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## POKING THE BEAR: AN APPLICATION OF THE SCENARIO PLANNING METHODOLOGY TO CANADA'S RESPONSE IN UKRAINE

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**JCSP 41**

***Exercise Solo Flight***

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## **POKING THE BEAR: AN APPLICATION OF THE SCENARIO PLANNING METHODOLOGY TO CANADA'S RESPONSE IN UKRAINE**

*Look at where Canada is, and look at where Ukraine and Russia are.  
Neither Canada nor the U.S. have the same amount of interests in Ukraine  
as Russia does.<sup>1</sup>*

- Vladimir Putin

### **Description of the Situation**

Everything old is new again. Ukraine has once again become the centre of conflict due to incursions by Russian military forces in Crimea and in the eastern Donbass region since (Figure 1)<sup>2</sup>. The recent troubles in Ukraine relate to the dissonance between a Ukraine that had embarked on a path of governmental reform to integrate into the EU but backed out at the last moments (in the Fall of 2013) due to significant Russian pressure.



**Figure 1: Extent of pro-Russian incursion in Ukraine**

The resultant protests led to the ousting of the pro-Russian Ukrainian President Yanukovich to be replaced by the leader of the opposition and Western leaning Petro Poroshenko. The protests highlight the tenuous links that hold Ukraine together and the different cultural and nationalist leanings that are held by the east and west populations of the country. Ukraine is a country divided along distinct cultural and nationalistic sentiments, yet there remains a desire for independence away from the interference

<sup>1</sup> Comment made May 24, 2014 in response to Canada's commitment of military to Ukraine crisis.

<sup>2</sup> Source: "Ukraine Crisis in Maps," *BBC News*, February 18, 2015, <http://www.bbc.com/news/world-europe-27308526>

of foreign powers that is combined with fierce willingness towards self-determination. The annexation of Crimea by Russia in March 2014 has been criticized by Western countries as illegal and coercive due to the presence of Russian military personnel in the autonomous region.<sup>3</sup> For the incursion into Crimea, the West has imposed an escalating series of economic sanctions on Russia to force Russia to withdraw from the region. Furthermore, the evidence is overwhelming that Russia has been supporting pro-Russian separatists in the eastern part of Ukraine with military aid as they wage a protracted campaign to become a part of Russia. Canada has joined the West in imposing economic sanctions on Russia; however, the stance and rhetoric has been seen as more hawkish than is typical for Canada. Certainly, supporting Ukraine with 200 military personnel to modernize their troop training as well as committing four CF-18 fighter aircraft for Baltic air patrols is in keeping with NATO interests.<sup>4</sup> However, Canada has come under harsh criticism for supposedly ruining its reputation as an “honest broker for peace” within the international community as demonstrated by the tough rhetoric publicly displayed between Canada’s Prime Minister Harper and Russian President Vladimir Putin.<sup>5</sup> This paper applies a scenario planning methodology to examine how Canada should tailor its response to the crisis in Ukraine in light of the factors that are the prevalent determinants for the region. At the conclusion of the analysis, it will be seen that Canada should continue to support Ukraine in its self-defence capability; however, by failing to engage with Russia and the major Western powers it is missing an opportunity to play a leading role in the peace process that will doubtlessly be necessary, sooner or later.

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<sup>3</sup> Nataliya Vasilyeva, “Crimea has always been part of Russia: Defiant Putin defends annexation of Ukrainian territory,” *National Post*, January 25, 2015, <http://news.nationalpost.com/2014/03/18/crimea-has-always-been-part-of-russia-bellicose-putin-defends-annexation-of-ukrainian-territory/>, accessed May 3, 2015.

<sup>4</sup> Transcription of Media Interview Minister of National Defence, Chief of Defence Staff, 14 April 2015

<sup>5</sup> John Ibbotson, “Harper’s handling of Ukraine the latest outrage for old-school observers,” *Globe and Mail*, March 20, 2014, <http://www.theglobeandmail.com/news/politics/harpers-handling-of-ukraine-the-latest-outrage-for-old-school-observers/article17586559/>, accessed May 3, 2015.

## Scenario Planning Methodology

This paper applies a scenario planning process to ultimately formulate a strategy for Canada to follow in its response to the crisis in Ukraine. Appendix A provides a detailed exploration of how the methodology was applied to the situation in Ukraine. In general, the process generates a series of factors that encapsulate what are seen to be the most relevant and important pertaining to the issue being evaluated. These factors are then ranked using an analytical hierarchy process, simplified in the case of this paper, to determine the extent of their importance and uncertainty relative to each other. The objective is to isolate two factors that are the most important and the most uncertain.<sup>6</sup> The uncertainty element is important because the intent is to explore an issue at the extremes of its possible outcomes. The most uncertain factors provide that coverage. In the case of the crisis in the Ukraine, the two factors evaluated to be the most important and uncertain are:

- 1) Russian military intent in the region; and
- 2) The extent to which the West engages with Russia.

