: 2). All that would of course be corrected in the regime change of February 2014, which would also clear the way for the further penetration of agribusiness from the West.

The California-based Oakland Institute already in July 2014 revealed to what degree the IMF, the EBRD, and the EU were working together to exploit the crisis in Ukraine to force through deregulation and liberalisation of the country's agriculture to facilitate foreign investment. Ukraine is already the third-largest exporter of corn and fifth largest exporter of wheat in the world. In spite of a moratorium on the sale of land decreed in 2001 and extended to January 2016, there were two ways in which foreign capital could get control: by long-term leases combined with investment in seed and food processing industry, and by participation in Ukrainian agribusiness (Fraser 2014: 2-3). Because export monocultures tend to exhaust the soil and displace subsistence crops, the population suffers from what a German weekly magazine calls a new form of colonialism (*Der Spiegel* 2013). In addition these monocultures thrive when crops can be aggressively sprayed with pesticides they have been genetically modified (GM) to tolerate, with huge damage to not just pests but all other life except the crop. Ensuring access for transnational agribusiness and for GM crops was key to the 'economic regime change' aimed at by the EU Accession Agreement as well as by IMF and European Bank of Reconstruction and Development (EBRD) credit lines to Kiev, and which transpired whilst the political regime change was in progress.

In January 2014, six weeks before the seizure of power in Kiev, US agribusiness giant Cargill bought a five percent share in UkrLandFarming, the largest private agribusiness in Ukraine (670,000 ha total of land) and owned by the billionaire Oleg Bakhmatyuk. This according to Cargill was part of a

strategy to supply the Chinese market. Chinese loans and leases to expand its own precarious foodstuffs base were also at play and UkrLandFarming itself in late 2013 announced the shipment of huge volumes of corn to China, expecting to raise it to two million tons per year by 2018 (Fraser 2014: 3, 5). Cargill owns at least four grain elevators and two sunflower seed processing plants in Ukraine. Monsanto too had a presence in Ukraine since 1992, doubling its staff in 2012 and after the downfall of Yanukovich stepped up its involvement, among others by investing in a new seed plant in March 2015. Finally, Du Pont already announced the building of a new seed plant in June 2013 (Fraser 2014: 3-4).

Initially the EU through the TACIS programme also had been encouraging sunflower cultivation but its representatives found that the large firms active in trading and processing sunflower oil were connected to organised crime (van Zon et al. 1998: 81). As the agricultural land drive accelerated from 2007-8, the large US and other agribusinesses stepped up their operations in Ukraine; by 2013-14, with the Maidan revolt being overtly supported by the West, they were betting on a regime change improving their conditions of entry. Sunflower is a key driver of large-scale export crops in Ukraine (as it is also in the Russian Federation), especially on very large plots. For the large agribusiness companies, the prospect of being able to experiment with and cultivate genetically modified crops was an important factor. The IMF had GM access as one of its conditions for loans and the EU Association Agreement too includes a clause (Article 404) to extend the use of GM crops. In a speech for the US-Ukraine Conference in December 2013, Jesus Madrazo, Monsanto's Vice President of Corporate Engagement stated that 'we . . . hope that at some point biotechnology is a tool that will be available to Ukrainian farmers in the future' (cited in Fraser 2014: 4; Sakwa 2015: 140-41). However, such investments

would require several changes to regulation relating to taxes, import and export laws, and land sales. In January 2014, a meeting took place between Ukrainian officials and representatives from twenty large German agribusinesses. News reports noted that these companies felt it was "necessary to simplify doing business in Ukraine." This specifically

referred to issues such as taxation, VAT refunds, the ongoing land moratorium, and genetic modification (Fraser 2014: 6).

After the seizure of power in February, the process accelerated. By October 2014, the EBRD announced that it had ten private agribusinesses ready to invest \$1 billion in the coming year in Ukrainian agriculture as part of a newly created Private Sector Action Plan (Fraser 2014: 6). In December 2014, the UK minister for Europe stated before the House of Lords EU Committee that the industrial assets of the Donbas were in disarray and the IMF was reviewing its commitment in that domain, but that in the longer run there might arise '*marvellous investment opportunities for the agricultural and food processing sector, for retailing and for energy investment*' (cited in *House of Lords* 2015: 76, emphasis added). Likewise the EBRD is cited by a Dutch journalist as declaring Ukraine safe and owing to its fine agricultural land, to offer splendid opportunities for Dutch agricultural companies which are called to live up to the spirit of the East India Company (cited in Bos 2016). In the circumstances this need not be a bad comparison—it is colonial exploitation all over again, except that in the 17th century the Dutch were their own masters whereas today, as an EU and NATO member state they have surrendered their political sovereignty to the larger West.

In the background of all American and EU business strategies towards Ukraine looms the Transatlantic Trade and Investment Pact (TTIP). The Ukraine crisis should be seen in the context of a continued expansion of the EU as former Soviet satellite countries join the EU and NATO as well. However the process is also an extension of the Transatlantic Trade and Investment partnership (TTIP) (Hanly 2014; cf. van Beek et al. 2015). TTIP holds out the promise that remaining EU regulations will be scaled down to US-Atlantic standards, further facilitating the penetration of US agribusiness and unconventional resource exploitation. Here too the EU Association Agreement for Ukraine fits into a broader neoliberal world market strategy. Why EU politicians would support such a strategy has been documented by Arno Wellens (2015) in the case of the former Belgian prime minister, Guy Verhofstadt. Verhofstadt, whose vehement encouragement of the Maidan

protesters in 2014 would already have been remarkable in itself, also is connected through his various corporate directorships to interests directly involved in Ukrainian ventures.

Figure 7.5. Tractebel Advert for Fracking Prospects in Ukraine, 2013.

UKRAINIAN ENERGY FORUM

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Kiev, UKRAINE
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One is the company with the world's largest liquid natural gas (LNG) fleet, Exmar, of which Verhofstadt is a board member. Exmar would be a candidate to ship the liquefied shale gas from eastern Ukraine, in which other Belgian companies such as Tractebel have shown an interest (Figure 7.5). For further information on Tractebel, Suez, with which it merged, the investment firm, Sofina (where Verhofstadt is also a board member and which is a major shareholder in Suez) see Wellens 2015.

