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# Concrete Steps to Address the Crisis in Ukraine

By Ken Sofer

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Center for American Progress



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# Introduction and summary

U.S., European, and Russian leaders have watched the political crisis in Ukraine with great concern since last fall when hundreds of thousands of protestors rallied in Kiev's Independence Square. The demonstrations were against then Ukrainian President Viktor Yanukovich's decision to reject closer economic ties with the European Union. But what started as a domestic political crisis over the direction of Ukraine's economy has now escalated into an international military crisis with Russia's subsequent blatant violation of Ukraine's territorial integrity.

Following the initial protests in November, an escalating spiral of violence between Ukrainian security services and the protestors eventually drove Russian-leaning President Yanukovich from power in February to be replaced by government officials who favor a stronger relationship with the European Union. Less than 10 days after Yanukovich's ouster, the Russian government deployed several thousand troops into the Ukrainian region of Crimea—a strategically important peninsula on the Black Sea with a majority ethnic Russian population and a Russian naval base in the port city of Sevastopol. Russian President Vladimir Putin has defended the military incursion into Ukrainian territory under the pretense of protecting Crimea's large Russian-speaking population from Ukrainian authorities and right-wing Ukrainian nationalists. The Russian government now appears to be preparing to annex Crimea and incorporate it into the Russian Federation, which would be a further escalation of the conflict and another significant violation of international law.

The Ukrainian political crisis and Russia's apparent willingness to annex Crimea has raised several important strategic questions for U.S. policymakers as they coordinate a response with allies in the European Union and the North Atlantic Treaty Organization, or NATO. When determining the most effective course of action, policymakers should assess ways to support various U.S. priorities in the crisis, including, but not limited to:

- Finding a nonviolent solution to the crisis that reestablishes the sovereignty and territorial integrity of Ukraine. This must include the withdrawal of unauthorized Russian military forces from Ukrainian territory and the return of authorized Black Sea Fleet forces to their base.
- Establishing a functioning and democratic Ukrainian government and economy that respect the rights of minorities and can manage a difficult period of transition, including new national elections.
- Maintaining the credibility and integrity of transatlantic alliances and treaty obligations.
- Upholding international rules, norms, and institutions that govern acceptable international behavior.

# Recommendations for U.S. action

To support these key priorities and address the crisis in Ukraine, the United States should take a series of short- and long-term steps under the following broad banners:

- Isolate Russia economically and diplomatically, including by suspending its participation in major international forums such as the Group of 8, or G-8, and press for a diplomatic solution to the current crisis that results in the removal of unauthorized Russian troops and reestablishes Ukrainian sovereignty.
- Support the Ukrainian government through robust economic and political assistance to stabilize its economy, implement longer-term economic reforms, and advance political reforms that promote effective democratic governance at national and local levels.
- Reassure NATO that the United States will abide by its security commitments through a short-term, augmented security presence and a long-term effort to diversify European energy sources.
- Establish a cost to Russia for violating international norms and treaties through economic sanctions, asset freezes, and travel bans in coordination with the European Union.

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## Isolate Russia and press for a solution

The international community should strongly condemn Russia's unlawful occupation of Crimea and make it clear that it will reject any effort to use military force to annex territory or establish a protectorate. Isolating Russia diplomatically and suspending its participation in major international forums will undercut Moscow's attempts to frame Ukraine as an East versus West or neo-Cold War conflict. It will also damage Moscow's international prestige, which remains a significant factor in President Putin's decision-making process.<sup>1</sup>

The United States, France, and the United Kingdom are all preparing to boycott the upcoming G-8 meeting, scheduled to take place in Sochi, Russia, this June.<sup>2</sup> Secretary of State John Kerry said that the other members of the G-8—a major economic forum for the world’s key industrialized nations—may disinvite Russia from the group and all future meetings if it maintains its aggressive posture in Ukraine.<sup>3</sup> The United States is also freezing all aspects of its military relationship with Russia, canceling its participation in exercises, bilateral meetings, port visits, and planning conferences.<sup>4</sup>