The extremes of the possible outcomes for these two factors combine in four ways to create a set of four different narratives that describe how the crisis could play out. Additionally, there are other important factors that need to be considered that play into the formulation of realistic scenarios, for example, the effectiveness of the economic sanctions placed upon Russia as a lever to promoting negotiation and the wild card that is Russia's orientation towards China and the Shanghai Cooperation Organization (SCO). From these narratives, common concerns can be teased out, or favourable outcomes can be identified that permit conclusions to be formed regarding an acceptable strategy that Canada can follow to meet its national interests.

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<sup>6</sup> Gill Ringland, *Scenario Planning: Managing for the Future* (West Sussex: John Wiley & Sons, 1998), 82.

## Scenario Descriptions

### *Scenario 1 – Poking the bear*

The first scenario is generated by looking at the potential circumstance of Russia digging in to hold onto the Crimean peninsula and solidify the line of demarcation between Ukraine and the pro-Russian separatists in the Donbass region. This is combined with the Western powers increasing their military intervention in Ukraine. The situation is characterized by tension but is largely limited to the Eastern European region. The key activities on the part of Western powers is the buildup of forces in Western Ukraine with military aid arriving in the form of modern equipment and even troops. NATO sees the need for and commits to implementing the rapid response force to counter the Russian threat in the region.<sup>7</sup> Russia, on the other hand, arms the separatists and establishes a permanent, overt presence in Crimea.<sup>8</sup> Russia's purpose is to re-establish a geographic buffer zone between itself and NATO reminiscent of the days of the cold war to counter NATO's (USA's) encirclement strategy.<sup>9</sup> Subversion tactics geared towards securing territory from other former Soviet republics continue, such as in South Ossetia.<sup>10</sup> With these territories in hand Russia can reassert its influence on former members of the Soviet Union, such as Bulgaria and Moldova in Eastern Europe, as well as Central Asia through the threat of expansion, real or perceived.

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<sup>7</sup> Naftali Bendavid, "NATO Completes Plan for 'Spearhead' Force," *Wall Street Journal*, February 5, 2015, <http://www.wsj.com/articles/nato-pledges-support-for-ukraine-no-word-on-weapon-1423139719> , accessed May 3, 2015.

<sup>8</sup> Ben Farmer, "Russia 'pouring gasoline on the fire' of Ukraine by arming rebels, says US," *The Telegraph*, July 25, 2014, <http://www.telegraph.co.uk/news/worldnews/europe/ukraine/10991488/Russia-pouring-gasoline-on-the-fire-of-Ukraine-by-arming-rebels-says-US.html>, accessed May 3, 2015.

<sup>9</sup> Stephen Kinzer, "Putin's push into Ukraine is rational," *Boston Globe*, February 25, 2015, <http://www.bostonglobe.com/opinion/2015/02/25/putin-reaction-ukraine-about-russian-security/uM3Ipc71WPgWbpiIWBJSxI/story.html>, accessed May 3, 2015.

<sup>10</sup> Colin Freeman, "Russia signs integration deal with South Ossetia," *The Telegraph*, March 19, 2015, <http://www.telegraph.co.uk/news/worldnews/europe/georgia/11484030/Russia-signs-integration-deal-with-South-Ossetia.html>, accessed May 3, 2015.

Despite the heightened tension, there is relative stability and peace in the region through Ukrainian ceasefire agreements. This permits Russia to concentrate on addressing the economic sanctions placed against it by the international, mostly Western, community. In this scenario, Russia's recourse to the sanctions is to pivot eastward and establish closer ties to China and Iran as a trade partner. Indeed, this is the course that Russia is following with new multi-billion barrel oil export deals and arms trade agreements.<sup>11</sup> This course of action has the advantage of countering the economic sanctions and serves to weaken the relationship between China and the United States. Additionally, with Western powers otherwise pre-occupied with Russia in Europe and state-sponsored terror in the Middle East, China may be emboldened to leverage its increasing relationship with Russia to adopt a more aggressive posture in the South China Sea.<sup>12</sup>

This scenario highlights several important conclusions. Military buildup alone by the West is not sufficient to counter the Russian presence in Ukraine. Indeed, while the application of economic sanctions can be a useful diplomatic tool and have already hurt Russian interests, they need to be enforced by the entire international community to be effective. The devaluation of the rouble, loss of confidence in the Russian economy and the decrease in oil prices do not have the effect of bringing Russia to the negotiation table. Quite the opposite; Russia is put in a situation where it can find alternatives to Western customers for its energy exports, notably China. Clearly, China's unwillingness to enforce the sanctions weakens the Western position considerably and sets up conditions for deteriorating relationships and future conflict.

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<sup>11</sup> Source: "Russia signs 30-year gas deal with China," *BBC News*, May 21, 2014, <http://www.bbc.com/news/business-27503017>, accessed May 3, 2015.

<sup>12</sup> Russia and China, "An uneasy friendship," *The Economist*, May 7 2015, <http://www.economist.com/news/china/21650566-crisis-ukraine-drawing-russia-closer-china-relationship-far-equal>, accessed May 9, 2015.