The major players for large-scale shale gas exploitation in the Donbas are Chevron and Shell, which secured a 50-year contract to exploit the field there (Niemöller 2014: 27). As always when such prospects open up (of course only after the rebellion in the Donbas will have been defeated), individual operators join the fray: US vice-president Biden's son Hunter was appointed briefly after the regime change as a board member of the energy company Burisma, active in Ukraine; a relation of Secretary of State Kerry too is involved in Burisma (Sakwa 2015: 131; Niemöller 2014: 28). The same mechanism as in the defence connection with Russia is also applied here, in the form of sanctions aimed specifically at Russia's energy sector which commands abundant supplies making fracking in Ukraine a ludicrous proposition. Yet on 12 September 2014 new US sanctions forced Exxon to suspend most of its cooperation agreements and joint ventures with Rosneft. The US and EU sanctions made it impossible for Western energy companies to work with their Russian partners. These severe sanctions 'were probably part of a deal with the hawks—Poland, the Baltic republics and the UK, and their backers in Washington—as their price to agree to the peace process' (Sakwa 2015: 196, cf. 191). And the 'peace process' of course includes the EU Association Agreement.

On 16 September 2014 the Kiev parliament ratified the Association Agreement and granted special status to the Donbas (Sakwa 2015: 179). It seemed Poroshenko had overridden the war party led by Yatsenyuk, who was calling for NATO to support an all-out war against Russia, which Ukraine itself could not longer wage given that it already lost 65 percent of its military hardware. However Yatsenyuk did not fail to respond with new anti-Russian measures, resurrecting Parubiy's proposal to build a wall sealing off Ukraine from Russia (Sakwa 2015: 165, 179). Moreover Yatsenyuk emerged as the strongest in the parliamentary election of 26 October 2014. His People's Front won with 22 percent (on a turnout of 52.4 percent, with voters from Crimea and the Donbas missing), closely followed by the Poroshenko/Klitschko bloc. Lyashko's ultra-nationalists scored 7.4 percent, Tymoshenko's Fatherland fell back to 5.7 percent. The fascists of Svoboda and Right Sector did not make the 5 percent threshold and neither did the Communists (Sakwa 2015: 240-41,

table 10.1). This might suggest moderation, but Yatsenyuk actually campaigned with the leader of the Azov battalion, one of the ultra-nationalist volunteer units fighting in the Donbas and paid by Kolomoisky. The outcome and the renewed choice for Yatsenyuk as prime minister seriously reduced the chances for a peaceful solution in the southeast (Sakwa 2015: 242-3). Indeed against the advice of Poroshenko, a parliamentary majority decided in December to abandon the country's constitutional neutral status and strive for NATO and EU membership. A dozen or so prominent PoR politicians committed suspicious suicide, Russian media were denied access to Ukraine and a number of academics were stripped of their titles for 'separatism' (van Zon 2015).

Following up on the regime change the United States, the EU and the international financial institutions saw the formation of a new Yatsenyuk government primarily as a chance to implement neoliberal reform and further open up the Ukrainian economy, without actually putting up much money. 'On 21 January 2015, the IMF indicated that there would be a new bailout package for Ukraine. It will be an "extended-fund facility", which means that the IMF will be able to lend more money to Ukraine for a longer period. However, while it may be more generous, it will not necessarily lead to quick, up-front disbursements. *The Economist* judged that the new bail-out would not help Ukraine solve its external debt owed to Russia' (*House of Lords* 2015: 77). The EU likewise was forthcoming with rhetoric but not with money, confining its actual payments to Kiev to relatively small sums. The 'key element' of the EU's support for Ukraine were ... the Association Agreement and the DCFTA (*House of Lords* 2015: 77).

In line with the economic transformation envisaged by the Association Agreement, and implied in IMF and EBRD conditions, key posts in the second Yatsenyuk government formed in December were taken up by figures representing transnational capital, in some cases the direct representatives of investment in Ukrainian agribusiness (*Russia Today* 2014). Thus US citizen Natalie Jaresko, of Ukrainian background and head of the Kiev-based Horizon Capital investment fund, was appointed finance minister. In 1992-1995, she

had served as the first Chief of the Economic Section of the US Embassy in Ukraine and before that, occupied several economic positions in the US State Department. According to its website, Horizon invests in banks and credit card activities in Russia and Belarus; it has an agricultural branch which manages 11,000 hectares of agricultural land.

Jaresko's colleague as Minister of Economic Development and Trade was Aivaras Abromavičius, a Lithuanian married to an Ukrainian woman and an investment banker at East Capital, another major investment fund specialising in assets on the perimeter of the EU. Jaresko, Abromavičius and a third foreigner, Aleksandr Kvitashvili, who had privatised health care in his native Georgia, were given Ukrainian nationality because the constitution forbids dual nationality. In the same decree Poroshenko also gave Ukrainian citizenship to foreigners fighting against the Donbas rebels in the east. However, in February 2016 Abromavičius resigned out of frustration with the continuing grip of Ukrainian oligarchs on policy. Referring to 'concrete actions aiming to paralyse our reform efforts' and attempts 'to exert control over the flow of money generated by the state-owned enterprises, especially NAK Naftogaz and the defence industry,' he did not mince his words, naming Igor Kononenko, deputy head of the Bloc of Petro Poroshenko's parliamentary faction, as a schemer intent on appointing cronies to key positions, notably Naftogaz Ukrainy (*Ministry of Economic Development and Trade of Ukraine* 2016) which as we saw is the main prize that oligarchs have been fighting over since the country's independence.

Measures to transform this culture so far have failed and will continue to fail as long as the priority remains the geopolitical capture of Ukraine in the context of an Atlantic strategy to reduce Russian influence. As the House of Lords EU Committee concluded in February 2015,

Building a Ukraine that is economically successful and secure in its energy supply will need Russian co-operation. The trilateral process, whereby the EU, Russia and Ukraine are engaging in discussions about the impact of the EU-Ukraine Deep and Comprehensive Free Trade Area, could be a useful template to discuss the broader Ukraine-Russia economic relationship (*House of Lords* 2015: 78).

For all the efforts made so far to turn Ukraine away from its historical interconnections with Russia, culturally, in terms of the shared imperial and Soviet history (of course strongest in the east), and economically, there is no doubt today that any reconstitution of Ukraine as a functioning society and economy is dependent on cooperation with Russia. Since Moscow through various channels is effectively supporting the Ukrainian economy to the tune of \$5, possibly 10 billion a year, the EU is obviously not in a position to support Ukraine should Russia decide to cut off these hidden subsidies. To assist Kiev in re-integrating the Donbas without Russian support would require funds in the order of \$276 billion, which is unthinkable it would pay (Sakwa 2015: 144-5). However, the EU Association Agreement is based on a stark choice between the West and the East and will further exacerbate the plight of Ukraine's people. This is what the referendum of 6 April in the Netherlands will be about.

