



**INTERACTION
COUNCIL**

High-Level Expert Group Meeting

Chairman's Report on the High-Level Expert Group Meeting

**“Firmness and Dialogue:
How Best to Respond to Russia's Challenges
in Ukraine, Europe, and the West”**

**Chaired by
The Right Honourable Jean Chrétien**

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Two aphorisms about Russia by Sir Winston Churchill continue to be apt. “Russia,” he said, “is a riddle wrapped in a mystery inside an enigma.” Understanding the origins of recent Russian policy towards Ukraine, Europe and the West as a whole has proved difficult, as the narratives inside Russia are totally at odds with the perceptions outside Russia. Russia’s actions in the Crimea and Eastern Ukraine are provocative and destabilizing. This testing of the international system must be met by firmness. But Churchill also had a second insight that equally applies: In 1954, in the midst of the Cold War, he said, “To jaw-jaw always is better than to war-war.” Russia is too important a country to shun or exclude. Lines of communication must be kept open. The prudent response to Russia’s challenge to the current European order is firmness, but with dialogue.

In that spirit, a group of representatives from different political and national backgrounds met to discuss the conflict in Ukraine and suggest ways of achieving a peaceful solution to the crisis. The experts met in an open, inclusive way on neutral ground to enable parties that usually do not talk to each other to express their views openly. We met after the Minsk II agreement was negotiated in another attempt to stop the fighting in Ukraine. There is uncertainty over the success of a ceasefire and additional efforts to stabilize the situation are undoubtedly necessary. The Minsk II truce most likely will not end the confrontation, but it could prevent further escalation of the conflict.

All participants agreed that the InterAction Council could play a valuable role in helping to identify steps to overcome this challenge. Members of the InterAction Council had steered the world through the turbulent end of the Cold War and are now unencumbered by the need to appeal to electorates. With emotions running high, the InterAction Council is seen as an honest broker able to provide a forum for dialogue.

The InterAction Council has often considered how best to engage with Russia. In 2000, the Chairman’s Report said:

“Given this history, it would be tempting, especially for a strong nationalist government, to divert attention from domestic economic problems by embarking on foreign military adventures. But, the grim truth is that ... modern Russia does not have the economic wherewithal to sustain foreign military action.”

These words are equally true today. Russia's Prime Minister Dmitry Medvedev has indeed admitted to the Gaidar Economic Forum that, "Russia's GDP does not match its capacity or ambition."

Economic indicators for Russia are troubling. The World Bank expects Russia's GDP to drop 2.9 per cent in 2015, inflation hit 11.2 per cent in December, interest rates were raised from 10.5 per cent to 17 per cent, and the ruble is down 50 per cent against the U.S. dollar. At the same time, oil prices, which drive the Russian economy, have dropped below \$45 per barrel for the first time since 2009. Oil prices are not anticipated to rebound quickly.

As a result of the economic downturn, the Minister of Finance has announced that Russia will cut budgets in all departments by 10 per cent. The sole exception is defence. Russia has also announced that it will continue a major rearmament plan with additional resources going to Crimea, Kaliningrad and the Arctic.

Sanctions were imposed by the West after pro-Russian forces took control of Crimea in February. A referendum led to the breakaway territory re-joining Russia, from which Ukraine became independent in 1991. The European Union, Canada, and the United States condemned the referendum as illegal. Russia maintains that the vote was fair, reflecting the democratic wishes of the people of Crimea. Sanctions cover the export of goods and technology to Russia, as well as the financial and travel movements of select Russian individuals. In retaliation, Russia imposed travel bans on individuals from the West.

Ukraine is still a poor country with per capita income just \$3600 in 2013. And that was before the conflict broke out in 2014, which has undoubtedly hurt the Ukrainian economy further. Both Russia and Ukraine's economies are being challenged by demographics, as their populations continue to fall. However, the inter-relationship between the Russian and Ukrainian economies is uneven. While exports to Russia account for 50 per cent of Ukraine's GDP, less than 5 per cent of Russia's exports go to Ukraine.