## *Scenario 2 – Two minutes to midnight*

The next scenario requires looking at the combination of possibilities where, as before, the Western countries concentrate on the military buildup in Ukraine as a means to counter Russian aggression in the region. In this eventuality, however, Russia adopts a significantly more aggressive military posture in Ukraine and other areas. This scenario is characterized by aggression on both sides of the conflict. Russia senses a reticence on the part of Western nations to become embroiled in a full-scale conflict and steps up its military presence in former Soviet republics.<sup>13</sup> In a fashion similar to its annexation of Crimea, Russia uses subversive tactics to stir up anti-West and pro-Russian separatist sentiments in these countries, repeatedly calling for referenda on regional independence or autonomy. For those countries that are NATO Partners for Peace that have significant pro-Russian populations, Russia's actions place pressure that requires increased response by the West. In response to Russia's aggression, the West recognizes the need to re-establish a more consistent military presence in Europe through NATO by forming a permanent rapid response force.<sup>14</sup> It can be expected that the rhetoric will ratchet up the need for corresponding military response. The training missions in Ukraine would escalate to become permanent troop placements to safeguard the defence of against Russian aggression. Baltic nations would continue to seek reassurances from its NATO partners on the Article 5 collective defence obligations.<sup>15</sup> It is not unlikely that Cold War posturing would resume, though it would be localized to the Eastern European region.

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<sup>13</sup> Timothy Heritage, "Putin calls West's bluff over Ukraine peace deal," *Reuters*, February 18, 2015, <http://www.reuters.com/article/2015/02/18/us-ukraine-crisis-putin-idUSKBN0LM1TN20150218>, accessed 3 May 2015.

<sup>14</sup> Bendavid, "'Spearhead' Force."

<sup>15</sup> Associated Press, "Barack Obama seeks to reassure Baltics over Russia," *The Guardian*, September 3, 2014, <http://www.theguardian.com/world/2014/sep/03/obama-seeks-reassure-baltics-russia-nato>, accessed May 3, 2015.



The escalation of hostilities, while not necessarily open conflicts, would prompt China, who was originally supportive of Russia and criticized Western interference in the self-determination of the pro-Russian autonomous sub-state of Crimea to seek independence, to adopt a more neutral stance on Russian activities. China has long been an advocate of respecting non-intervention in sovereign states, and could become more critical of its economic partner.<sup>16</sup> Despite the criticism, China would continue to be the outlet for which Russia could circumvent international economic sanctions by securing oil import deals and trade for advanced weapons technology for the buildup of its own forces.<sup>17</sup> This outlet would give China leverage over Russia and the relationship would weaken China relations with the West but strengthen China's global power overall.<sup>18</sup> As with the first scenario, China would appreciate that, as with the Cold War, Western attention away from Southeast Asia could permit it to flex its muscles in the region with relative impunity.<sup>19</sup> Increased Russian belligerence is evidence that the sanctions placed upon it are not effective, especially as it does not have consistent backing from the international community, notably China. As a result, with only a military threat to contend with, Russia does not have much incentive to go to the negotiation table and the world is left in a stalemate.

### *Scenario 3 – An exposed underbelly*

In the previous scenario, the West reacts to Russia's aggression with increased escalation of hostilities. This scenario differs from the previous one because, in this case, Russia responds to the West's offers to negotiate with increased aggression. The West remains optimistic about the

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<sup>16</sup> Russia and China, "An uneasy friendship."

<sup>17</sup> Eric Yep, "Russia to Pump Up Oil Exports to Asia," *Wall Street Journal*, December 4, 2014, <http://www.wsj.com/articles/russia-to-pump-up-oil-exports-to-asia-1417676709> , accessed May 3, 2015.

<sup>18</sup> Russia and China, "An uneasy friendship."

<sup>19</sup> Nguyen Phuong Linh and Martina, Michael, "South China Sea tensions rise as Vietnam says China rammed ships," *Reuters*, May 7, 2014, <http://www.reuters.com/article/2014/05/07/us-china-seas-fishermen-idUSBREA4603C20140507> , accessed May 3, 2015.

impact of sanctions that continue to devalue Russian currency combined with oil prices that remain below \$80-per-barrel. True, while the sanctions are having a crushing effect on its economy, Russia's increasingly desperate situation puts it into a corner out of which it must fight.<sup>20</sup> The Western desire for negotiation is fueled by the fatigue of having fought domestically unpopular wars in the Middle East, continuing challenges recovering from the economic crisis, and a lack of appetite on the part of Western nations to increase force sizes.<sup>21</sup> NATO partners are unable to find agreement on the structure, size, and relative contributions to establish a permanently stationed force in Eastern Europe. Russia on the other hand is ever more successful in modernizing its aging military forces, having recently unveiled new submarine and battle tank acquisitions that close the capability gaps between itself and NATO.<sup>22</sup> Recognizing the lack of political will on the part of NATO members to counter further aggression, Putin is further emboldened to push for territorial gains in other former Soviet republics. As with the previous scenario, economic cooperation between China and Russia continues despite open Chinese criticism of Russia's violation of the sovereignty of nations. Notwithstanding, China welcomes the distraction as it continues the pursuit of its own aggressive strategy in the South China Sea.<sup>23</sup> This scenario highlights the importance of the balance of soft power with hard. The economic sanctions can only influence Russia so far and are already having the adverse effect of driving them closer to cooperation with China. In the case of Ukraine, economic sanctions on Russia have to be balanced by the will of nations to respond militarily to safeguard against further aggression.