The Referendum Campaign in the Netherlands

Per 1 July 2015 a law enacting the right of eligible voters to request a referendum over an act of law or a treaty was adopted in the Netherlands. With the exception of the Dutch constitution, the budget, or the Royal Family, all or most laws and treaties can be made subject to a referendum. The referendum is advisory and non-binding for the government (*Kiesraad* 2015).

Since the Ukraine Association treaty was the first eligible legal document potentially subject to a referendum an EU-critical foundation, *Burgercomité EU*, took the initiative jointly with a rightwing populist website (*GeenStijl*) to garner 450,000 signatures (one-and-a-half times the required number) in a campaign titled *GeenPeil* ('Tasteless'). The referendum was set for 6 April and a parliamentary majority meanwhile has decided that the government should heed its outcome (if the required minimum turnout of 30 percent is met). The first opinion polls suggested a turnout well above that level and a significant number of voting intentions for the NO to the Treaty, prompting EU Commission President Juncker to warn for a continental crisis and waving the

‘Putin’ red flag to mobilise anti-Russian sentiment in the anti-Moscow Dutch newspaper, *NRC-Handelsblad* (Cerulus 2016). Clearly after decades of radical neoliberalism pursued by the EU, well beyond what nationally could ever have been achieved, people will use any chance they get for voting on matters related to it to deliver a negative verdict.

Now a large part of the EU-Ukraine Association Agreement belongs to the EU’s exclusive competences, either explicitly (such as the trade parts belonging to the Union’s Common Commercial Policy) or implicitly (due to the EU’s implied powers doctrine). A pragmatic solution to such a (so far hypothetical) situation could be the adoption of a so-called ‘adjusting protocol’ to the agreement. As Peter van Elsuwege has argued, ‘the most visible consequence of such a protocol would be the formal amendment of the agreement, implying that “the Netherlands” should be deleted as one of its contracting parties. As a result, those provisions of the Association Agreement belonging to Member State competences would not be applicable in the Netherlands. One could, for instance, think about the provision on mobility of workers (Art. 19 of the Agreement).’ (Van Elsuwege 2016). Also, a significant part of the Association Agreement already provisionally entered into force. Even so,

The consequences would be more significant at the political level. An overwhelming no vote would be rather embarrassing for the Dutch government at a moment it is holding the rotating EU Council Presidency. It would also be annoying for the EU as such, taking into account the upcoming Brexit referendum and the rise of Euroscepticism on the continent (Van Elsuwege 2016).

The YES campaign has set up a ‘Vote for the Netherlands Foundation’ under the former Dutch Labour Party chairman, Michiel van Hulst. Van Hulst is no stranger to the EU. From 2007 he has worked as a lobbyist in Brussels, initially for the American public relations firm, Burston-Marsteller, and later on his own account. One of the board members of the Vote for the Netherlands Foundation is the former Dutch ambassador to Ukraine, Pieter Jan Wolthers, whose embassy has courted controversy by actively offering the Ukrainian oligarchs tax evasion opportunities in the Netherlands (Bos 2016).

Meanwhile George Soros' Open Society Foundation, outlawed in Russia, committed itself to the 'Yes'-campaign of Vote for the Netherlands to the tune of \$ 200,000 (NOS 2016) and the United States, too, has moved in to influence the outcome in the sense preferred by itself, NATO and the EU. In January the US embassy in The Hague invited Dutch journalists for a tour of Ukraine, of course not including the rebellious Donbas provinces (Chaudron 2016).

Of course the US-funded tour of Dutch journalists is itself a sign that the State Department in Washington is not really up to date, because the Dutch mainstream media are without exception anti-'Putin' and therefore willing to subscribe to anything that is seen to annoy Moscow. This indeed will be a major wild card in the campaign. Already, *Trouw*, the one national daily adopting a more or less objective tone, has reported that the CIA is investigating whether Russia is indeed supporting and even financing the NO campaign (Chaudron 2016). That this has been denied by Moscow is secondary because what counts is the perception. By merely raising the possibility of Russian support or even more directly, 'reporting' a CIA investigation into it, already works to cast doubt on the integrity of those considering a NO vote. Not unlike NATO military exercises to 'respond' to a Russian threat, which evoke the reality of such a threat in the minds of the public, investigating subsidies from Moscow creates an equation between a NO vote and undercover penetration by the Russians, because what else do we need the CIA for.

The focus of the Dutch government's campaign for a YES is to stress commercial advantage for Dutch companies ('a market of 45 million consumers') and the benefits for the 'average' Ukrainian. On the Dutch side, the Labour Party and the left Liberals (D'66) will lead the campaign, the Green Left and the small Christian fundamentalist parties will support it. Among social organizations, the employers' organization, small business, chambers of commerce, the 'peace movement' PAX, and gay rights groups are considered supporters, as are the big banks and insurance companies, agricultural organisations, the Dutch railways. In addition a number of Ukrainian sports

and other personalities living in the Netherlands have been mobilised. The government has finally also drawn up a list of 46 questions that may come up and the appropriate answers to them (Geraedts 2016).

Now although the geopolitical situation has been declared by the government to be not relevant to the referendum, one would think that the ultimate card to play for the YES campaign nevertheless is 'Putin'. In a first televised debate between YES campaign manager Van Hulst and the foreign affairs spokesman of the Socialist Party, Harry van Bommel, Van Hulst was so quickly cornered that he may have underrated the average historical knowledge among the Dutch public. Thus he compared a NO in the referendum to Britain telling the Netherlands in May 1940 that unfortunately they would not be able to give any assistance against Hitler; whilst warning that after Ukraine, 'Putin' would surely turn his attention to Poland, another reference to the Second World War.

It may even be that Ukraine will resort to taking measures (like the stopping of Russian trucks from passing through Ukraine and actually stopping those already on its territory, as just reported as I write), or even military provocations, just to allow a Russian response to be framed as 'Putin' jumping on defenceless Ukraine. Here the ongoing inconclusiveness of the MH17 investigation, which serves to keep suspicion focused on Russia, works as a floating buoy for the YES campaign.