Similarly, sanctions impact different members of the Western alliance differently, which impacts their commitment to sanctions. In the face of sanctions, Russia is turning to its neighbour China to fill the gap in terms of both products and capital. China and Russia are forging a new strategic alliance that includes massive investments in the energy sector and cooperation in large infrastructure projects. Despite the longstanding tensions during the Soviet era, the current conflict with the West is pushing Russia more fully into the Chinese orbit of influence.

The conflict between Ukraine and Russia may not be pivotal for the global economy, but its impact on geopolitics is profound. The roots of the current geopolitical situation between Russia and the West has its roots in the days following the Cold War when a unipolar world order was established as the new norm. However, unlike the Cold War, where the established norms for Western-Russian relations were clear, the current situation is particularly volatile, because these established norms no longer exist. This is further complicated by the emergence of countries like Brazil, China, India and Indonesia as significant global players.

It is against this history that Russia is interpreting the West's – and in particular NATO's – actions. In an effort to give reassurances to Eastern members of the NATO alliance, there has been a recent increase in NATO presence in Europe. Exercises have been stepped up, response forces bolstered, and new command and control centres established. Russia has interpreted these actions as the most recent escalation of the West's attempt to encircle and isolate it. In the current climate of opinion, the option of Ukraine joining NATO should be taken off the table. Russia would regard it as a provocation and NATO members would have to increase defence capabilities far beyond what is feasible.

Following the end of the Cold War, Western institutions pushed east welcoming new members. This has given rise to a sense of perceived isolation from Russia. Its political discourse has emphasized a concern about the West having a desire to “keep Russia down.” Western powers argue that NATO and the EU have an interest in a strong Russia as a partner on the basis of common principles to maintain European peace and order, as well as confront global challenges. But the alliance must maintain its commitment to mutual assistance of its existing members. In the Baltic States in particular, there are concerns about what the events in Crimea mean for their own territorial integrity. This has led to the increase in NATO presence in the region, as previously mentioned.

In addition, this sense of isolation adds ethnic, religious, and linguistic elements to geopolitical considerations that have elevated the stakes of this conflict. Some experts suggested that federalism or confederalism, which gives constitutional autonomy and protection to regions, might assist in the solution of the dispute, as would language guarantees. This might be fertile ground to be explored: Ukraine has already promised to protect the status of the Russian language and Russia has suggested a federalist option. Dialogue and an examination of possible mechanisms could lead to consensus about a redistribution of power and authority because both sides of the conflict agree that ethnic and linguist rights should be protected. Apart from the merits of such a settlement itself, if an

agreement could be reached, this could provide an exit strategy for Russia because it could claim its goal of protecting Russian-speaking Ukrainians.

Yet both Russia and Ukraine contest the other's characterization of the ethnic and nationalist landscape of the conflict. Russia sees the conflict as a civil war in Ukraine. They see the conflict as between their ethnic, linguistic, and religious allies and Ukrainian nationalists. Ukraine sees it not as a civil war, but a foreign invasion. Many in Ukraine assert that amongst those of the Russian linguistic or ethnic group in Ukraine, there is support for a united Ukrainian state. These different nationalities contribute to intense emotions, especially among the large Diasporas outside of Russia and Ukraine.

Despite the intense emotions that the nationalist elements of the conflict promote, it is essential that all sides seek to understand the position of the other. Those seeking a peaceful solution to the conflict must seek to fully understand both sides before proscribing action. Hateful rhetoric that tries to take advantage of the current crisis for domestic political advantage must therefore be avoided. As one participant said, "dialogue is always a possibility and many of the problems along the way is because we lacked dialogue." Through dialogue, respect, and consultation, there would be a peaceful outcome to this dispute. Pursuing a firm line on principles does not require being inflammatory or unduly provocative. The InterAction Council must lead by example on this point. The InterAction Council has an ability and commitment to provide a platform for a plurality of opinions that is usually lacking in official discourse on Ukraine.