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<sup>20</sup> Mark Mackinnon, "Russia parades for Victory Day while West watches from afar," *Globe and Mail*, May 8 2015, <http://www.theglobeandmail.com/news/world/russia-parades-for-victory-day-while-west-watches-from-afar/article24345622/>, accessed May 9, 2015.

<sup>21</sup> Ian Traynor, "Nato shows signs of battle fatigue in confrontation with ruthless Putin," *The Guardian*, February 5, 2015, <http://www.theguardian.com/world/2015/feb/05/nato-russia-vladimir-putin-confrontation-ukraine>, accessed May 3, 2015.

<sup>22</sup> Mackinnon, "Russia parades, West watches."

<sup>23</sup> Phuong Linh, "South China Sea tensions."

#### *Scenario 4 – Hard reset*

In this final instance, Russia is unmoving in its hold on Ukrainian territories, including the Crimean Peninsula but does not express an interest in expanding further, having achieved its aim in securing a geographic security zone between itself and NATO. The West, conversely, recognizes that open and escalated conflict with Putin's Russia will not provide benefit to either party. This scenario is characterized by compromise on the part of both sides. From the outset, the West adopts renewed confidence in the effectiveness of sanctions as they appear to be crippling Russia's economy to the point of collapse.<sup>24</sup> Russia is facing complete collapse of its currency, loss of investor confidence and, with decreasing oil prices, a lack of capital inflows.<sup>25</sup> Indeed, Putin is facing pressure from his power base, Russian oligarchy and oil barons, in this instance; however, the closer cooperation between China and Russia (and Iran) is viewed by the West to be of greater overall threat to their interests and global stability than Russia's incursion into Ukraine.<sup>26</sup> Furthermore, Russia's possible escalation of forces in the region to include nuclear-capable platforms and munitions has the potential to be destabilizing to Europe and presents a greater threat to EU security. In this scenario, as part of negotiations with the West, Russia would have the leverage to force a reset of the terms established during the 1990s regarding the expansion of NATO and impose a withdrawal of weapons and troops from the West's encirclement strategy. Russia's incursion into Ukraine has simply been a response to defend its borders.<sup>27</sup> The result of negotiations would see neutral third-party facilitation of elections in disputed regions of Ukraine (Donetsk People's Republic and Luhansk People's

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<sup>24</sup> Fyodor Lyukanov, "Putin Wants Peaceful Coexistence With the West," *Global Affairs*, April 20, 2015, <http://eng.globalaffairs.ru/redcol/Putin-Wants-Peaceful-Coexistence-With-the-West-17421>, accessed May 3, 2015.

<sup>25</sup> Elvis Picardo, "How US and European Sanctions Impact Russia," *Investopedia*, December 2014, <http://www.investopedia.com/articles/investing/011515/how-us-european-union-sanctions-impact-russia.asp>, accessed May 3, 2015.

<sup>26</sup> James D.J. Brown, "Ukraine and the Russia-china Axis," *The Diplomat*, April 2, 2015, <http://thediplomat.com/2015/04/ukraine-and-the-russia-china-axis/>, accessed May 3, 2015.

<sup>27</sup> Kinzer, "Putin's push into Ukraine is rational."

Republic). Western Ukraine would carry on with the process of integrating into the EU through its democratic reform. Despite its focus on compromise, this scenario may be seen as the only one in which all concerned parties are able to salvage a course of action that satisfies their interests; however, it requires a virtual hard reset of Western-Russian relations to that which immediately followed the Cold War, albeit with Russia being in a position of greater strength. Indeed, it must be recognized that the eventual outcome of any of the other scenarios is this one, the exception is that this scenario occurs before all parties, except for China, become fatigued, militarily and economically, by conflict. Furthermore, this scenario provides the opportunity to weaken the relationship between China and Russia in favour of Western interests.

## **Conclusions**

By applying the scenario planning methodology, two of the most important, and highly uncertain, factors were identified that formed the basis for the creation of four scenario narratives. These narratives, while hypothetical are based on the realistic likelihood of events occurring as described given the set conditions. Importantly, the narratives permit the identification of common themes as well as courses of action that could lead to preferred outcomes or warn against non-preferred ones. Critical conclusions arise out of the conduct of the analysis that can be used to inform Canada's response to the crisis in Ukraine. First, that economic sanctions against Russia are not uniformly applied by the international community, it permits Russia to circumvent the sanctions through a pivot to the east. Closer Russian cooperation with China economically and, as their security interests begin to align, militarily is not in the interests of Western nations. Through calculated diplomacy, however, there remains the opportunity to return relations between the West, Russia and China to their pre-Ukraine status. Next, economic sanctions alone are unlikely to persuade Russia to acquiesce to the

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interests of the West, especially in light of the burgeoning relationship with China. As a result, Western cooperation on European security is critical to establishing a credible unified front in the face of further potential Russian aggression. Lastly, the more time passes without a resolution to the conflict materializing the firmer hold that Russia keeps and consolidates on the Donbass region in Ukraine. Furthermore, continued conflict, may spread into areas of national interest to Canada that are not directly affected by Ukraine, such as the ability to influence the Arctic Council.