8

MH17: The Investigation

- *The continuing inconclusiveness of the investigation into the MH17 tragedy is as strange as it is transparent in its intention. As long as no firm conclusion to the contrary has been drawn, the suspicion cast on Russia, 'Putin', and the rebels in the eastern provinces from day one works to the advantage of the West. This is also becoming apparent again in the run-up to the Dutch referendum on the Association Agreement with Ukraine.*

As far as the United States, NATO, the EU and the Dutch government are concerned, this referendum might as well be one on a Yes or No to 'Putin', and the less we know about Ukraine and the quagmire that the Association Agreement had landed the country in, the better. The fact that no conclusions on MH17 have been forthcoming in the circumstances is an unexpected boon for those who want the referendum to result in a YES vote on the grounds that 'it protects the country against Russia'. The report of the Dutch Safety Board of October last may have been painfully inadequate, suggesting the DSB should in the future confine itself again to road safety, fires, etc. However, for the referendum it has turned out a very useful back-up document as it demonstrates the bad faith of the Dutch authorities in this matter.

On 18 July Dutch prime minister Rutte declared he would personally ensure that the entire truth would be revealed. However, although the Netherlands was awarded the lead role by Ukraine, according to the ICAO rules Ukraine would itself have had prime responsibility because the accident happened in its airspace. For some reason Ukraine ceded its right to investigate to the Netherlands. However, the Dutch government, without consulting parliament, took sides with Kiev and against the Donbas rebels, thus making any quest for the truth secondary to NATO geopolitical priorities from the start. Rutte did not want to negotiate with the Donbas rebels and no Dutch investigators went

to the crash site, which was freely accessible under a short-lived cease-fire declared by Kiev. Journalists were actually encouraged by the rebels to visit the area and take pictures (Niemöller 2014: 133, 135, cf. 12).

In sharp contrast a Malaysian delegation, led incognito by prime minister Najib Razak, did negotiate with the rebels and was able to receive the plane's black boxes right away, passing them on to... the Netherlands (Niemöller 2014: 14). According to one of the family members briefed in a hotel at Schiphol airport, a Malaysian Airlines representative said on that occasion that a distress call from MH17 had been received by Ukrainian air traffic control in which the pilot reported a rapid descent. To be certain he had understood this properly, the family member approached the Malaysian Airlines official afterwards and got confirmation that this was what he had said. Another (unrelated) family member had the same recollection. When the MA representative made the statement, people looked at each other with alarm, because it implied their loved ones had lived through the last moments consciously. However after contacting Malaysian Airlines by telephone she was told this had been a miscommunication (Niemöller 2014: 172-3).

Parties to the Investigation. Two Separate Tracks

All countries participating in the investigation have interests, the Netherlands, Belgium, and Australia on account of the victims from these countries, the Kiev regime because it is fighting a rebellion in the area, and Malaysia because it is the owner of Malaysian Airlines, a company in economic difficulty and hit by two air disasters of which the causes remain in the dark (MH370 and MH17) (Niemöller 2014: 134; on MH370, Whitnall 2014). As to the role of Malaysia we may add that it belongs to the category of states resisting the Anglo-American-cum-NATO claim to global governance and neoliberal capitalism, especially under former prime minister Mahathir Mohammed. In November 2011 it incurred the wrath of these countries by having the Kuala Lumpur War Crimes Tribunal, in a trial that had taken two years, unanimously arrive at the conclusion that Blair and Bush on account of the invasion of Iraq in 2003 were guilty of crimes against the peace, crimes

against humanity, and genocide. In their judgment the five judges ruled that this verdict must be reported to the International Criminal Court in The Hague and that the names of Bush and Blair be inscribed in the register of war criminals kept by the Kuala Lumpur War Crimes Commission, which had instituted the Tribunal, and initiated by Mahathir; a controversial figure for sure, but again, an opponent of Western militarism and economic warfare (Falk 2011).

Meanwhile Dutch foreign secretary Frans Timmermans had made a theatrical speech in the UN Security Council on 21 July 2014 in which he accused the rebels of ransacking the dead bodies for their possessions. The speech, which is highly misleading because of its misrepresentation of the actual response of rebels and local civilians to the disaster, evoked a maximum level of consent in the Netherlands (88 per cent) and later led to the choice of Timmermans as politician of the year. On 8 October the Politician of the Year got carried away in a talk show on Dutch TV when he revealed that one passenger had been found with his oxygen mask on, suggesting there had been an emergency and that passengers had been alive longer than hitherto assumed (Niemöller 2014: 15, 53-4, 174-5).

In fact the Dutch government later in a low-key statement on 28 August retracted many of the accusations, but this was given little publicity; in August the Dutch embassy in Kiev wrote an extensive letter to the rebels thanking the people Timmermans had qualified as ‘thugs’ for the splendid work in salvaging bodies and property after the crash (Niemöller 2014: 136-8). Given its NATO and EU membership, the Dutch are already on one side and least expected to pursue the investigation impartially. The entire Ukrainian conflict is about EU Association (including its defence provisions), something that was underlined when Timmermans subsequently moved to Brussels as first vice-president of the Juncker European Commission. Where the Netherlands really excelled on the other hand, was in the organization of memorial services, of which several were held.

The Dutch government, then, representing the country of departure and having suffered the greatest number of casualties, was rewarded by playing the lead role in the investigation. This was split into two halves. One, by the Dutch Safety Board (DSB, *Raad voor Veiligheid*, RVV), would concentrate on why the plane came down. This body is generally entrusted with investigating important accidents in order to develop recommendations to prevent a recurrence. The other, the criminal investigation, is not entitled to using statements of persons made to the DSB; neither is it entitled to use the information from the black boxes in the possession of the DSB. Even the documents the DSB produces cannot be used in a criminal procedure. It is possible to obtain exemptions, for instance when persons interviewed by the DSB themselves expressly allow the use of their statements for the criminal investigation, just the black boxes may be used if the criminal prosecution aims at uncovering a hostage taking, murder, manslaughter, or a criminal act with terrorist purposes. All depends however on the deal struck by the public prosecutor with the Kiev authorities (Niemöller 2014: 148-9).