Among the experts that were consulted, there was not a mutual agreement on the future of Crimea. Some participants were hopeful that the peninsula would be returned to Crimea. They were encouraged by examples in other jurisdictions where national ethnic and linguistic minorities were accommodated within a federalist structure and suggested that similar conciliatory policies could be enacted in Ukraine. Others felt that such accommodative agreements were not likely to be implemented and rather asserted that *realpolitik* required acquiescing that Crimea would remain outside of Ukraine.

While there remained divergence amongst participants about how exactly to characterize the situation transpiring in eastern Ukraine, participants agreed that at the global level it is better to have Russia participating in the debate as global issues cannot be effectively tackled without Russian participation. For example, Western nations and Russia have worked with Iran to produce a promising nuclear accord. One participant stated that, "with the long list of global issues, it is profoundly counterproductive to exclude." Areas of potential co-operation

included addressing terrorism, providing logistical support in Afghanistan, eradicating Syrian chemical weapons, exploring space, and search and rescue in the Arctic. However, this engagement must only take place where mutual interests are paramount to not undermine diplomatic options being used to address displeasure with the situation in Ukraine, such as sanctions. Consequently, each issue must be evaluated individually for whether engagement should take place.

The conflict in Ukraine is not just a regional issue. The tensions caused by the conflict in Ukraine have been felt around the world. The downing of the Malaysian Airlines flight over Ukrainian airspace has meant that reverberations have been felt as far away as Asia. Indeed, air safety is a significant issue because of the increased number of military probes into European and North American airspace without alerting civil aviation authorities.

It is perhaps, however, the conflict's repercussions for global nuclear policy that are most profound. This is particularly troubling for the Council, as it has made nuclear disarmament one of its major areas of focus since the Council's founding.

The Helsinki Final Act gave assurances from both the West and Russia that if Ukraine were to voluntarily decommission its nuclear arsenal it would not be the subject of aggression from either side. The events in Crimea raise serious doubts among those whom are contemplating decommissioning their nuclear weapons whether such assurances can be trusted. This will cause difficulty in seeking the decommissioning of weapon systems around the world, as the assurances offered by the nuclear powers are questioned.

Tight timelines for implementation of existing agreements reached to address the conflict add an additional sense of urgency. Decisions will have to be made shortly about whether sanctions will be extended. There are concerns about divisions within the Western alliance on the future of sanctions, as different members are impacted by them differently. However, for sanctions to be effective it is imperative that unity prevails. We should be under no illusions that Russia is attempting to undermine the solidarity of the European Union. France and Germany are to be applauded for their leadership in seeking a resolution to the crisis.

Far more important than the issue of sanctions, is the economic viability of Ukraine. Its GNP declined 7 per cent in 2014 and could decline further in 2015. Here the West, especially the European Union, could make a decisive difference. In March 2015, the International Monetary Fund agreed to a USD\$17.5 billion dollar package for Ukraine contingent on Ukraine undertaking structural reforms to increase competition and implement the Ukraine-

European Union Association Agreement of 2014. Ukraine has responded by passing laws to break up gas monopolies and appointing a new head of the anti-corruption bureau. European Commission President Jean-Claude Juncker said, “You keep reforming, and we will keep supporting.” More assistance will be needed; the IMF said the current package might be expanded to USD\$40 billion (including current Ukrainian debt holders, which include Russia), and George Soros, a major private sector actor and passionate advocate of a democratic Europe, believes USD\$50 billion might be needed. Soros makes the point that Europe should regard economic assistance as defence expenditure without guns because a prosperous Ukraine is the best guarantee of a free Ukraine. And if USD\$50 billion seems stratospheric, consider that Greece has received over USD\$270 billion in economic assistance from its European partners in recent years to help pay its debt, and it is not fighting a war.