### **Recommendation for Canada's policy**

Canada has chosen to adopt a hawkish stance on the Ukrainian crisis by deploying fighter aircraft to patrol the Baltic airspace and committing troops and equipment for the purpose of upgrading Ukraine's military to become a modern fighting force. Additionally, Prime Minister Harper has gone out of his way to present an antagonistic stance, personally, to Prime Minister Putin over Ukraine. Drawing from the conclusions formed through the scenario planning process, there is limited benefit to pushing Russia away from the negotiating table by taking an increasingly confrontational stance because the economic sanctions alone can be, and are being, circumvented. Canada has a reputation on the international stage that lends it credibility as a facilitator of relationships for the purpose of brokering peace. By focusing only on a military stance as it pertains to Ukraine and failing to engage Russia, Canada is missing the other side of the equation. Canada has an ability to leverage its reputation as a power broker, as well as having limited interest in Ukraine, to bring both sides to the negotiation table. Canada should not, by any means, withdraw support from Ukraine and should continue to honour its NATO commitments as a leader in the organization; however, it should seek to open discussions between Russia and the West as an independent party. Western cooperation is necessary to

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secure a unified stand against threats to European sovereignty and Canada can be a leader to be the architect of a collective security apparatus that brings sows the seeds of cooperation among NATO members. It is not in the national interest to see closer security ties between Russia and China as it threatens to draw Americans into a deeper conflict in the Pacific. Canada should continue to focus on its strengths to work with both sides of the negotiation table and seek disarmament and withdrawal of aggression.

## Appendix A – Scenario Planning Methodology

### Key Factors

The scenario planning methodology begins with an outline of key factors that are prevalent in the issue to be examined. Each of the factors needs to have an element of uncertainty and importance to permit exploration of the most impactful factors from as complete a perspective as possible. For the crisis in Ukraine, the following factors are considered:

<b>KEY FACTORS</b>					
A	Collapse (below \$50/bbl)	←	Energy prices	→	Rise above \$80/bbl
B	Withdraws pressure from Russian borders	←	NATO intent	→	Adopts expansionist, aggressive posture
C	Defensive / consolidated	←	Russian military intent	→	Aggressive
D	Eastern-oriented	←	Russian nuclear policy	→	Western-oriented
E	Decreasing	←	Internal support for Putin	→	Increasing
F	Militarily-biased	←	Western engagement with Russia	→	Diplomatically-biased
G	Pro-Russian orientation	←	Ukraine actions	→	Pro-Western orientation
H	Decrease Russia's willingness to negotiate	←	Effectiveness of economic sanctions	→	Increase Russia's willingness to negotiate

## Appendix A – Scenario Planning Methodology

### Description of Uncertainties Evaluated

**What are energy prices expected to do?** Russia remains one of the leading oil exporters in the world. Oil production is flat; however, the lower price of oil restricts exploration for new sources and could become a determinant in ultimately bringing down Russia's economy. Furthermore, a lower price also permits European countries, who have been and continue to be dependent upon Russian oil to seek alternate sources. If prices are to rise above \$80/bbl mark, this could create significant difficulties for EU-member states.<sup>28</sup>

**What posture can NATO be expected to adopt in the region?** Since the end of the cold war and, more recently, the conflict in Afghanistan, NATO-member states, including Canada, have been reducing the sizes of their military forces.<sup>29</sup> EU countries, in particular, have been strongly considering the placement of a combined continental force in response to the Russian intervention in Ukraine, however, this is taking time to gain traction.<sup>30</sup> In general, it is appearing that Western nations are not ramping up mobilization of their forces in the region while still contributing limited aid.

**What is the expected Russian military action in the region?** Russia continues to deny an overt involvement in the Donbass short of humanitarian assistance, some “outdated” military equipment,<sup>31</sup> and the odd exercise conducted on the border that may “find itself lost.”<sup>32</sup> Despite this, Western security and media sources claim incontrovertible evidence of Russian military presence in support of the pro-Russian separatists that make up the bulk of the rebel forces.<sup>33</sup> The key uncertainty lies in whether Russia will increase the overtness of their involvement and the manner in which they do it. Some could speculate that Russia may attempt to seize

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<sup>28</sup> Patti Domm, “How Sanctions are hurting Russia's energy sector” *CNBC*, April 24, 2015, <http://www.cnb.com/id/102615450>, accessed May 3, 2015.

<sup>29</sup> Murray Brewster, “Afghan experience likely colours Canada's response to Ukraine, Islamic State,” *CTV News*, September 8, 2014, <http://www.ctvnews.ca/politics/afghan-experience-likely-colours-canada-s-response-to-ukraine-islamic-state-1.1997469>, accessed May 3, 2015.

<sup>30</sup> Bendavid, “‘Spearhead’ Force.”