Still on 19 September 2014 the Dutch government responded to questions by Sjoerdsma (D'66, left liberal) and Omtzigt (Christian Democrat) about the agreement with Ukraine that this was a matter that was not amenable to being made public (Niemöller 2014: 157). Yet the quality of Kiev's contribution was thrown into sharp relief when it came up with a complex explanation accusing the rebels of mistaking MH17 for a Russian plane and shooting it down on purpose to trigger a war with the West (Niemöller 2014: 16). Then two YouTube films were produced, one supposedly a Buk-M1 tracked launcher fleeing back to Russia, an image widely disseminated in Western media. A second film contained the conversation between a separatist commander and a Russian officer in which the former tells the Russian that Cossacks shot down the plane by mistake. However in the YouTube item of the conversation several anomalies were discovered, revealing that this was a propaganda hoax. In the US, there was broad credence given to this story but the German *Spiegel* cited the German intelligence service BND which claimed the Ukrainians had forged the items (Niemöller 2014: 48-9, 50-52).

Kiev forces after 17 July sought to consolidate control of a corridor separating Lugansk and Donetsk, which also happened to include the crash site. This made military sense but it also gave a strong impression that the attacks were meant first of all to prevent further investigations on the crash site. On 21 July a Dutch public prosecution team (*Openbaar ministerie*, OM) arrived in Kiev to discuss matters with the government there. Dutch police did visit the main crash site, but not the spot where the cockpit section with its peculiar damage was found (Niemöller 2014: 142). On 23 July an agreement was signed by the National Bureau of Air Accidents Investigation of Ukraine (NBAAI) and the DSB to work conjointly and exchange all relevant documents, in full confidentiality (Niemöller 2014: 160). The attacks by Kiev forces, launched right after the bodies had been removed by train from the area, reached a new intensity on 26 July whilst they also began launching notoriously inaccurate Grad missiles at Donetsk, killing many civilians (Niemöller 2014: 144).

On 28 July 2014 a treaty was concluded between Kiev and The Hague pertaining to 'an international mission to protect the investigation'. On the 31st the Kiev parliament allowed Dutch and Australian investigators access to the site after a final attempt on 27 July to recapture the crash site had failed. On 1 August, a treaty was concluded with Australia to allow Australian officials to be in the Netherlands for the benefit of the investigation (Niemöller 2014: 150). Fighting in the crash area remained intense. On 9 August, the 200 Dutch investigators who had visited part of the crash site and spent a total of twenty hours doing their work there, were withdrawn again to the Netherlands after the Dutch prime minister's decision on 6 August to call off the forensic investigation. That the team's safety on the crash site could not be guaranteed, according to Niemöller was mainly due to the Ukrainian side. An OSCE mission confirmed mortar fire aimed at the rebels was coming from the Kiev-controlled area (Niemöller 2014: 142-5).

Nevertheless, agreement was reached the next day, 7 August 2014, between the Netherlands, Ukraine, Belgium and Australia that any release of information part of the criminal investigation, and the final conclusion, would

require the consent of the four parties (Niemöller 2014: 125-6). Malaysia got a special status under this agreement, but Russia and rebels were not party to it. On 10 August a press briefing of the Ukrainian public prosecutor, Yu. Boychenko, let it be known that results of the investigation would only be made public if all signatories had given their consent. Only after this agreement were the Kiev authorities willing to allow Malaysians to conduct investigations on the spot. The Ukrainian press agency UNIAN, reporting on the briefing, concluded that this exculpates Russia or the rebels from responsibility because otherwise Kiev would not care about these restrictions, which guarantee that either the results remain secret or will only come out once the political causes of the disaster will have lost their relevance (Niemöller 2014: 151-3). This gives the government in Kiev, one of the interested parties and a possible perpetrator by accident or intent, a veto in making the criminal case. In turn it suspends any conclusions the DSB might reach as to the investigation into the causes, even apart from bias in the DSB investigation steering the criminal case in a certain direction.

The interim report of the DSB appeared on 6 September although the requirement is that this comes out within 30 days after the incident. No investigators of the DSB had visited the crash site, only Ukrainian investigators of the NBAAI had done so. The DSB worked three weeks in Kiev and then repaired to the Netherlands to continue its work. Which deals were concluded with Kiev was left in the dark, except that on 23 July the agreement was concluded with the NBAAI but according to the Dutch government its provisions and findings are confidential and cannot be published without consent of the parties to the agreement, and of some of them are particularly concerned about confidentiality. The interim report says nothing about Russian or Ukrainian radar data; the former were supplied to the DSB but not used, the Ukrainian radar data were apparently not allowed to be published (Niemöller 2014: 159, 167).

The German Government's Replies to Questions in the *Bundestag*, 9 September 2014

On 9 September 2014, the first authoritative Western assessment about what was known of the circumstances of the MH17 crash became public when the German government replied to parliamentary questions concerning the disaster by the Left Party, *Die Linke*. Amidst repeated references and cross-references to the need for secrecy and agreements with allied intelligence services, the Federal Government nevertheless communicated a few details that would continue to have a place in the investigation and should have been included in the report of the Dutch Safety Board of October 2015.

In the general part of the questions, it is noted that at the time, according to the AFP news agency of 18 July, two AWACS radar planes had been dispatched to Poland and Rumania following the decision of the March 2014 NATO Council. These were to observe the crisis in Ukraine from the airspace of the neighbouring countries (according to Reuters 11 March 2014). (*'vom Luftraum an die Ukraine angrenzender NATO-Staaten aus die Krise in der Ukraine zu beobachten'*). The implication is obviously that they had a realistic chance of observing large parts of Ukraine. Indeed the introduction to the questions continues with the observation that on 18 July, in light of the assumed shooting down of MH17, an assessment of the radar data of the AWACS planes on 17 July had been requested (*'mit Blick auf den vermuteten Abschuss des Malaysia-Airlines-Verkehrsflugzeuges [wurde] die Auswertung der Radaraufzeichnungen der am 17. Juli 2014 eingesetzten NATO-AWACS angeordnet'*), again according to AFP of the 18th.

The first specific question deals with a different matter, viz., which radio traffic or other telecommunication or otherwise exchange of data had been picked up by any intelligence service as far as the Federal Government or its services were aware, and what did they contain? (*Deutscher Bundestag* 2014: 1-2). Here the reply was that under current regulations the country leading the investigation (i.e., the Netherlands) had the sole responsibility of dealing with

these matters and no information should be supplied by other parties as long as the investigation was going on.

