



Ukraine on the Verge...But of What?

Anders Åslund explains that a new government in Kiev should adopt an amnesty law and take other steps to win the confidence of the West, opening the possibility of a new aid channel.

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Steve Weisman: The turbulent situation in Ukraine is changing every day but it does appear now that the government is about to collapse and a new leadership is about to be chosen. Anders Aslund of the Peterson Institute for International Economics is here with me, Steve Weisman, to bring us up to date. Anders, how much time does President Yanukovich have?

Anders Aslund: I think that he has very little time left. And what we will see this week will be decisive. On Tuesday [Feb. 4], the parliament will meet and a new speaker should be voted into place. The old speaker should be ousted and replaced with somebody from the democratic forces and the reason why this is possible is that the 78 deputies from President Yanukovich's Regions Party have now defected over to the opposition. And that is two of the big oligarchs, Rinat Akhmetov and Dmytro Firtash, that have parted ways with President Yanukovich. So now, he seems only to have 126 out of 450 deputies in the parliament and that is not tenable.

Steve Weisman: That's enough to change the composition of the government, but is it enough to push Yanukovich out?

Anders Aslund: In order to push him out formally, you would need to have three quarters of the parliament actually opting for impeachment. And right now, he has 126 of his own. That number could quickly disappear when they see that he's at the losing end. He also had 32 loyal communists so far voting for him. He now has one-third behind him. If he falls below one quarter, then he could be impeached and ousted in that fashion.

Steve Weisman: Might he resign before that happened?

Anders Aslund: If he had any sense, he would of course understand that the chips are down and he would try to negotiate his way out and salvage himself from prison and also salvage as much as he can of his property.

Steve Weisman: What should the opposition do other than replacing the cabinet and the government?

Anders Aslund: The immediate decision would be to adopt the law on amnesty, so that all the people who have been arrested can be let free. The second step would be to adopt a new constitution -- that is, to reverse the 2004 constitution that President Yanukovich illegally had abolished.

Steve Weisman: Meanwhile, Ukraine was planning to be kept afloat by Russian loans, which are now effectively suspended with Moscow waiting to see how this is resolved. Ukraine may need to turn to the IMF [International Monetary Fund] and the European Union. What are the prospects for that?

Anders Aslund: The International Monetary Fund can always provide money within a month [if] the country has undertaken sufficient reforms. The IMF knows Ukraine very well. They have set out for years what Ukraine should do. I think that a new government would do pretty much what is needed and then the IMF could provide most of the funding needed on its own, and the European Union can easily provide substantial co-financing off an IMF loan. So what is being discussed here is \$15 billion, which happened to be the IMF loan that was granted in 2010 and indeed, which is the amount that the Russians have promised also. So, the amount of the money is not very difficult. What's important is to get a good economic policy in place.

Steve Weisman: Do you think things are headed in the right direction?

Anders Aslund: It looks right now as if they are headed in the right direction, but it has to be done fast and in a coordinated manner because there are a great number of problems that can arise. Most of all, the very clear Russian threat. Russia has already imposed some trade sanctions on Ukraine. They can easily close the Russian market completely to Ukrainian products as they have done previously towards Moldova and Georgia in 2006, and they can cut off the gas again as they did in January 2006 and January 2009. And we're seeing reports of various kinds of Russian covert military interference in Ukraine.

Steve Weisman: The abduction and violence perpetrated against some of the protest leaders, is that what you're referring to?

Anders Aslund: They claim that they have been tortured by people whom they haven't seen ...

Steve Weisman: Mysterious people.

Anders Aslund: Speaking Russian, with Russian accents.

Steve Weisman: What do you suppose is going through Moscow's mind right now? The Olympics are about to start. Isn't it possible that Russia doesn't want to crack down with these sanctions and other steps until after the Olympics are over?

Anders Aslund: I think that the critical thing is that they don't want to have it done before the opening of the Olympics, which is on the 7th of February. That's when all the politicians are there. After the 7th of February it's probably not so important. So therefore, it's vital that Ukraine gets its act together this very week.

Steve Weisman: And the chances of that?

Anders Aslund: I think that we are reasonably good because it's a so obvious fact that President Yanukovich is at the losing end now.

Steve Weisman: Is it possible for this to be resolved with Yanukovich getting some kind of guarantee of amnesty?

Anders Aslund: Sure. He could get some kind of amnesty and he could even get some property kept. But it does not seem as if he's intent on doing anything. On the contrary, the reports we see are that his circle is still thinking of how he can win the election in March of 2015. So, he seems to be seriously detached from reality.

Steve Weisman: Thank you very much, Anders.