<sup>31</sup> Associated Press, “NATO sees increase of Russian tanks and artillery in Ukraine,” *Ukraine Today*, January 22, 2015, <http://uatoday.tv/geopolitics/nato-sees-increase-of-russian-tanks-and-artillery-in-ukraine-404317.html>, accessed May 3, 2015.

<sup>32</sup> Ibid.

<sup>33</sup> Farmer, “Russia 'pouring gasoline on the fire'.”



## Appendix A – Scenario Planning Methodology

additional territory in a militaristic fashion or choose to follow more subtle political overtures in the manner utilized in Crimea.

**What is the expected Russian nuclear policy in the region?** Russia has, since the end of the cold war, continued to pursue a reasoned and collaborative approach to nuclear arms control. Following an increase in diplomatic hostilities since the Ukrainian conflict Moscow announced that it would no longer accept Washington's assistance to secure stockpiles of nuclear material on Russian territory; however, threat reduction cooperation between the two countries continues. Both will reportedly continue efforts to secure industrial radioactive sources that could potentially be used to make a radiological dispersal device (RDD) as well as joint work in other countries that utilize Russian-origin materials.<sup>34</sup>

**How is the prevailing internal support for Russian leadership (President Vladimir Putin) trending?** There are two key elements with respect to internal support for Putin that must be considered. The first is support by the Russian people and the second is support by the oligarchs and oil barons who keep him in power. Because Putin can be considered a populist leader, it can be expected that the support from the population would not wane significantly in the near future.<sup>35</sup> His power base, however, are those who are worst affected by the sanctions imposed by the West and over time, this support may decrease.<sup>36</sup>

**What is the expected Western response to the crisis in Ukraine?** More than a year after the annexation of Crimea by Russia, Western leaders still have not taken significant action in response. Most discussion revolves around the need to support the Ukrainian armed forces to defend themselves; however, debate continues to rage on as to whether a more sophisticated

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<sup>34</sup> “Russia”, *Nuclear Threat Initiative*, <http://www.nti.org/country-profiles/russia/nuclear/>, accessed May 3, 2015.

<sup>35</sup> Vladimir Rhyzkov, “The Absurd World of Russian Public Opinion,” *The Moscow Times*, February 25, 2015, <http://www.themoscowtimes.com/opinion/article/the-absurd-world-of-russian-public-opinion/516531.html>, accessed May 3, 2015.

<sup>36</sup> Paul Roderick Gregory, “Putin Shrugs Off Oligarch Opposition To His 'Holy War' And Policies,” *Forbes Magazine*, February 3, 2015, <http://www.forbes.com/sites/paulroderickgregory/2015/02/03/putin-shrugs-off-oligarch-opposition-to-his-holy-war-and-policies/>, accessed May 3, 2015.

## **Appendix A – Scenario Planning Methodology**

engagement strategy with Russia would be a wiser course to pursue.<sup>37</sup> There is much uncertainty as to how the Western countries will seek to resolve the crisis in the region.

**What is the democratically-elected Ukrainian government expected to do?** Ukraine has largely been a victim of circumstance and has been pulled back and forth between the impositions of Russia and the advocacy of the West. From one perspective, this may mean that Ukraine does not have much influence in their self-determination in the region; however, another perspective would give Ukraine significant sway over the extent to which the conflict drags on militarily and control over the beginning of diplomatic solutions.<sup>38</sup>

### **What is the prolonged and long-term effectiveness of economic sanctions against Russia?**

The sanctions on Russia are considerably more crippling in light of the price of oil having plunged. Some of the effects that have already been seen in Russia include the collapse of the rouble, higher interest rates, recession and inflation, reduced foreign investment and consumer confidence, and a resultant depletion of reserve funds. Combined with the drop in oil prices, Russia is going to have an increasingly challenging time servicing its debt and may default, making some observers remark about the similarities between the Russia of today and that of 1998 which saw the change of political regimes from Yeltsin to Putin.<sup>39</sup> The uncertainty lays in how long Russia can sustain the situation and in which direction will it be pushed: towards a diplomatic solution or away.

### **Other factors considered**

**Diversification of EU energy sources** – it is well known that the countries of the EU source a significant percentage of their oil resources through pipelines originating from Russia. With the sanctions in place, this is placing strain on European nations (especially those below the “olive line” to continue to enforce sanctions against Russia. This is influenced by, and dependent upon,

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<sup>37</sup> Mark Mackinnon, “Munk Debates: Be it resolved the West should engage, not isolate, Russia,” *Globe and Mail*, April 10, 2015, <http://www.theglobeandmail.com/globe-debate/munk-debates/the-west-should-engage-not-isolate-russia/article23864651/>, accessed May 3, 2015.

<sup>38</sup> Associated Press, “West has more influence than Kiev on oligarchs’ armies in Ukraine,” *Reuters*, August 18, 2014, <http://rt.com/news/180972-ukraine-west-influence-army/>

<sup>39</sup> Picardo, “Sanctions Impact Russia.”

