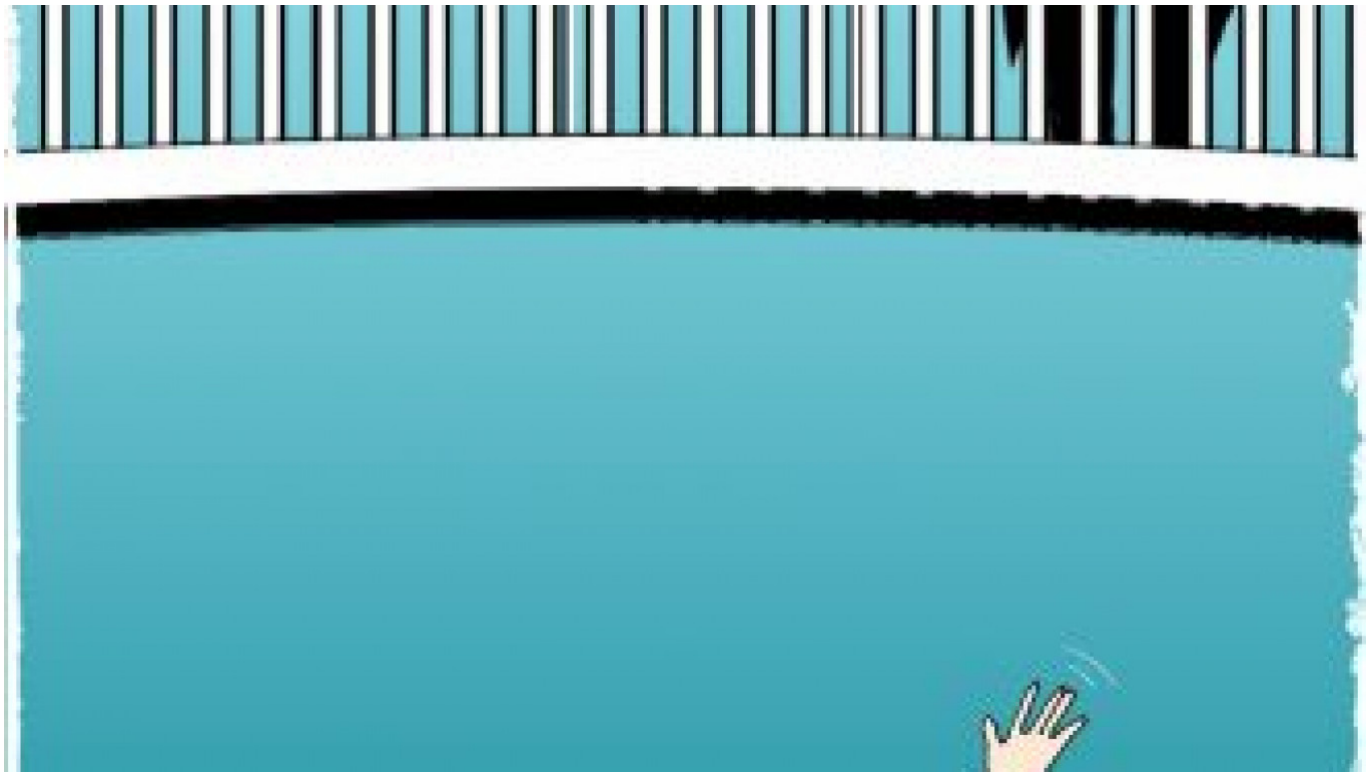
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Europe Content to Watch Ukraine Sink

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Unfortunately, if we can learn anything from history, it is that nobody ever learns anything from history.

Fully 22 years ago, the previous generation of Western politicians refused to implement or even discuss a Marshall Plan for a post-Communist Russia. The collapse of the Soviet Union forced this country to face the unprecedented problems of simultaneously shifting from a totalitarian to a democratic state, and from a planned to a market economy. Of course, almost every country in Eastern Europe faced the same tasks at that time. However, not one of them had suffered such enduring repression or so great a distortion of the concepts of good and evil.