After a series of questions about the factual basis of public statements and reports concerning Russian involvement in the Donbas rebellion, Question 10 then deals with the satellite observations of, amongst others, the United States and the Russian Federation relevant to incident. Here the Federal Government replied that it had the data presented at the press conference of the Russian military of 21 July 2014 and its claims that Ukrainian air defence systems had been in the neighbourhood, but that the authenticity of this information could not be verified (*Deutscher Bundestag* 2014: 4). As to the US radar data, on that no further information can be supplied because that would jeopardise collaboration with allied intelligence services and that comes under an obligation of secrecy. So this information is available but secret. Indeed the authorities were not even entitled to stating whether they had seen these photos or not (cf. Niemöller 2014: 127-8).

Question 11: Which knowledge does the Federal Government possess concerning radar or missile batteries on the 17th? To this the government replied it had no definite information (*gesicherten Erkenntnisse*) as to any actual firing of anti-aircraft missile, and referred to its reply to Question 14.

Question 12, has the information from the assessment of radar data of the AWACS planes on the 17th meanwhile been obtained? Answer, Yes.

Question 13. So what is this assessment?

Reply: Flight MH17 was being observed by radar and by the signals of the flight transponder it emitted directly. This stopped at 14.52 CET when Flight MH17 left the space covered by the AWAC planes.

Now the AWACS according to the Northrop Grumman catalogue of its radar (AWACS n.d.) actual has a 'beyond the horizon' BTH mode in which a pulse radar allows it to look further than the 'more than 200,000 square miles (500,000 square km) around the AWACS, or greater than 250 miles (400 km) in all directions' but this would only be used if the AWACS crew would have

reason to suspect anything particular to happen to the plane which is most unlikely. Even so, the following reply is crucial:

Question 14. ‘Which information was obtained from the assessment of radar observations by the AWACS planes concerning the activity of air defence systems, ground-to-air and air-to-air missile systems in a radius within which Flight MH17 could have been hit, and which other signals did the AWACS take note of?’ (*‘Welche Erkenntnisse ergaben sich aus der Auswertung der Radaraufzeichnungen von AWACS-Flugzeugen bezüglich der Aktivität von Flugabwehrsystemen, Boden-Luft- und Luft-Luft-Raketensystemen, in einem Aktionsradius, aus dem heraus Flug MH 17 hätte getroffen werden können, und welche weiteren Signale zeichneten die AWACS auf?’*)

Reply: The AWACS captured in the range covered signals from an anti-aircraft missile system as well as a further radar signal that could not be classified by AWACS. The anti-aircraft system was automatically classified as a surface-to-air missile SA-3, a signal picked routinely in the entire region (*‘Das Flugabwehrsystem wurde durch AWACS automatisiert als „Surface to Air-Missile“ SA-3 klassifiziert, ein in der gesamten Region routinemäßig erfasstes Signal’*). As to the unidentified radar signal, that might be the signal of the Ukrainian jet as claimed by the Russians, but according to Niemöller (2014: 129) this cannot be established for certain.

Thus the German government confirmed that as noticed by the AWACS planes, the radar of one or more SA-3 missile(s) had been activated at the time MH17 was passing over, indicating that Kiev forces were ready to launch a missile. An SA-3 (a Buk is SA-11) in Ukraine would have been the updated version of the Soviet S-125 Pechora missile, which in Russia itself had been replaced by the S-300 series (Niemöller 2014: 130-31).

Question 15: When will this information on the assessment of the AWACS data become available if they have not yet been obtained? (*Deutscher Bundestag* 2014: 5)

To this and the related question 16, the Federal Government replied that all this was part of routine assessment procedures in the framework of NATO. Also, to Question 16 about any days between 1 April and 31 July AWACS flights had been interrupted, it replied that 95 percent of planned flights had

been executed, except only when adverse weather conditions prevented them (*Deutscher Bundestag* 2014: 6). The information contained in these parliamentary questions and its replies were passed on by the German government to the DSB but in its interim report there was no mention of it and only the DSB had the authority to make them public (Niemöller 2014: 128), and neither would the final DSB report contain any reference to it.

The Germans were not the only ones with reason to doubt the DSB's willingness to use all the available information; less surprisingly the Russians, too, were dissatisfied. On the 19th of September Moscow called a meeting of the UN Security Council after the interim report of the DSB had been made public. The key Russian complaint was that Russian radar images of the second, military plane near MH17, which they had made available to the DSB, had not been incorporated into the report. Obviously the Russians were primarily concerned with this plane, more particularly, an SU-25. Moscow on this occasion proposed to entrust the investigation to an international commission headed by a special UN representative (Niemöller 2014: 133).

The day before, a report of the Russian Union of Engineers signed by its vice-president I.A. Andrievski, was brought out which on the basis of extensive discussions with fighter pilots and using computer simulations with Su-25 jets concluded that an unidentified jet fighter (probably an SU-25 or MiG 29), flying below MH17 and in the clouds, suddenly appeared in front of MH17 and fired from its 30 mm cannon, or from a smaller version of it, at the cockpit. The meteorological conditions for such an action were ideal given the cloud distribution, with cumulus up to level 350 (35,000 feet) in which the jet could hide. Given the surprise and the immediate decompression, the crew was dead before any alarm could have been given. But because the engines and hydraulic systems had not been incapacitated, the plane continued on automatic pilot, the jet then swirled round to the back of the plane and fired an R-60 or R-73 missile, as a result of which compression in the entire cabin fell away, the controls of the plane were destroyed, and the plane begins to fall. From the black boxes (to the extent the information on them was made available) the plane fell apart in mid-air, which is only possible as a

consequence of a sudden drop from 10,000 metres (Niemöller 2014: 117-8). Indeed the the interim report of the DSB reported that the cockpit section broke away from the rest of the fuselage and came down around 1 kilometre from the final radar observation, the rest at 8.5 kilometres. The middle and tail sections did not immediately break up after the cockpit had broken off but flew on for some time (Niemöller 2014: 119).

The Dutch Intelligence Services Report, April 2015

In April 2015, an important official document of the Dutch intelligence services, the domestic intelligence service (AIVD) and military intelligence (MIVD), was published (*Review Committee 2015*). It contains crucial information contradicting the anti-Russian, anti-rebel assumptions rehashed by the war party in the West and the mainstream media and condoned by the Dutch government by its silence.

Now if these two services, as we see below, in an official report already effectively exculpated the Russians and the Donbas rebels ('the separatists') from bringing down MH17, the question arises why they dare contradict the implied NATO position. This must be viewed in the context of the ongoing DSB investigation concerned with flight safety. Well before the publication of the final DSB report which would deal extensively with this aspect, the services AIVD (domestic intelligence) and MIVD (defence intelligence) therefore made an effort to exculpate themselves and thus avoid becoming scapegoats. After all there was widespread criticism of the failure to warn of the danger of flying over the war zone in eastern Ukraine.