## **Appendix A – Scenario Planning Methodology**

the market price and competing sources of energy as well as the foreign exchange rate of the Russian rouble. Europe remains Russia’s largest market for oil exports and this is not expected to change despite the sanctions.<sup>40</sup>

**UN actions** – the role of the UN has primarily been in supporting the enactment and adoption of the “Package of Measures for the Implementation of the Minsk Agreements,” an accord that was overseen by the Organization for Security and Co-operation in Europe (OSCE).<sup>41</sup> Apart from this support, it is not expected that the UN will take any further action that will influence the outcome in one way or another.

**Western willingness to become engaged in region** – protracted wars in the Middle East have led to a fatigue and an unwillingness on the parts of Western governments to become involved in conflicts.<sup>42</sup> That being said, this factor is tied to NATO intentions and all member states are highly expected to follow the direction that the collective security organization takes.

### **Potential Wildcard**

**China’s Response to the Ukrainian Crisis** – There is an increasingly common perception that Western rapprochement against Russia over the annexation of Crimea is unjustified, especially among non-Western powers. This suggests that Western sanctions may have the effect of increasing cooperation between Russia, China, and Iran. Russia is increasing its trade relations with China to a great extent, as a destination for its oil and weapons exports. The security cooperation between the two countries is also of concern, with both SCO members set to complete a joint naval exercise in the Mediterranean this year.<sup>43</sup> Such an orientation would undoubtedly necessitate some measure of response from the West in the Ukrainian region or towards their Eastern interests.

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<sup>40</sup> Domm, “Sanctions are hurting Russia’s energy sector.”

<sup>41</sup> United Nations Website, “Unanimously Adopting Resolution 2202 (2015), Security Council Calls on Parties to Implement Accords Aimed at Peaceful Settlement in Eastern Ukraine,” February 17, 2015, <http://www.un.org/press/en/2015/sc11785.doc.htm> , accessed May 3, 2015.

<sup>42</sup> Heritage, “Putin calls West’s bluff .”

<sup>43</sup> Russia and China, “An uneasy friendship.”

## Appendix A – Scenario Planning Methodology

### Ranking of factors

The next step in the scenario planning process is to rank the factors described above against each other in order to determine which factors are the most uncertain (Table A1).

**Table A1: Relative uncertainty ranking matrix**

	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>
<i>A</i>		A	C	A	A	F	G	H
<i>B</i>			C	B	B	F	G	H
<i>C</i>				C	C	F	C	C
<i>D</i>					E	F	G	H
<i>E</i>						F	G	E
<i>F</i>							F	F
<i>G</i>								H
<i>H</i>								

Similarly, the factors are ranked against each other in terms of importance to determine those which are the most important (Table A2).

**Table A2: Relative importance ranking matrix**

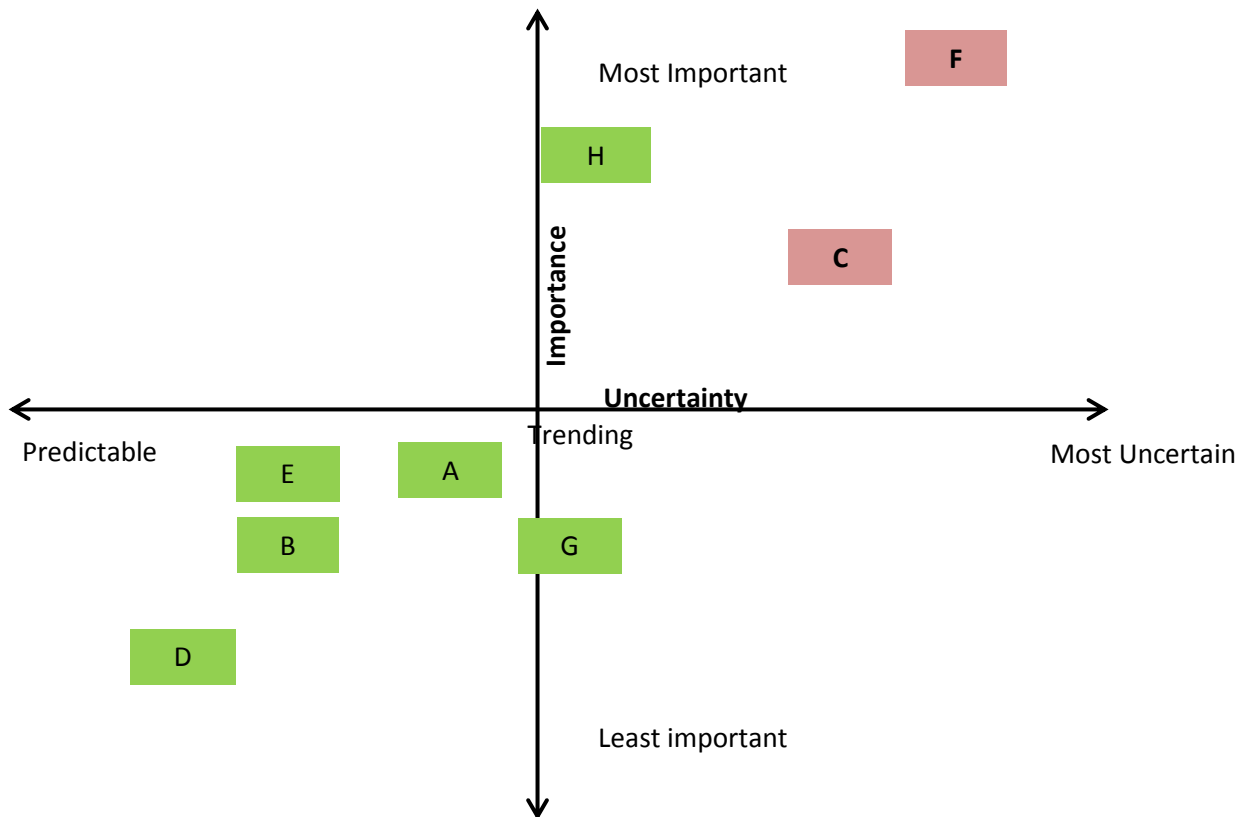
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>
<i>A</i>		B	C	A	A	F	A	H
<i>B</i>			C	B	E	F	G	H
<i>C</i>				C	C	F	C	H
<i>D</i>					E	F	G	H
<i>E</i>						F	E	H
<i>F</i>							F	F
<i>G</i>								H
<i>H</i>								

