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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS: “Group of Twenty” and the EU Seek for Ways to Overcome the Euro Area Crisis and Preserve Its “Integrity and Stability”

The regular surges of the world financial and economic crisis, that are forever disturbing the international community not only don't allow the avoiding of uncontrolled emission of leading currencies, unemployment or trade imbalances, but also lead to the destruction of such stable economic systems which had their own reasonable monetary and fiscal policies. Moreover, the only regional currency system in the world, the European one, the existence of which is currently controlled by a reliable political union, has also failed. Thus, now the European Union, the USA and other Member States of the “Group of Twenty” face a dilemma in solving this issue because the present does not leave time for reflection: leading economies can easily be stricken by the “domino effect” that can completely destroy existing achievements.

Accordingly, after ***the regular G20 Summit held on 18-19 June 2012 in Los Cabos (Mexico)*** the main world leaders announced a final statement which included a call to develop a global plan on the stimulation of economic growth and the creation of new jobs that is possible only after the implementation of urgent measures to overcome the euro area crisis and preserve its “integrity and stability”.

The state leaders undertook to fight against hunger and unemployment in the world, as well as stating that they intend to watch over the price of oil and other raw materials in order to take measures to stabilize the markets if necessary. Among other things, the members of the G20 decided to allocate more than USD 450 billion to the International Monetary Fund which should be available to all the IMF Members in order to expand their capabilities to withstand the crises and to prevent them. These resources, to be qualified as reserve assets, will be addressed through bilateral loans and investments. However, it is absolutely clear that these funds will primarily be addressed to recover the eurozone and to facilitate stabilization of the euro. After all, neither the US nor other overseas allies of the Europeans want to lose reliable partners or, much worse, see them bankrupt.

Thus, during the Summit the world leaders even succeeded in breaking down the position of the Government of Germany, which recently did not want to consolidate the debts of the EU Member States (in particular, Greece) considering that every country should consolidate the budget and increase the competitiveness of the economy by itself. However, understanding the complexity of the situation, the EU leaders concluded that the most affected countries can introduce the austerity regime only under the supervision of the European Union, which, among other things, will financially help these states. Furthermore, this position was confirmed during ***the regular EU Summit on 28-29 June 2012***.

In fact, as far back as in Los Cabos, the eurozone leaders declared their commitment to the principle that “strong states should provide assistance to weaker ones” that helps to reduce the risk for the entire global economy. Accordingly, the eurozone countries do not cast doubt on their monetary union politically, however (and it is, by the way, insisted on by the EU leader Germany) they need “more Europe”, i.e., the generalization of the financial responsibility of Member States should be supplemented with deeper political union within the EU. In addition, Germany could increase its influence within the organization respectively. Moreover, a European institution to undertake the functions of the united service of banking supervision should be established. The countries should introduce measures to promote economic growth, and elaborate common standards to ensure deposits’ security and bank restructuring.

The Lisbon Treaty sets forth only the procedure of withdrawal from the EU, but it doesn’t prescribe the withdrawal exclusively from the eurozone. Accordingly, the leaders of the Community shouldn’t allow the further removal of Athens from the common Union. Remaining an EU Member, Greece will continue having the right to assistance from existing funds that can be requested in Brussels without special preferences. However, the European Commission is likely to have formed a working group which addressed the governments of the EU Member States with a call to develop national emergency plans just in case Greece really decides to leave the euro area (though it is unknown how it is possible without withdrawal from the whole organization). Accordingly, the current crisis has struck the EU so hard that this organization considers all possible “paths of retreat”.

In the case of Ukraine, the decisions of the G20 Summit, first of all, created preconditions for the direct involvement of Ukraine into the outlined global processes, as the final declaration stated the necessity of a dialogue with the countries which are not G20 Members. Taking into consideration the fact that the world leaders agreed not to introduce new protectionist measures till 2014, Ukraine should be ready for the reduction of external demand for the goods of its leading industries – metallurgy, chemical industry and engineering, because in order for all the enterprises to work and all the people to receive their incomes and wages, all the countries need the external boom because the decrease in external demand became the cause of the crisis in 2008 and the current stagnation of the global economy.

