

After Ukraine's EU Refusal: Eurasian Development vs. Collapse and Chaos

by Rachel Douglas

Dec. 3—The potential for vast, Eurasia-centered economic development quickly became evident in the wake of Ukraine's Nov. 21 decision not to finalize a free-trade Association Agreement (AA) with the moribund European Union. The Ukrainian government announced that President Victor Yanukovich would sign 20 cooperation documents, including a Strategic Partnership Agreement between China and Ukraine, during a Dec. 3-6 state visit to Beijing. Russian Deputy Prime Minister Dmitri Rogozin on Nov. 22 moved to form a new working group on Russian-Ukrainian industrial cooperation, and on Dec. 1-3, Rogozin toured plants in Ukraine's Dnieper Bend industrial region and met with Ukrainian Prime Minister Mykola Azarov on this subject.

At the Nov. 28-29 Vilnius (Lithuania) summit of the EU with the six participants in its so-called Eastern Partnership program, Yanukovich refused last-minute pressure to sign the AA, centered on a Deep and Comprehensive Free Trade Agreement (DCFTA). The deal would have opened Ukraine to a flood of EU imports, aided international food cartels in grabbing Ukraine's famous Black Earth agriculture land, and brought death to Ukraine's industry and population.

Recognition is growing fast and far, that the EU's Eastern policy, like all other aspects of EU policy, is in shambles. Yet EU officials responded with shrieks and denunciations against Ukraine, while opposition forces enjoying blatant support from EU and U.S. officials and European- and American-sponsored NGOs went on a full-scale campaign to overthrow Yanukovich, starting with the ouster of the current government. As of this writing, an attempt to remove Azarov's government by a vote of no-confidence has failed in the Supreme Rada (Parliament).

The summit in Vilnius fizzled as Yanukovich

stuck to the decision not to proceed with the AA agreement, which Azarov, in announcing it, had motivated on national security grounds because of the anticipated devastation of Ukraine's surviving industries. Yanukovich on Nov. 28 called EU offers of EU610 million in financial assistance "humiliating," as Ukraine faces \$17 billion in debt service and energy bills in 2014.

Without the Ukraine deal, the Vilnius meeting had only the paltry result of Georgia and Moldova initialing statements of intent to try to negotiate their own bilateral AAs with the EU—the stage Ukraine had reached over a year and a half ago, in March 2012. There is no guarantee that Georgia and Moldova will follow through with the concessions demanded for the privilege of "gaining access to the EU market," as the EU propagandists always put it. Of the other Eastern Partnership target countries, Belarus and Azerbaijan have made no moves toward negotiating AAs with the EU, while Armenia terminated its AA negotiations in September, in favor of seeking to join the Belarus-Kazakhstan-Russia Customs Union.

The Eurasian Perspective

"China is the second-biggest economy in the world," Azarov said Dec. 1. "Partnership with China means a good opportunity for us to obtain investment in our national economy." Amid opposition demands that he cancel the China trip (the leader of the Udar Party, ex-boxer Vitali Klitschko, even appealed to Beijing to rescind the invitation), Yanukovich explained in a Dec. 2 national TV interview, why he was going ahead with the strategically important state visit. "Although our domestic situation is not a good one for making trips, the national economy would suffer if I were not to go," Yanukovich was quoted on his Presi-

FIGURE 1
A Eurasian Development Perspective

(Map labels translated below)

Миссия Юга Западной Сибири не допустить данную подмену и создать в России лидирующий планетарный центр индустриализации и производства общественного богатства через организацию третичной индустриализации, основанной на прорыве к седьмому технологическому укладу.

Организация планетарного центра авангардной третичной индустриализации позволяет в дальнейшем организовать своего рода каскад индустриализаций: от третичной – к первичной.



Source (in Russian): http://www.idmrr.ru/downloads/doklad_siberia_ver.5.97.pdf.

Rather than the European Union’s free-trade looting, Russia’s anti-drug chief Victor Ivanov proposes alternative economic development to counter the drug plague in Afghanistan, and transform greater expanses of Eurasia. This map comes from the 2013 report “How Southwest Siberia Can Become an Economic Center of the Planet,” issued by the Institute for Migration, Demography and Regional Development (Moscow), which presents the alternative development concept in detail.