These efforts are important first steps. But Russia ultimately needs to experience the loss of support from the bulk of the international community, including frequent diplomatic allies such as China. Russia and China are often closely aligned in the U.N. Security Council, blocking any resolution that appears to endorse foreign intervention or violations of sovereignty, including efforts to impose tougher international sanctions against Syria and Iran.<sup>5</sup> But China has yet to come to Russia’s aid now that Moscow is the one so blatantly violating another country’s sovereignty. Although China has not explicitly criticized Russia’s actions, Chinese President Xi Jinping encouraged Russia to allow for “mediation efforts of the international community that are conducive to reduction of tension.”<sup>6</sup>

It is unlikely that China will explicitly break with Russia over Ukraine. But if the United States is able to put a U.N. Security Council resolution to a vote supporting Ukraine’s territorial integrity and calling for an internationally mediated resolution, and the resolution is vetoed only by Russia, with China abstaining, even this subtle shift in China’s position would be a clear warning to Russia that it is on shaky ground with few friends.

In an effort to further isolate Russia, U.S. diplomats can appeal to other international groups that place a high priority on national sovereignty and territorial integrity. One avenue is a joint statement by the non-Russian BRICS countries—Brazil, India, China, and South Africa—supporting Ukraine’s sovereignty and calling for international mediation to deescalate the conflict. Other potential venues for international opposition include the Group of 20, or G-20—a forum for the world’s 20 largest economies to discuss the international financial system—and the Group of 77—a group of developing nations that have traditionally been strong advocates for the importance of national sovereignty.<sup>7</sup> In addition, Kazakhstan, with its own large ethnic Russian minority population, may be convinced to make a public expression of support for Ukraine’s sovereignty, adding to the chorus of close Russian allies, such as Uzbekistan and Belarus, which are breaking with Moscow over Ukraine.<sup>8</sup>

Efforts to internationally condemn and diplomatically isolate Russia are important steps toward reinforcing and defending the set of rules and norms within the international community that govern the accepted behavior of states. A significant uproar by the international community will undermine Russia's international prestige and negate Putin's recent efforts to rebuild Russia's standing in the international community—including hosting the 2014 Sochi Winter Olympics and Russia's role in the Geneva II peace talks on Syria.

Diplomatic isolation of Russia is as important as economic sanctions to impose a significant cost on such a blatant violation of international law. The Russian economy is highly dependent on its economic and diplomatic linkages with the rest of the world, particularly Europe. Russian trade was valued at \$1.04 trillion in 2012, roughly 52 percent of Russia's gross domestic product, or GDP.<sup>9</sup> Without access to export markets and the global financial system, the Russian economy would collapse. Efforts to diplomatically isolate Russia, constrict its bilateral relationships around the world, and limit its participation in forums that shape the global economy, such as the G-8 and G-20 would all limit Russia's ability to function as a modern economy.

But damaging Russia's diplomatic and economic standing is only a tool to influence Russia's behavior and push President Putin toward the ultimate goal of a nonviolent, negotiated solution to the crisis in Ukraine. Russia has several key interests at stake in Ukraine, including the desire to preserve political influence in the Ukrainian government; maintain strong economic and energy relations with Ukraine; protect Russian citizens living in eastern Ukraine; and retain its naval base in Sevastopol. The United States should continue attempting to convince Russia that the best way to secure these interests is through a negotiated solution to the crisis and that continuing down the path of Crimean annexation ultimately poses a risk to its other interests in Ukraine.

A negotiated settlement could include steps by the interim Ukrainian government to enshrine into law the civil rights of the Russian-speaking minority; to uphold the political autonomy of Crimea and open up a dialogue on increased autonomy; and to reaffirm the 1997 Russia-Ukraine friendship treaty, which established Russia's lease on the naval base in Sevastopol.<sup>10</sup> Support for the rights of the Russian-speaking minority in Ukraine could be supported through a formal mission by the Organization for Security and Cooperation in Europe, or OSCE. The OSCE has a history of supporting the civil and political rights of minority Russian populations in other former Soviet states, such as Latvia and Estonia in the mid-1990s, and could provide a similar guarantee in Ukraine.<sup>11</sup>



This would allow President Putin to withdraw Russian troops from Crimea while claiming to have successfully accomplished his stated goal of protecting the Russian-speaking population in Ukraine. As part of a negotiated settlement, all parties would agree to defer for set period of time on Ukrainian accession to any regional organization, including NATO, the European Union, and the Russian-backed Eurasian Union. Once Russia ends its military intervention and recognizes Ukraine’s territorial integrity, international organizations such as the United Nations and the OSCE—supported by the United States, Russia, and the European Union—would be able to assist Ukraine in making the political reforms that can ensure effective democratic and representative government at both the national and local levels. These steps would set the stage for a new round of elections in May monitored by international election watchers that will reestablish a legitimate, democratically elected government in Kiev.