Given their concern with being blamed for the disaster, the Report spends a lot of space to outlining the formal duties and responsibilities of the two services relative to the responsibilities of the government, but these are not pertinent to the conclusions as to the causes of the disaster and need not concern us here. Instead we concentrate on the comparison of the anti-aircraft capabilities of the parties to the conflict (Russian armed forces, Ukrainian armed forces and Donbas rebels—'pro-Russian separatists'). This leads the

authors of the Report to conclude that there was no credible threat of any anti-aircraft capability posing a danger to a civilian airliners cruising at a height of 10 to 11 kilometres.

As to the *Russian armed forces*, they of course have the most up-to-date and sophisticated systems. These were located on Russian territory close to the Ukrainian border (*Review Committee 2015: 22-3*). When on 14 July 2014, three days before the MH17 disaster, the Antonov 26 transport plane was shot down, the Kiev authorities claimed this was a Russian missile since the separatists did not have such systems. The Report however concludes from the details of the wreckage that the Antonov was not downed by a powerful system; it was hit in one engine and only then crashed on the ground, and prisoners were taken. Moreover a direct Russian hit would have been a ‘game-changer’, that is, a major international crisis would have ensued. This holds even more strongly for MH17 (*Review Committee 2015: 24*). In fact the MIVD issued its report on the morning of 17 July that the Antonov had been shot down by a MANPAD system, or possibly by a short-range, vehicle-borne system; since the separatists according to Kiev did not have systems that could reach a target at 6,200 meters, the Antonov must have flown at a considerably lower altitude when it was shot down (near Lugansk) (*Review Committee 2015: 24*)

The *Ukrainian armed forces* according to the Report ‘mainly possessed outdated resources, including, however, certain powerful anti-aircraft systems. A number of these systems were located in the eastern part of the country’ (*Review Committee 2015: 23*). Also the Report notes that Ukraine had closed its airspace to a height of almost 10 kilometres, where MH17 was passing over.

On 14 July 2014, the Ukrainian authorities publicly issued a NOTAM, which meant that Ukrainian airspace was closed up to a height of 9,700 metres (FL320). The MIVD did not receive any information regarding the reasons for this restricted airspace (*Review Committee 2015: 24*).

This is perhaps relevant in combination with the revelation by the German government in the Bundestag that NATO AWACS planes had noticed that SA-3 anti-aircraft missiles were being activated on 17 July (we must assume, in the part of the country covered by the AWACS' radar, not in the actual area of the fighting).

As to the *Donbas rebels*, the MIVD concluded that since they were being attacked by the Ukrainian air force, they had been procuring anti-aircraft capability. This included light anti-aircraft artillery, short-range portable defence systems (MANPADS) and 'possibly ... short-range vehicle-borne air-defence systems'. Neither of these systems allow them to shoot at planes flying at civilian cruising height. In fact the AIVD got information on 16 July that the rebels did not possess medium-range anti-aircraft missiles (*Review Committee 2015: 26*).

On 29 June the rebels captured an Ukrainian military base in Donetsk where Buk missile systems were stationed.

This development was reported extensively in the media prior to the crash. The MIVD also received intelligence information on the subject, on 30 June and 3 July 2014 as well as on other dates. During the course of July, several reliable sources indicated that the systems that were at the military base were not operational. Therefore, they could not be used by the Separatists (*Review Committee 2015: 23*).

The AIVD had no information about the rebels having a powerful anti-aircraft system like the Buk at all and neither had the Russians supplied them with any (*Review Committee 2015: 26-7*). Also, whilst there had been extensive coverage of reports that Russia had been arming the rebels with heavy equipment, there were no indications that this included sophisticated high-altitude anti-aircraft systems (*Review Committee 2015: 23*). There were also reports in the period leading up to 17 July that there were collection sites in the west of the Russian Federation, where materiel was being assembled to be passed on to the rebels. In one public source it was claimed that advanced anti-aircraft systems had arrived at such a collection point but even this source maintained they had not (yet) been delivered to the rebels

According to this document, such systems, if they were indeed powerful anti-aircraft systems, had not (or not yet) been delivered to the Separatists in Ukraine (*Review Committee 2015: 23*).

In addition the MIVD established that rebels were being trained in Russia in the handling of MANPADS but there was no indication they were being training in handling powerful anti-aircraft systems (*Review Committee 2015: 24*). The Report refers to the press conference of General Breedlove, NATO commander in Europe, of 30 June, in which he made the assertion of the rebels' training in Russia in the use of 'vehicle-borne anti-aircraft systems' which covers the entire range of systems. However, 'he also stated that the Americans had not yet observed that these systems were being transported across the border to Ukraine' (*Review Committee 2015: 24*)—even apart from the fact that the Report notes that 'vehicle-borne' systems is too unspecified to pin down which system is being referred to.

The conclusion of the Report that both from its own observations and information and from information passed on by allied intelligence services is the following:

As is clear from the above, the MIVD had no indication that one of the three actors (the Russian armed forces, the Ukrainian armed forces or the Separatists) had the intention, combined with the necessary capacity, to shoot down a civil aircraft. There was no information either pertaining to activities aimed at carrying out a threat to civil aviation, such as preparatory actions (*Review Committee 2015: 24*).

Basically this claims that nobody did it, except that of course the Ukrainian armed forces had Buks in the area, closed its airspace to 9,700 metres for unknown reasons, activated its SA-3 anti-aircraft systems—all without a threat posed by Russian planes operating in Ukraine or by the rebels who did not have an air force. Also the option of an attack by a fighter jet is not considered.

Here it is of some importance that the two services were best informed on Russia's intentions and capabilities and least of Ukraine's and the rebels' only to the degree they were the object of Russia's policy.

The MIVD's investigation focused on the Russian Federation and the possible risk of an incursion into Eastern Ukraine. Knowledge of the Ukrainian armed forces and the Separatists was limited. The AIVD's investigation focused on the politico-strategic aspect of the conflict in Eastern Ukraine and on the Russian Federation's political influence on Ukraine. The AIVD was not focused on information related to military capacities (*Review Committee 2015: 28*).