The schematic shows primary industrialization (1) for Afghanistan, secondary industrialization (2) for the nations of Central Asia, and tertiary industrial modernization (3) in Russia. The graph at the upper left compares these three levels, shown bottom to top, in terms of time or industrial epoch on the y axis and complexity on the x axis. The development zone envisioned here extends from the science-center cities of Siberia to the Persian Gulf, encompassing Iran as well as Afghanistan and Central Asia.

dential website. He noted that the Chinese government has prioritized the development of economic ties with Ukraine.

In another indication of the Eurasian-development potential that may be unleashed with Ukraine’s refusal to associate with the EU, Russia’s Rogozin announced Nov. 22, “I have ordered the formation by Monday of a working group on organizing industrial cooperation with Ukraine, including in the defense sector.” On Dec. 1-2 Rogozin toured military-industrial plants in

southern Ukraine’s Dnieper Bend with Deputy Prime Minister Yuri Boyko and Ukrainian regional governors, to discuss cooperation. They visited machine-tool, aircraft, and ship-building plants in Nikolayev, Dnepropetrovsk, and Zaporozhye, according to Ukrainian press. On Dec. 3, just before entering the Rada to face the about-to-flop no-confidence vote in his government, Azarov met Rogozin to discuss such potential cooperation.

Boyko’s office announced that the Ukrainian side had proposed to Rogozin “a number of areas for joint projects, including in the space exploration industry.” Possibilities in the shipbuilding, aircraft, and machine-tool industries were also explored. Historically, within the Soviet economy Ukraine had among the most advanced capacities in these sectors, which were closely interfaced with those of Russia. In a Dec. 2 meeting at the Makarov Southern Machine-Building Plant (Yuzhmash, a machine-tool and rocket complex that remains state-

owned), Rogozin said, “Yuzhmash is a unique enterprise with tremendous potential. Russia today is on the threshold of major changes, and we are prepared to be extremely flexible on measures for greater cooperation.” Back in Russia, President Vladimir Putin on the same day signed a decree formalizing the announced reorganization of the Russian space program, with the creation of a United Rocket and Space Exploration Corporation.

Academician Sergei Glazyev, Putin’s advisor who

has worked intensively during the past five years to bring Ukraine into the Customs Union and the future Eurasian Union, had promised already on Nov. 10 that Russia was prepared to launch major joint projects with Ukraine, which would revive its economy, if Ukraine refrained from the EU free-trade deal. Glazyev has been viciously attacked by EU officials and British media, in particular, for warning that the EU Association Agreement would be “economic suicide” for Ukraine.

Reconceptualizing the CSTO

Victor Ivanov, head of Russia’s Federal Drug Control Service (FDCS), suggested an even more far-reaching Eurasian perspective, addressing a Nov. 29 meeting of the Collective Security Treaty Organization (CSTO) Coordinating Council of the Heads of Competent Bodies on Countering Illegal Drug Trafficking, held in Minsk, Belarus. His presentation included preliminary outlines of several important Eurasia policy initiatives by Russia, which Ivanov explicitly contrasted to the farce taking place simultaneously in nearby Vilnius.

The current members of the CSTO include Armenia and Belarus, which are among the countries targeted by the EU Eastern Partnership. Its other members, Kazakhstan, Kyrgyzstan, Tajikistan, and Russia, are all active participants in the Customs Union/Eurasian Union project initiated by Putin. Since 2007, CSTO leaders have invited Iran to join the group.

Ivanov said that the time has come for “reconceptualizing the role of the CSTO as the main, or essentially the sole guarantor of anti-drug security in Eurasia.” In biting terms, he contrasted the behavior of the EU and NATO, to the anti-drug efforts mounted by the CSTO. “The scheduling coincidence between our CSTO meeting today in Minsk and the EU Eastern Partnership summit taking place just 200 km away in Vilnius, to discuss further EU expansion to the East, is highly symbolic. Unfortunately, in its reckless eastward movement the EU pays no attention to a matter of greater significance for people, namely fighting drugs.”