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## Support the Ukrainian government

The Russian effort to annex Crimea through military force remains the most pressing issue in the Ukrainian crisis. Whether or not Russia can be persuaded to roll back its occupation, Ukraine needs assistance to become politically and economically viable.

In the short term, an infusion of aid can help manage the crisis. In the long-term response, the United States, the European Union, and other nations such as Japan will need to find the will and resources to support the Ukrainian government with economic and political assistance sufficient to stabilize its economy, implement longer-term economic reforms, and begin political reforms that promote effective democratic governance. By surging to support a country under attack, the United States and its partners can demonstrate a clear commitment to international norms.

So far, the United States has offered a \$1 billion loan guarantee to provide the Ukrainian government with much-needed emergency budget support.<sup>12</sup> The European Union has similarly pledged \$15 billion in aid “over the next couple of years” in grants, credit from the European Investment Bank, and loans from the European Bank for Reconstruction and Development.<sup>13</sup>

These initial steps are positive, but they pale in comparison to both the immediate and the structural challenges facing the Ukrainian economy. The Ukrainian government is facing a major budget shortfall due to a combination of an unreformed energy sector and expensive energy subsidies, a bloated civil service, and the fact that as much as half of its GDP is estimated to be in the shadow economy, where much of it is embezzled or unable to be taxed.<sup>14</sup> Kiev says it needs \$35 billion over the next two years to fund its current account deficit and stave off default.<sup>15</sup> Under former President Yanukovych's time in power, an estimated \$37 billion in loans were stolen from the state, according to Ukrainian government officials.<sup>16</sup> Any stolen funds that can be recovered should be immediately poured back into the Ukrainian government for budget support, although the recovery of funds will likely take too long to address Ukraine's immediate budgetary shortfall.

Since no aid package can dig Ukraine out of its economic hole overnight, the United States should fully support the International Monetary Fund's renewal of negotiations with the Ukrainian government on a long-term loan package tied to fundamental reforms to the economy.<sup>17</sup>

The Ukrainian government will also need the international community's support as it begins the process of reconciliation between its political factions and attempts to return to a normal political process within the bounds of the constitution. Regardless of whether or not a negotiated settlement is reached, the OSCE should establish a formal mission to Ukraine to monitor the Ukrainian presidential elections scheduled for May and to promote human rights, good governance, and freedom of the press. The Ukrainian government has already invited in OSCE military observers, but Russian troops have repeatedly prevented the observers from entering Crimea to conduct their mission.<sup>18</sup>

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## Reassure NATO allies

Even though the Cold War is long over, several key NATO allies, such as Poland and the Baltic states, still view Russia as a major security threat and see the current crisis in Ukraine as a vindication of such fears. Poland and Lithuania called for emergency talks on Ukraine with other members of the alliance, citing Article 4 of the 1949 North Atlantic Treaty, which allows member states to call for an alliance consultation if they believe that their territorial integrity, political independence, or security are under threat.<sup>19</sup> This is only the fourth time in the alliance's history that a member has cited Article 4, reflecting the sense of threat some NATO members still feel when they look to the east at Russia and see it seizing territory not just in Ukraine but also in Moldova and Georgia, as it did in the early 1990s and 2008.<sup>20</sup>

While NATO members such as Poland, Slovakia, Hungary, Romania, or even the Baltic nations of Estonia, Latvia, and Lithuania are at less risk of a Russian invasion than Ukraine and are protected from external attack under Article 5 of the North Atlantic Treaty, they need to know that the United States will abide by its security commitments and prevent any similar encroachment on their sovereignty and territorial integrity.