In addition, the intense situation in the EU and in the eurozone would mean the complications for Ukraine to enter international markets for borrowing capital. Moreover, because of the great unemployment in European countries one should even expect a reduction of revenues from Ukrainian workers abroad (who, incidentally, in 2011 made contributions to the state budget totalling USD 7 billion).

Ukraine also can’t hope for an additional inflow of foreign direct investment: investors, frightened by the existence of difficult economic conditions, will try to find “quiet harbours”. That they could receive higher rates of profits in the developing markets is unlikely to encourage them to make investments of such a kind. That is against a background of the unfavourable investment climate that exists in Ukraine. IMF assistance will be claimed by many countries, especially by Spain, Portugal and Italy, which could weaken our negotiating positions during meetings with Fund representatives. After all, when Ukraine needs only USD 10-15 billion, the abovementioned countries would require hundreds of billions which strengthens the competition for IMF resources much more.

However, the good news is that Saudi Arabia desires to use reserve oil capacities which may lead to the decrease of energy prices that also plays into Ukraine’s hand. The formula of gas purchases used in our payments with the Russian Federation has a nine month time lag. After at least nine months from now, if there is a relative decline in energy prices (in particular, for oil), Ukraine may feel a little bit better in the sphere of

energy supplies. However, one should not overestimate the importance of this situation: Ukraine should continue implementing energy efficient technologies, *diversifying supplies of hydrocarbons in order to reduce the energy dependence of the country and try to implement so called “green” technologies related to the energy production.*

The Summit decision on the growth of public and private investment into the agricultural sphere in order to enhance global food security was very important for our country. Among other things, it will be encouraged by the G20's declared intention to set up an Information system for agricultural markets. Having great agricultural resources, Ukraine can increase its participation in international efforts to ensure the availability of the world's major food supplies pursuant to the relevant decisions of the UN General Assembly on food security.

UKRAINE – NATO



KEY THEME ANALYSIS: NATO Faces the Problem of Syrian Crisis

Taking into account the radical change in the situation in the Arab countries after a series of revolutions that swept over the region in 2011, and, as a result, the reformatting of the regimes in these countries and, as now one can observe, their strict commitment to Islamism, Western countries have found themselves in a situation when their own activities led to really unpredictable consequences which would be known in the fields of domestic and international politics. Therefore, ***when on 26 June 2012 in Brussels the NATO Council had an extraordinary meeting*** to discuss the situation which occurred when on 22 June the Syrian air defence forces shot down a Turkish fighter above the territorial waters of the country, the parties didn't, oddly enough, discuss the application of drastic measures as it had done in all other cases before.

Turkey, which has the second largest army among NATO Members, convened the extraordinary meeting of the Alliance Council according to Article 4 of the Washington Treaty under which any Member of the organization may request to hold consultations if its territorial integrity, political independence or security are threatened. In fact, Ankara requested it in 2003 after the beginning of the US military campaign in Iraq. But now the Turks rather accelerated tensions hinting at the necessity of military response. Outlining the situation the Turkish Government even communicated that the Syrian air defence had attacked the other Turkish plane which had searched for the F-4 "Phantom" shot down previously. That's why that Syrian "hostile act" did not only lead to the violation of international agreements, but also created the situation of the apparent tension between the countries.

Turkey insisted that the fighter had been shot down in international airspace, and its fragments had fallen into Syrian territorial waters. It seems that jet aircrafts sometimes cross state boundaries, and the aircraft had also crossed the border 15 minutes before it was shot down without warning. However, this plane was simply on "a training flight for the control of the national radar system and had no relation to the crisis in Syria". The latter rejects the accusations of "hostility" claiming that the plane violated Syrian airspace, and, as a result, its sovereignty. Moreover, it declared that the plane had been shot down by an anti-aircraft battery without radar with a maximum range of destruction of 2.5 kilometres.

But it is most likely that Turkish fighters fly near the Syrian border to detect the air defence systems of their neighbours. In addition, these flights can be conducted in order to find out how far Damascus could go withstanding the possible external threat.