Afghanistan illustrates the case, Ivanov said, adding that, whatever happens with the schedule of foreign troop withdrawal from that country, an “enormous drug production infrastructure has been built up, while the economy collapses and unemployment surges,” and

without serious international efforts under the UN, massive narcotics production will continue there for decades or even a century. The security of all Eurasia has been undermined by Afghan dope, while any hopes that NATO would try to do something about it have been dashed. Yet, he added, the populations being destroyed by drug addiction include not only those of Russia and the CSTO, but also the youth in EU and NATO member countries.

Noting the EU’s rejection in 2010 of the Rainbow-2 plan proposed by Russia for wiping out Afghan drug production, a plan that included a strong economic development component, Ivanov called for the CSTO to resubmit Rainbow-2 to the NATO countries. The emphasis, he said, should be on Afghan drug production as a threat to international peace and security, and on the importance of “alternative development” for the economy in Afghanistan (**Figure 1**). Ivanov underscored that Moscow wants to make the “planetary drug threat” a top issue during its G-8 chairmanship in 2014.

The EU, Failing and Frantic

During a Dec. 2 telephone briefing conducted by Washington’s Woodrow Wilson Center on “Ukraine and Europe: A Turning Point?”, host Matt Rojansky termed the Vilnius Summit “the high-water mark of the EU.” The allusion was to the “high-water mark of the Confederacy” in the 1863 Battle of Gettysburg, where the Union lines held against Pickett’s Charge during Lee’s second and last invasion of the North. Participants in the briefing, like analysts and pundits in many British and European press outlets, had to admit that Ukraine’s rejection of EU-colony status typifies an existential crisis for the British Empire’s collapsing European Union.

Many EU officials, and the covert-operations specialists that the EU finances through a myriad of non-governmental organizations (NGOs), are not willing to go quietly. On the heels of the Vilnius summit, successors of the George Soros-aided 2004 Orange Revolution in Ukraine turned out into Kiev’s Independence Square (Maidan Nezalezhnosti) and the central street, Kreshchatyk, protesting Yanukovich’s decision and demanding his impeachment and the ouster of the government.

After a night of provoked violence on Nov. 30, with masked radicals throwing Molotov cocktails at police

who responded with tear-gas and bludgeons, a crowd estimated in the hundreds of thousands materialized in central Kiev on Sunday, Dec. 1. The Euromaidan, as it is now called, demanded association with the EU and the overthrow of Yanukovich. Demonstrators seized the Kiev Mayorality building, which opposition leader Arseni Yatsenyuk of the Batkivshchyna Party declared would henceforth serve as “revolutionary headquarters.”

In an outrageous violation of diplomatic protocol, ambassadors of several EU member countries, including Lithuania, Poland, and the Netherlands, were seen marching alongside the Ukrainian demonstrators. Former Polish President Leszek Kwasniewski joined the Kiev demo on Dec. 1, declaring that “here we see enormous support for the idea of Eurointegration, such as would be impossible to organize anywhere in Europe!” Kwasniewski told the Ukrainian *Zerkalo Nedeli* (ZN) paper, “We cannot leave Ukrainian society alone in this situation; we must help the students and the NGOs.”

Indeed, an estimated 2200 EU- and U.S.-funded NGOs are operating in Ukraine, and have likely been channels of support for the rapid organization of these protests. In December 2004, Western-funded NGOs were instrumental in the Orange Revolution, which overturned the first election of Yanukovich as President.

U.S. Ambassador Geoffrey Pyatt, a career diplomat assigned to Kiev by the Obama Administration only last July, has also been mouthing off publicly about the importance of getting Ukraine into the EU. ZN reported Nov. 20 that at a press conference in Dnepropetrovsk, Pyatt said that “if the Ukrainian government proceeds toward signing this agreement [with the EU], I am certain that the U.S. will extend very strong support.” On Nov. 29, a week after the Ukrainian government’s sudden halt to the EU negotiations, and on the eve of the Vilnius EU-Eastern Partnership summit, Pyatt gave an interview to ZN. “I am 100 percent certain that the Association Agreement with the EU will ultimately be signed, because it corresponds to the best economic interests of Ukraine and reflects the aspirations of the majority of the Ukrainian population,” Pyatt lied. “This is one of those things, which most struck me in what I have seen in the Euromaidan. This was not just some political demo, but an outburst of popular feelings about Ukraine’s future direction.