One way to reassure our allies is through a short-term, augmented security presence in Eastern Europe. The United States is already increasing its participation in NATO's air patrol mission in the Baltics and will increase joint training through its aviation detachment in Poland.<sup>21</sup> The U.S. Air Force is sending six additional F-15 fighter jets and a KC-135 refueling tanker to augment the four U.S. F-15s that are regularly provided to Lithuania for the air patrol mission.<sup>22</sup>

The United States is also sending the USS Truxtun, a guided-missile destroyer, into the Black Sea for a prescheduled naval training mission with NATO allies Romania and Bulgaria.<sup>23</sup> Although the USS Truxtun's deployment to the Black Sea is unrelated to the Ukrainian crisis, its presence is an important projection of U.S. power not far from Crimea and the Russian naval base in Sevastopol on the Black Sea.

NATO should temporarily augment its joint-training exercises and patrols in the short term to reassure its eastern members, which are all threatened by the Russian invasion of Ukraine. Neither Russia nor the United States has any desire for a direct military confrontation, but such activities send an important signal about the unity and resolve of the NATO alliance and its commitment to non-NATO partners.<sup>24</sup> Although members of the Euro-Atlantic Partnership Council, or EAPC, such as Georgia and Moldova, are not full NATO members, they are important partners for the United States and Europe. EAPC countries, most of which are former members of the Soviet-bloc, remain under continued risk of Russian military action. Steps to reinforce the NATO alliance will also help reassure non-NATO partners that seek a closer relationship with the European Union.<sup>25</sup>

A temporary expansion of NATO's military presence will reassure allies and partners in the short term, but the only thing that will truly enhance European security in the long term is the continued diversification of the continent's energy resources to reduce its dependence on natural gas imports from Russia. The European Union has made a concerted effort to diversify its supply of natural gas

since the mid-1990s when Russian natural gas exports represented 75 percent of total EU consumption. But even today, Russia still supplies 34 percent of the EU's needs and six European countries are still 100 percent dependent on Russia for natural gas supplies.<sup>26</sup> This energy dependence is a major strategic vulnerability for the United States' European allies.

Russia has used its energy leverage as a way to pressure European governments multiple times in the past, including in 2006 and 2009 when Russian state-run gas company Gazprom cut off supplies to Ukraine—the main conduit for Russia natural gas to the rest of Europe. Germany, France, Poland, and other Central European countries reported significant gas shortages—crucial for heating and electricity—in the dead of winter both years.<sup>27</sup> And NATO member Slovakia declared a national state of emergency in January 2009 due to the Russian gas cutoff.<sup>28</sup> Russia can be blunt about its use of natural gas to pressure European governments. In response to Moldova's push for a free trade agreement with the European Union last fall, Russian Deputy Prime Minister Dmitri Rogozin ominously warned the Moldovan government that “Energy supplies are important in the run-up to winter. I hope you will not freeze.”<sup>29</sup>

To counter this strategic vulnerability, the United States should work with European governments and the European Union on a coordinated long-term strategy to diversify European energy resources, reduce natural gas imports from Russia, and insulate the continent from major energy shocks. First and foremost, continued U.S.-EU cooperation on energy efficiency improvements and renewable energy resources—such as solar, wind, and hydropower—will help reduce the percentage of European electricity that comes from burning natural gas. The European Union has already made progress expanding its renewable energy production, which accounted for 11 percent of European energy consumption in 2011, but significant room for growth still remains.<sup>30</sup>

Europe can further reduce its dependence on Russian energy supplies by expanding its natural gas partnerships with other suppliers, most notably Norway and the United States. Since 1995, Norway has tripled its natural gas production and has become an increasingly large exporter to Germany and the United Kingdom.<sup>31</sup> Public-private partnerships in the European Union should make a concerted effort to expand Norway's role as a stable, reliable energy supplier of natural gas to the continent.

Additionally, the United States has an opportunity to play an important role down the road supplementing Europe's natural gas supply thanks to the growth of domestic American gas supplies. The process of exporting liquefied natural gas from the United States to Europe is complicated, and it will take several years before the infrastructure could be put in place to make this possible,<sup>32</sup> but the United States and European Union should explore the possibility of an expanded U.S.-European natural gas partnership. Just discussing this possibility will demonstrate that Europe and former Soviet states can find alternatives to dependence on a Russian government that trades in coercion and intimidation.