There is potential for a Grand Bargain. The West would not supply weapons to Ukraine, Russia would cease supporting the rebels in exchange for the easing of sanctions, a new constitutional settlement within Ukraine would give greater autonomy to the regions plus Russian-language guarantees, and in exchange for these concessions Ukraine would receive a massive infusion of aid to rebuild its economy, implement the Ukraine-European Association Agreement, and eventually join the European Union.

Recommendations

1. The option of Ukraine joining NATO should be taken off the table.
2. Sanctions should continue until Russia gives a real signal that it has stopped supporting the rebels in Eastern Ukraine. Nationalist elements within Russia must know that they will pay a severe price for continued provocation. But at the same time, heavy weapons should not be supplied to Ukraine since the goal is to end violence not intensify it.
3. Ukraine should receive a major influx of capital to reinvigorate its economy after the shocks it has endured in Crimea and Eastern Ukraine. The long-term solution to soothing tensions within Ukraine is to assist it in reforming itself so all Ukrainian citizens will appreciate that their interests are best served by a country dedicated to freedom, the rule of law and a prosperous economy. Helping to rebuild Ukraine economically should be one of the West's most important priorities. Ukraine needs tangible, not just rhetorical, support. Ukraine should receive whatever assistance is required to implement the new Ukraine-European Association Agreement, and in time Ukraine should join the European Union.
4. It is in no one's interest to have a new Cold War. Engagement with Russia must continue on areas of mutual interest in order to maintain channels of communication and rebuild trust. The Arctic is one area where this engagement can continue: confidence building measures, enhanced communication and prior notice about military exercises and manoeuvres, and possibly arms control measures that would particularly impact the Arctic, are useful avenues that should be explored. The Ukrainian crisis stopped many positive processes in Russia. The goal should be to assist Russia and Ukraine to become normal European states for the sake of the stability of the continent.
5. As well as positively building confidence measures, provocations must be avoided. To reduce tensions, it is advisable that militaries not test the patience of their neighbours or other countries by flying too close to borders and by turning off equipment designed to ensure air safety. An accident or incident would have terrible repercussions.

6. Germany and France have played an especially useful role in leading the disputing parties to agree to the Minsk II settlement. But this agreement expires in 2015 and there is still much work to be done. A follow-on agreement to Minsk II must be put in place before the current agreement expires to maintain a pathway for peace in the region. The Minsk II accord is a ceasefire agreement and at best a fragile one. The task is to transform it into a lasting peace agreement that will require not only the commitment of states but also involvement of NGOs and civil society in the process.
7. The commitment of Ukraine to language rights should be applauded and dialogue should ensue on how best to promote decentralization and language and cultural rights and respond to regional differences.
8. Civil society also has a role to play in diffusing tensions. Groups like the InterAction Council should be active in inviting Russian representatives to meet with their counterparts to discuss solutions to the many world problems. We need ideas and excluding an important country like Russia limits our ability to create consensus.

LIST OF PARTICIPANTS

InterAction Council Members

1. The Rt. Hon. Jean **Chrétien**, Co-Chairman (former Prime Minister), Canada

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2. Dr. Thomas S. **Axworthy**, Distinguished Senior Fellow, Munk School of Global Affairs, University of Toronto (Canada)

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3. Ms. Katherine **Balabanova**, Toronto Regional Director and National Coordinator, Canada Eurasia Russia Business Association (Russia)
4. H.E. Ambassador Mona Elisabeth **Brøther**, Ambassador of the Kingdom of Norway to Canada (Norway)
5. Prof. Tony **Burman**, Distinguished Visiting Professor of Journalism, Ryerson University; Former Head CBC News and Al Jazeera English in Qatar (Canada)
6. Ms. Heather A. **Conley**, Senior Vice President for Europe, Eurasia, and the Arctic; and Director, Europe Program, Center for Strategic and International Studies (U.S.A.)
7. The Hon. Irwin **Cotler**, Emeritus Professor of Law at McGill University; former Minister of Justice and Attorney General of Canada; International Human Rights Lawyer (Canada)
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