The United States Government fully supports this process.”

The irony of the hated Troika (the European Commission, the European Central Bank, and the International Monetary Fund) denouncing for “police brutality” a government that refused to accept Troika conditionalities was not lost on people in other European victim-countries. Spain’s *El Espia Digital*, an intelligence/military-linked website, reported that “the EU, which repressed the 15M [anti-austerity protest movement of 2012] in Spain and ordered the Greek people crushed, now cheers the Kiev rebels.”

While Spanish web media are overloaded with the Troika’s anti-Ukraine propaganda, many of the comments that people write under those articles are running along the lines of “Who would want to join the 30 million unemployed in the European Union?” and “To enter the EU now would be suicide!” *El Espia Digital* published an analysis by Voice of Russia writer Valentin Mandrascu, titled “Ukraine Resists Climbing On Board the European Titanic.” Mandrascu pointed out that throughout the newer EU member countries in Eastern Europe, cheap EU consumer credits that cushioned “the negative effects of deindustrialization and the collapse of the real sector of the economy” have now ended, so the people of Eastern Europe face the bitter reality that “industry and infrastructure are ruined, while the service sector which stimulated the demand for credits can no longer ensure growth.”

Ongoing Destabilization Threat

As of Dec. 3, even after the failure of the opposition’s no-confidence motion in the Supreme Rada, the political situation in Ukraine remains tense. After failure of the no-confidence vote, Yatsenyuk called on demonstrators to march to the Presidential Administration building and demand that Yanukovich fire the government anyway. Klitschko vowed to “peacefully blockade the Government headquarters and prevent them from working.” The complexities of Ukrainian politics and economic-financial power arrangements, involving several business clans interfaced with European financial interests, allow many opportunities for further destabilization of the country. On Dec. 2, Prime Minister Azarov told ambassadors of Western countries that the ongoing demonstrations were part of an attempted “coup.”

European officials are loudly condemning the actions of Ukrainian riot police on the weekend of Nov. 30-Dec. 1. Organization for Security and Cooperation in Europe (OSCE) Representative on Freedom of the Media Dunja Mijatovic sent a letter to Ukrainian Foreign Minister Leonid Kozhara, current chair of the OSCE, deploring “beatings reportedly conducted by the law enforcement officers, who attacked journalists and disregarded their press identification.” A ministerial OSCE meeting in Kiev the week of Dec. 2 may become a venue for EU figures to publicly insult Yanukovich and the Ukrainian government.

Demands for a transparent investigation of the Kiev street clashes also figured in a phone call between Yanukovich and European Commission President José Manuel Barroso on Dec. 2. According to a European Commission statement reported by Interfax-Ukraine, Yanukovich asked Barroso to receive a delegation from Ukraine “to discuss certain aspects of the Association Agreement, including the Deep and Comprehensive Free Trade Agreement,” i.e., the deal Yanukovich has refused to sign. Barroso replied that the European Commission would receive such a delegation, but only to “discuss aspects of implementation related to the agreements already initialed, not to re-open any kind of negotiations.” Barroso demanded a speedy investigation of the use of force by law enforcement agencies and told Yanukovich that the Ukraine government should be conducting a dialogue with “all political forces” in the country. The statement said that Yanukovich agreed with what Barroso said and “clearly confirmed his intention to investigate the use of force by the Ukrainian police and to make the results of the investigation public.”

At the Vilnius summit, according to diplomats cited by various news agencies, Yanukovich had proposed to European Council president Herman Van Rompuy and EC head Barroso to begin triangular EU-Russia-Ukraine trade talks. So far, the EU has refused this initiative, but as of Dec. 3, Kiev has announced that it is sending new, separate delegations to Brussels and to Moscow to discuss trade and energy-pricing issues that affect all three parties.