Resolving the challenges created by Ukraine's energy relationship with the rest of Europe will also be critical. Fifty percent of Russian natural gas is delivered to the European Union through pipelines in Ukraine,<sup>33</sup> but Ukrainian energy inefficiency and its Soviet-era energy infrastructure has made Ukraine one of the world's biggest consumers of energy compared to the size of its economy. Ukraine used more than 56,000 BTUs of energy for every dollar of GDP in 2010, the fourth highest ratio in the world and roughly 10 times the European average.<sup>34</sup> The European Union should make significant investments now to modernize Ukraine's energy infrastructure, which would be a boon to the Ukrainian economy in the short term and would help to manage a key long-term challenge.

This process of increasing Ukrainian energy efficiency and modernizing its energy infrastructure would also send a powerful message to Ukraine and other former Soviet states about the value of increased integration with Europe. When combined with an ongoing EU antitrust case against Gazprom and the suspension of discussions on the South Stream pipeline—a Russian-backed gas pipeline to Bulgaria through the Black Sea—this effort will reduce the ability of Russia to exploit Ukrainian energy vulnerabilities and strong-arm Europe.

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## Establish a cost to Russia

Russia's invasion and occupation of Crimea represents a clear violation of several major international agreements. These include: Article 2(4) of the U.N. Charter, which states that members shall refrain from the "threat or use of force against the territorial integrity or political independence of any state;"<sup>35</sup> the 1994 Budapest Memorandum on Security Assurances, in which Russia agreed to refrain from the "use of force against the territorial integrity or political independence of Ukraine;"<sup>36</sup> and the Helsinki Accords of 1975, in which member states pledged to

respect the territorial integrity and political independence of all nations.<sup>37</sup> After Russian troops occupied the local Crimean parliament, they handpicked a pro-Russian prime minister, who subsequently pushed through a vote for the region to secede from Ukraine and join the Russian Federation. A referendum to approve Crimea's unification with Russia is scheduled for March 16 even as Russian troops continue to patrol the region's streets.<sup>38</sup> The upper house of Russia's parliament has already said that if the referendum is successful, Russia would invite Crimea to join the Russian Federation.<sup>39</sup>

The planned referendum and attempt to annex Ukrainian territory while under military occupation is a clear violation of the Ukrainian constitution—which requires that any changes in territorial borders be put to a nationwide referendum, not simply a regional vote. It is also a violation of international law, as President Barack Obama stated at a press conference on March 6.<sup>40</sup> The referendum carries no legal significance and will be rejected by the United States and the international community. The citizens of Crimea have legitimate, legally recognized options available to them to expand and guarantee their autonomy through the process identified by the Ukrainian constitution.

U.S. diplomats should make this argument to nations around the world and encourage them to not recognize any attempt by Crimea to declare itself part of Russia or to declare itself independent. Furthermore, the United States and the European Union should insist that the Russian government defer any decision on the status of Crimea to a legal, internationally mediated negotiation on self-government between local authorities in Crimea and central authorities in Kiev.

If the Russian government uses the referendum as an excuse to annex Crimea or refuses to withdraw its unauthorized forces from Ukrainian territory, then the United States should coordinate with the European Union and its other allies to penalize violators of Ukrainian sovereignty and territorial integrity. The international community should make clear that such a blatant violation of international law comes at a steep cost to the belligerents.

Both the United States and the European Union have several tools at their disposal to impose a cost on violators of Ukrainian sovereignty, including travel bans, asset freezes, and aggressive investigations of illicit financial flows. For example, the U.S. government has already taken several steps to impose a cost, including an executive order issued by President Obama that will place travel restrictions and financial sanctions on individuals and entities involved in the occupation of

Crimea.<sup>41</sup> The European Union froze the assets of former Ukrainian President Yanukovich and 17 senior members of his government,<sup>42</sup> but it has yet to impose any sanctions on Russian officials in the hope that the situation can be resolved diplomatically. However, European leaders have said that sanctions remain on the table. The Foreign Minister of the Netherlands Frans Timmermans—which has a close economic relationship with Russia—said “sanctions will become inevitable” if Russia does not change its position.<sup>43</sup> British Prime Minister David Cameron stated that European sanctions and travel bans against Russia government officials could come “within days.”<sup>44</sup>