## Appendix A – Scenario Planning Methodology

### Plotting of factors on 2x2 axis

The factors are next ranked on the 2x2 matrix relative to the rankings they received in the previous section, as shown in Figure A1.

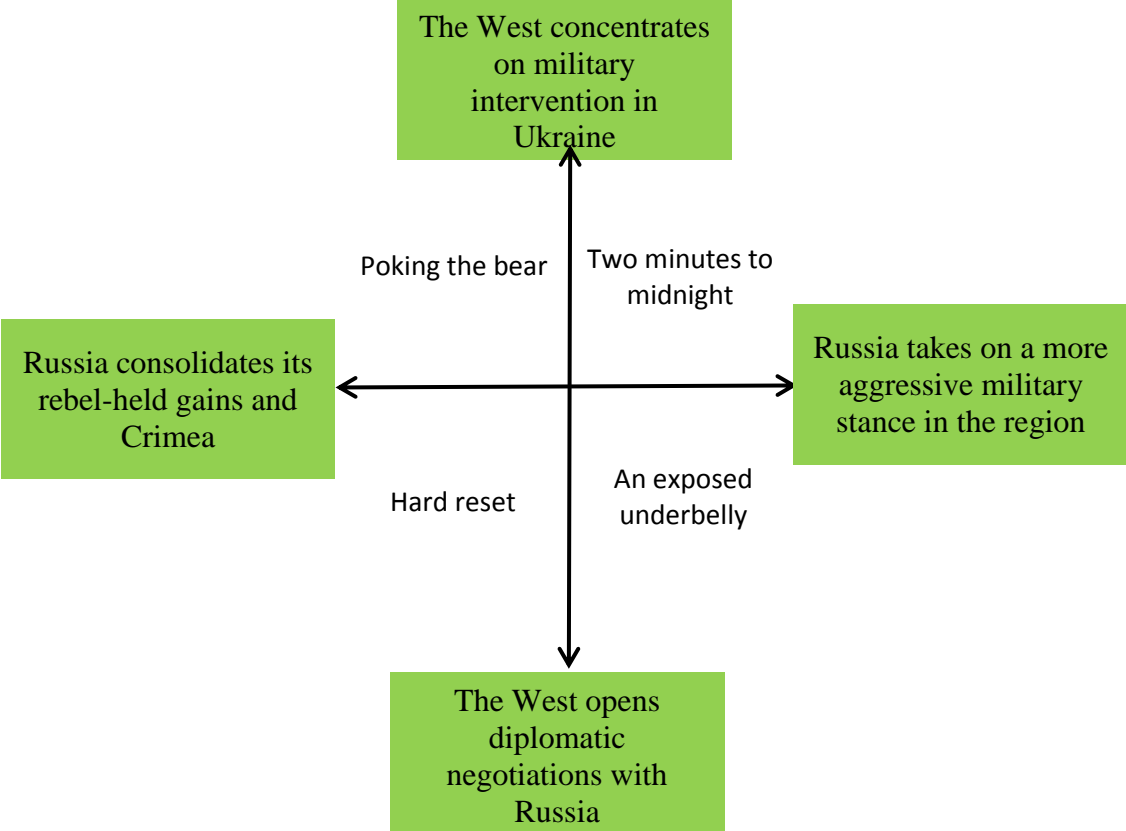
Figure A1: 2x2 Importance vs. Uncertainty Matrix



### Scenario definitions

The two highlighted factors that represent the most important and uncertain outcomes are plotted with their extreme outcomes as shown in Figure A2. The uncertain extremes of each highly important factor, Russia's military intentions in the region (C) and how the West intends to engage with Russia (F), generate another two-by-two matrix that describes four potential scenarios. These scenarios create narratives that further describe future potential outcomes for the region. Of importance is to acknowledge that there is a third factor, that of the effectiveness of economic sanctions (H), that needs to be considered in the formulation of those narratives. Also important is to consider how the 'wildcard factor' plays into each of those narratives.

**Appendix A – Scenario Planning Methodology**



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