The *Financial Times* of London reported Dec. 2 that Ukrainian government bonds are being slammed on the market, with the yield on its “junk-rated sovereign dollar bonds” hitting a high for the recent period

of 19.34%. The City of London and other markets’ snub to Ukraine, however, may backfire on some of Europe’s own core oligarchical banking institutions. The Italian-Austrian-German conglomerate UniCredit, whose strategy over the past decade has included seeking superior profit margins through operations in Eastern Europe, could be devastated by Ukraine-related losses, even triggering demands for emergency “bail-in”—the money-grabbing policy promoted by the Bank for International Settlements (BIS) and its Financial Stability Board, but not yet fully in place in Europe.

Putin: Realize What the EU Deal Would Do!

Official EU attacks blaming Russia for Ukraine’s action prompted a number of sharply worded rebukes from the Russian Foreign Ministry and President Putin. On Nov. 25, Van Rompuy and Barroso condemned Russia for allegedly pressuring Ukraine against signing on with the EU. They stated, “We strongly disapprove of the Russian position and actions.” Van Rompuy and Barroso explicitly praised the Kiev street demonstrations, saying that they showed an “embrace [of] the historic nature of the European association.” They claimed that the proposed DCFTA offered Ukraine hope for “building a prosperous and stable future for all Ukrainians.”

The Russian Foreign Ministry stated “bewilderment and disappointment” at Van Rompuy’s and Barroso’s words, protesting “the desire to blame Russia for the problems that have arisen in Ukrainian society under the EU’s policy of undisguised pressure on Ukraine and several other countries in the Eastern Partnership initiative.” The Russian Foreign Ministry said that the terms of various trade agreements with the EU have already hit Ukraine “and other of our neighbors with many years of economic disorder, deindustrialization, and bankruptcies in agriculture, resulting in rising unemployment and lowering of the standard of living.”

Putin, speaking Nov. 26 in Trieste, Italy after Italian-Russian government talks, called for “depoliticization” of the situation around Ukraine and acceptance of the Ukrainian proposal for triangular EU-Russia-Ukraine talks. He warned that the EU—with 40% youth unemployment in some of its member countries, as he pointed out—should get off its high horse regarding the need for absolute free trade.

Putin also detailed the potential adverse effects on the Russian economy of the Ukraine-EU Association Agreement. Though Russia itself has been negotiating with the EU on a new “basic agreement” for the better part of a decade, he pointed out that not all EU-Russia issues have been settled, and warned, “We are not yet prepared to simply open the gates of our economy to European goods.” If Russia left its bilateral free-trade arrangements with Ukraine in place while Ukraine went ahead with the DCFTA, he said, then European products could flood Russia through Ukraine. “Therefore,” Putin went on, “I would ask our friends in Brussels and my personal good friends in the European Commission to refrain from radical statements. Are we supposed to strangle entire sectors of our economy to please them? Some European countries have 25 percent unemployment, with up to 40 percent youth unemployment. . . . We do not want any surge in unemployment or the shutdown of entire sectors of the Russian economy.”

At a Dec. 2 press conference after talks with Armenian President Serzh Sargsyan in Yerevan, Putin again urged people to study the Association Agreement that

Ukraine so far has refused to sign, in order to understand what is at stake. “Nobody bothers to actually delve into those draft agreements,” he said. “It is said that the Ukrainian people are being deprived of their dream [of “joining Europe”], but if you look at the content of those agreements, then [it’s clear that] many people would simply not live to see their dream—and dreams, in principle, are good; but they wouldn’t make it, because the conditionalities are very tough.”

Putin also gave his view that the street clashes in Kiev appeared to have been pre-planned, probably for the 2015 Ukrainian Presidential elections, but had been deployed ahead-of-schedule because of Ukraine’s break with the EU process. “Everything now happening indicates that this is no revolution, but a carefully prepared action,” he said. “I don’t believe they were being prepared for now, but for the 2015 Presidential election campaign. . . . We can see on TV how these well-trained ‘bands of militants’ are functioning. The opposition either doesn’t have control over what’s going on, or they are just a political screen for extremist acts.”

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