Steve Weisman: The cold war has long been over, but tensions between Russia and Europe remain over economic issues. Ukraine is at the center of these tensions. Here to discuss this situation is Anders Aslund of the Peterson Institute for International Economics with me, Steve Weisman. Anders you’ve just returned from Yalta where there was a Security Conference. Step back and and tell us the pressures on Ukraine.

Anders Aslund: Ukraine really has the choice between two different trade options. One is a deep and comprehensive free trade agreement and a more political association agreement with the European Union. The other is to join the Russian led Customs Union which so far has only attracted Kazakhstan and Belarus.

Steve Weisman: President Putin doesn’t have that much to offer Ukraine, but he’s putting a lot of negative pressure.

Anders Aslund: He has started a number of trade sanctions, specifically taking away import quotas into Russia for two major Ukrainian steam pipe producers, and he has prohibited imports of chocolate from the dominant Ukrainian chocolate manufacturer. These are three of the big business companies in Ukraine being punished, and for a couple of weeks there was a general punishment of essentially all Ukrainian exporters to Russia through red tape at the Customs.

Steve Weisman: So his pressure, his chocolate strategy, does not seem to be working.

Anders Aslund: No, the effect of this has been that President Viktor Yanukovych of Ukraine has decided full-heartedly to sign the European Association agreement, which should be signed at EU Eastern Partnership Summit in Vilnius, the capital of Lithuania, at the time of Thanksgiving.

Steve Weisman: But Europe has qualms about Ukraine joining because of its political record.

Anders Aslund: Yes. Ukraine in the last two-and-a-half years has reversed considerably when it comes to political and civil freedoms. The worst that has happened from the EU point of view, is that President Yanukovych with little legal basis put his competitor, Yulia Tymoshenko, the former Prime Minister, into prison for seven years for alleged abuse of power in connection with a Russian gas deal. And there are a lot of other things that have been done: rigging of elections, taking control over the court and the law enforcement system, and the media.

Steve Weisman: Is Ukraine willing to reverse itself on these crackdown elements in order to have its association with the European Union?

Anders Aslund: Indeed. On the 3rd of September, when opening the parliament this fall, President Yanukovych quite dramatically said that he was going to reverse all of this and did it in such
a convincing fashion that the three opposition parties joined him. Now they are pushing through legislation on virtually all the major points, like a change of the court system, a change of the prosecutor system, the police, changing the electoral law, opening access to the media, and quite a few other things. This is being done at a rapid speed through the Ukrainian Parliament with a massive majority.

Steve Weisman: Will it be enough for Europe?

Anders Aslund: No. At the Yalta European Strategy Conference in Kiev, it was quite clear that there’s one thing that Yanukovych is unwilling to do and that is let Yulia Tymoshenko out of prison. Legally he could simply give her amnesty. That’s perfectly within his power. But President Yanukovych claims that he doesn’t have such legal authority to resolve it. So the big question now is boiling down to one single point: will President Yanukovych let Yulia Tymoshenko free?

In order for it to be effective it really has to be done by the 15th of October. If he does not do that, it is quite possible that the European Union will not be prepared to sign an association agreement with Yanukovych. If he does let Yulia Tymoshenko free, it’s clear that the European Union would sign, so I would think that it should be a non-brainer for President Yanukovych to let her free.

Steve Weisman: It might be a no brainer, but what’s a face-saving way out for him?

Anders Aslund: The face-saving version that is now being prepared by the former Polish [former] President [Aleksander] Kwasniewski of Poland is preparing a face-saving device for President Yanukovych, namely that Yulia Tymoshenko, who’s now in prison and quite ill in Kharkiv, can go to Germany and have a back operation that she badly needs and stay there for rehabilitation and therapy afterward, so that she will be out of Ukrainian politics for some time.

Steve Weisman: President Putin is kind of riding high on the world scene now with “rescuing” Syria from an American air strike and being at the center of negotiations to disarm Syria’s chemical weapons. But this Ukraine situation is an embarrassment for him, is it not?

Anders Aslund: I think it’s a big embarrassment. There are other embarrassments also. The Russian economy is stalling because of corrupt crony and state capitalism in Russia. Russia has gone the way of Moldova as with Ukraine, Russia’s in a trade war with Belarus, and Russia has forced poor Armenia through intimidation to commit to join the Customs Union. This is a really a dead end policy that President Putin is performing.

Steve Weisman: It’s a throwback to the bad old days of spheres of influence and economic warfare. It seems Russia is not going to win that war.

Anders Aslund: Indeed. And something that has received too little attention is President Putin’s extremely conservative speech last week when he spoke about the Soviet period in positive terms, and the 1990s as an awful period. And he said that the big catastrophe before Russia is when the country has collapsed twice in the last century. So Stalin, he did not consider a tragedy, but he did consider the collapse of the Soviet Union a tragedy.

Steve Weisman: Well, he’s showing his colors anyway. Thank you very much Anders.

Anders Aslund: Thank you.