Now, without some form of Marshall Plan the new Russia had no chance to quickly and successfully implement reforms. The sharp drop in oil prices and production in the first half of the 1990s undermined Russia's balance of payments, and the 50 percent decline in the economy undermined the budget. An influx of foreign financial support at that point could have prevented the subsequent five-year period of hyperinflation and accelerated Russia's economic recovery.

But looking back, I realize that despite the severity of those financial problems, any Marshall Plan for Russia would have done better by offering more assistance in establishing effective public institutions. Russia has learned to make money, but to this point has not been able to accomplish this more difficult task. Without that framework providing the foundation for a stable state, Russia has come to resemble a rusted and corroding Titanic. Neither the experienced captain keeping strict control over his crew nor the champagne glasses and pricey frills in the first-class cabins could save that doomed ship from its fate.

The refusal by the European Union and the West to seriously discuss Ukraine's problems indicate that this generation of Western politicians is prepared to repeat the mistakes of its predecessors. I do not hold a very high opinion of this Ukrainian administration's moral or business standards. Ukrainian President Viktor Yanukovych's team was quick to replicate a Russian-style power vertical and crony capitalism. At the same time, both Yanukovych and the majority of the country's politicians are well aware that Ukraine can only achieve sustainable growth if it gains entry into the European family of states. Nobody holds any illusions. It may take another generation before that integration happens, but as the Chinese proverb says, "A journey of a thousand miles begins with a single step."

Yanukovych was ready to take that first step. But unlike EU politicians, he knew perfectly well what short-term consequences he would face. He knew that President Vladimir Putin would view the establishment of formal ties between Ukraine and Europe as a major geopolitical defeat, one that would forever destroy his dream of creating Soviet Union 2.0.

To preserve that possibility and to prevent Ukraine from turning away forever from its Soviet past, Putin spent an entire week in talks with Yanukovych, assuring him of the "bright future" that lay ahead in a quasi-Soviet scenario and threatening his Ukrainian counterpart with the use of "soft power" if he pursues integration with Europe. These were no empty threats. For proof, it is enough to recall the trade wars Moscow unleashed against Latvia, Georgia and Moldova on the pretext that their exports violated Russian sanitary norms, or how Russian customs inspectors at the Ukrainian border practically stopped working this summer when tensions were high. Just look at how aggressively Gazprom representatives speak to Ukrainian authorities and with what determination the company spends tens of billions of dollars building useless gas pipelines that threaten to push the gas giant to the brink of financial collapse within a few years' time in order to continue influencing its neighbors.

Yanukovych understands those threats. When he looks into Putin's calculating eyes, he does not get "a sense of his soul" as former U.S. President George W. Bush claimed to have done. He does not even see the letters "KGB" written there as U.S. Senator John McCain once quipped. Yanukovych sees a man who he knows will dedicate every one of the considerable resources at his command to destabilizing Ukraine in a fury of retribution. At the same time, European leaders do not want to discuss the reality of that threat and are unprepared to offer even a modicum of support in the event that Putin makes good on his promises. Despite having spent hundreds of billions of dollars bailing out states that carried far less significance for Europe's political future, Brussels has not even seen fit to discuss the $7 billion to $8 billion of annual assistance that Ukraine needs to stave off economic catastrophe.

For his part, Putin is prepared to give Ukraine that money, just as he provides a similar amount to the regime of Belarussian President Alexander Lukashenko. This is because Putin

knows how high the stakes are. He understands that losing Ukraine to Europe will not only ruin his plan to revive the Soviet Union, but it will provide Russians with a first-hand example of how quickly a country can improve and prosper if it institutes reforms and creates properly functioning state institutions.

It seems that European politicians have conclusively narrowed the horizons of their own political future and are willing to sit back and watch while institutional corrosion eats away at both Russia and Ukraine. They are prepared to accept growing instability on their eastern borders in the cynical hope that the next generation of politicians will deal with the unpleasant consequences. But as the sinking of the Titanic showed, disasters — whether caused by an iceberg or rust — can happen unexpectedly and their consequences can be far worse than anyone anticipated. But experience also demonstrates that nobody really learns from history.

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