In addition to preparing new, targeted sanctions, the U.S. government can readily impose sanctions on existing violators of human rights within Russia, as covered by the Sergei Magnitsky Rule of Law Accountability Act of 2012.<sup>45</sup> U.S. and European governments can also more rigorously enforce existing laws against organized crime syndicates and money laundering that could ensnare many Russian government officials and key business leaders who support the Putin government.<sup>46</sup> The subsequent damage to the economic interests of senior government officials and Russian business leaders, who represent a vital constituency for President Putin, could cause enough domestic political backlash to force Putin to take a more conciliatory approach to the crisis.

U.S. and European governments can also undertake a campaign of aggressive cases against Russia in the World Trade Organization related to any suspected improprieties and barriers in public procurement. This would both shine a bright light on the increasingly kleptocratic pattern of rule by the Putin government and impose a real business cost for Putin’s elite supporters if WTO cases were to result in protracted trade disputes. One example of a litigation-based strategy is the European Union’s ongoing antitrust case against Gazprom. The case has the potential to impose major fines on the company and curtail Russia’s influence on the European natural gas market.<sup>47</sup>

EU support for targeted economic sanctions will be crucial to maximize the impact of such measures because European-Russian economic relations are significantly more important to the Russian economy than U.S.-Russian economic ties. EU-Russian trade was valued at \$330 billion in 2012 compared to \$38 billion for U.S.-Russian trade.<sup>48</sup> Particular focus should be paid to EU member-state and off-shore tax haven Cyprus, where Russian individuals and companies reportedly deposited \$34.6 billion<sup>49</sup>—more than the size of Cyprus’s economy—including \$31 million in state taxes embezzled by Russian government officials.<sup>50</sup>

Right now, U.S. and EU sanctions should be targeted against members of the Russian government and organizations directly involved in the military occupation of Crimea and any attempted annexation of Ukrainian territory. President Obama and the U.S. government should make it clear to Russian officials that these economic restrictions are explicitly related to the situation in Crimea and will be lifted as soon as Russian forces withdraw from Ukrainian territory and Russia recognizes Ukraine's sovereignty.

If the crisis in Ukraine were to expand, the United States and Europe should be prepared to impose a wider set of sanctions targeting Russian oligarchs, international business interests, and foreign financial transactions. The actions should be substantial enough that Russia will fear facing a sanctions regime similar to the one facing Iran, including restricting purchases of Russian natural gas, cutting Russia off from the international payments and SWIFT system—an international network for encoding and transferring financial information—and other narrow avenues of disproportionate leverage. Such steps will cost significant political capital and will damage not only the Russian economy, but also the entire global economy.

These types of broad sanctions will likely also result in Russian obstructionism on a range of key areas of current cooperation with the United States, including the northern distribution network for Afghanistan; nuclear negotiations with Iran and North Korea; efforts to end the civil war in Syria and remove chemical weapons; and nuclear nonproliferation activities related to the START and New START treaties. These steps to enact a broader sanctions regime should only be taken if Moscow makes it clear that it is preparing for a permanent occupation of Ukraine and continuing its pattern of abusing international law.



# Conclusion

For the United States, the crisis in Ukraine is about more than just Crimea. Resolving this crisis and reinforcing the Ukrainian government is about upholding several international agreements that Russia is currently violating, including the Helsinki Accords and the Budapest Agreement. It is also about reinforcing the international community's bedrock principle that territorial annexation under threat of military force is an unacceptable practice in our modern international system. U.S. and European policymakers have the tools available to them to impose a cost on Russia for any attempt to illegally and unconstitutionally annex Ukrainian territory or to illegally establish it as an "independent" protectorate. But right now the ball is in President Vladimir Putin's court. With the referendum in Crimea scheduled for March 16, Putin must decide whether or not he wishes to escalate this international crisis—and accept the economic, diplomatic, and political costs of doing so.

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## About the author

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