

**UKRAINE**

# Critical Choices

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November will be a critical month for Ukraine. The results of the Eastern Partnership Summit will address many lingering questions. We will soon know how serious the authorities are about releasing jailed former Prime Minister Yulia Tymoshenko; how likely Ukraine is to cooperate with the IMF; and how Russia will respond to Ukraine's European choice.

No matter what direction Ukraine chooses, November events will irreversibly shift the tectonic layers of the country's economic life. Ukraine will have to deal with these challenges, whether it signs the EU Association agreement or not. The only question is where the extra problems will come from. In particular, the signed agreement with the EU would likely lead to Russian economic sanctions, while failure to "eurointegrate" would cause Western disappointment, with a loss of confidence and a downgrade of credit ratings.

Given these uncertainties, in our baseline scenario we assume>>>