This Report thus exculpates Russia and the Donbas rebels from shooting down MH17 and makes the same claim for Ukraine but only as far as a Buk-class missile is concerned.

The Final Report of the Dutch Safety Board, October 2015

The long-awaited report of the Dutch Safety Board (DSB) was finally been made public in October 2015. The Safety Board covers the technical side of the possible causes of the crash, not the criminal culpability or the political implications which remain preserved for a later, separate report to be published by the Dutch public prosecution service (OM) under the restrictions agreed briefly after the disaster with Ukraine, Belgium, and Australia to which Malaysia later also became a party.

Clearly it is practically impossible not to think of certain suspects when reading the conclusions concerning the causes of the downing of the disaster plane. The low quality of the Report and the conscious policy of keeping the public in the dark about the details so that the suspicion continues to rest on 'Putin', warrants a much longer, alternative report. Here we confine ourselves to the main outlines and the prospects for the criminal investigation to build on the DSB results.

The first main shortcoming of the DSB report is that radar and satellite information, which should be available, has not been provided by the United States or Ukraine, whilst Russia has only provided the processed data. On two

occasions former employees of the US intelligence services have asked President Obama in an open letter to make this information public. Robert Parry has contacts in the American intelligence world which in the past have proven to have supplied him with reliable information. Through this channel he has learned that researchers of the CIA earlier this year discussed the American evidence with the Dutch investigators under the obvious condition that this would remain secret (Parry 2015). On 13 October Tjibbe Joustra, the chair of the DSB, was interviewed on Dutch TV and was asked what he had learned from this American satellite information about which Kerry had been so adamant. Joustra repeats a few times that this is a state secret, that he was allowed to view a few things, that what he has seen has been incorporated into the report but that he is not entitled to say what it is (NPO 2015). Instead the Americans have stubbornly relied in their public statements on images and reports from social media, mainly to attribute guilt to the rebels and by implication, the Russians. In the report there is an example where NATO general Breedlove cites a *YouTube* film (DSB 2015: 188), although the report does not make much of this, and rightly so.

After having been sent back empty-handed by the CIA as far as satellite information was concerned, the DSB of course turned to NATO to inquire what the AWACS had observed. The reply from the NATO commander in Europe ('SACEUR') was that MH17 had been seen until the plane left the area covered by the AWACS. After that no information was obtained that was pertinent to the investigation. In the summary following this section, the report repeats, 'NATO AWACS aeroplanes did not have information pertinent to the investigation' (DSB 2015: 44). That SACEUR takes the DSB for a ride in this matter is confirmed by the replies of the German federal government to questions of the Left party on 9 September 2014 discussed above.

Ukrainian radar have not observed anything, because civilian radar had been turned off for scheduled maintenance, and military radar had been switched off because there were no military planes aloft (DSB 2015: 38). This again is contradicted by the German government's revelation that Ukrainian anti-aircraft missile radars had been switched on. Also, in a parliamentary

hearing in The Hague in late January 2016 a Dutch radar expert expressed his amazement at the fact that all three radar systems in eastern Ukraine had been switched off for maintenance, which he found rather improbable (NOS 2016b). When one thinks back to those days, when NATO and Ukraine both feared that Russia might intervene militarily (DSB 2015: 188), and which incidentally was one of the probable causes why Kiev had rolled out its air defences (the rebels do not have planes), will understand that it is at least strange to switch off civilian radar for maintenance and military radar because there was supposedly no Ukrainian military plane in the air.

The Kiev government then denied ever having received a request for these data from the Dutch government or relevant authorities (van der Aa et al. 2016). But then as two opposition politicians, Pieter Omtzigt (Christian Democrat) and Sjoerd Sjoerdsma (left liberal, D'66), declared in a newspaper interview, lack of transparency has characterized the Dutch government throughout in the MH17 case. Among other things they questioned whether enough effort had been made to get hold of radar images. In particular they reproached the government not to fight its own corner now that the US apparently was more concerned with cornering Russia than with MH17 (van der Aa et al. 2016; cf. Omtzigt 2015). The report pays no further attention to these matters, although it debates extensively whether MH17 was perhaps hit by a meteor, what the weight of the plane was, whether the crew was in good health, and so on and so forth.

The Russians, finally, in their first press conference showed their processed radar data, asked Kiev to explain the presence of a military plane close to MH17, as well as demanding the location of their air defence systems operational at the time of the disaster, and also asked why the US had a satellite for monitoring missile launches in position over the disaster zone. The Report here leaves its reservations behind and moves boldly into the role of the criminal investigation. It castigates the Russians because they did submit the primary and secondary radar data ('primary' means the echo results of large objects, 'secondary', the transponder signals), but only in the processed form, that is, after the computer has turned the data into a picture;

the raw data are missing, according to the Russians because ICAO rules only require them to be kept for their own territory; according to the DSB these rules actually do not differentiate as to territories (*DSB 2015: 39, 167*).

There are many other shortcomings to the DSB report but these are not immediately relevant to the upcoming referendum. The point is that the report as it stands, whilst pointing a finger at Russia, does not remotely provide the basis for the criminal investigation although it helps to keep the suspicion focused on Russia and the rebels. In a letter to the victims' relatives, the chief Dutch prosecutor investigating the downing of flight MH17, Westerbeke, reportedly told victims' families that experts hope to gather evidence on the type of missile and spot it was fired from "by the second half of the year." He stated that 'there is no video footage of the missile launch, and that due to the cloud cover on the day of the disaster, there aren't any satellite images, either' (*Russia Today 2016*). In fact radar and spy planes already in the 1980s operated independently of weather conditions (Woodward 1988: 11, 259-6). Westerbeke also stated that 'the US made their data available through the Netherland's MIVD (Military Intelligence & Security Service), which the Dutch prosecutor will be able to use as evidence if necessary. Westerbeke alleged that Russia has not supplied the requested radar images.' The Russians on the other hand repeatedly complained about the failure of the DSB to include information supplied by Russia (*NOS 2016b*). In fact the German government could make the same complaint. In a lawsuit against the Dutch government a number of news media demanded it release more documents concerning MH17 on grounds of freedom of information. A decision is expected late March (*NOS 2016a*).

The prosecutor's final conclusion, that it would still take quite a while for a criminal investigation to be brought to a conclusion, meanwhile (and we must assume, unintentionally) plays its own role in the referendum campaign: we don't say who was responsible—but we all have our thoughts.

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info@oorlogisgeenoplossing.nl
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