Bashar Assad didn't choose Turkey to "stir up" anti-NATO hostility by accident: the relationship between the former allies Ankara and Damascus had seriously deteriorated in March 2011, after the beginning of mass demonstrations against the regime of the President of Syria. Turkey receives Syrian oppositionists and refugees whose camps are occasionally attacked from the Syrian border. In fact, such actions of

the President Assad regime are actively pushing NATO to start the war using provocations against the Alliance Member Turkey. However, bearing in mind the example of Libya when NATO aviation played one of the key roles in the process of the overthrowing of the country's leader, the leaders of the organization have an essential constraining factor. This is because, firstly, this country is confidently moving towards global Islamization, developing in a different way to that which was planned in Europe and the USA. Secondly, the appearance of the other theocratic state in the region, which is torn by clan contradictions, is not a part of the West's action plan. But this scenario is quite possible taking into account that now Bashar Assad has considerable support within the country that was proved by the recent parliamentary elections which took place in the country on 7 May 2012. Moreover, such support is evidently observed from the border: solid positions of Russia and China do not leave NATO the room for manoeuvre in this regional environment requiring the resolution of the situation only through the application of UN mechanisms.

In fact, such a situation does not exclude a NATO military operation in Syria in the future. Any significant impact will be enough: changes in the positions of Russia or China, the loss of support from a large number of Syrians by B. Assad, or substantial destabilization of the situation in states that border upon Syria.

However, now the international community does not see such "changes". Moreover, Russia is not going to abandon its support of this country supplying it under a contract with repaired military helicopters. However, it considers that the Assad regime should be overthrown in one way or another. Of course, it should preferably be done in a peaceful way, as was said by the President of the RF Vladimir Putin. In the worst case, B. Assad will go after civil war because today many countries unite against Syria, and it is unlikely to withstand this pressure.

However, in the joint statement after the bilateral meeting within the framework of the G20 Summit on 18-19 June 2012 in Los Cabos (Mexico) the Presidents of Russia and the USA Vladimir Putin and Barack Obama said that the parties support the efforts of the UN Special Envoy Kofi Annan and want to solve this problem on the part of the Syrian people through a peaceful negotiation process involving all stakeholders. Whether the provisions of this statement are implemented within the framework of the international conference on Syria, proposed by Russian diplomacy, time will tell. Now Moscow agrees to the establishment of a government of national unity proposed by K. Annan because the Russian interest in the peaceful settlement of the Syrian issue is a claim for the return of its influence in the Middle East, as well as revenge for Libya. Moreover, the situation now has a diametrically opposite format: the USA and its NATO allies do not want to start the operation taught by the bitter Libyan experience. Though, it is not known how a new government could include both the opposition and supporters of the current regime of the President Bashar Assad. Some people, "whose presence would complicate the transfer of power or damage the transition to reconciliation and stability", are planned to be excluded from a new structure. This situation, in fact, only "kindles the flame" of hostility because it directly concerns the overthrow of Bashar Assad's regime, but without the NATO participation.

The leaders of the organization didn't formally confirm the claims that the Turkish plane had been shot down in the neutral zone. The NATO generals openly declare that «Phantom» was found in Syrian territorial waters stressing the fact that international agreements allow the shooting down of military aircrafts of other countries that intrude into foreign territory, although in the official statement, made after consultations within the framework of the NATO Council, they acknowledged such an act to be "unacceptable" and condemned it in the "toughest terms". In addition, this Syrian act was cited as another example of "disrespect of its authorities for international norms, peace and security, and human life". But, declaring that "the security Alliance is indivisible", and all its Members work together in the spirit of strong solidarity, it was

stated that ***military intervention in Syria is out of the question because NATO does not see what role it could play in resolving the situation in the country.***

However, in fact, one can assume that if such incidents on the Syrian side are repeated, the representatives of NATO Members would respond more toughly to the behaviour of the country. Thus, a military operation is unlikely to start, taking into account the strong position of Russia which may not easily give another foothold of its influence in the Middle East. But it is even more likely that the most important barrier to starting military actions is the economic crisis in Europe and the USA because without its overcoming the Alliance is also powerless in conducting military operations. After all, Washington itself is not able to start such large scale actions, moreover that the chair of the US President is at stake. Therefore, one should wait for the autumn elections in the USA. But now one can't talk about the start of a military operation in Syria under NATO leadership. But to deny it, of course, is more complicated.

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS: Ukraine Participates in the OSCE Security Days

For the first time during the preparation for the OSCE Annual Security Review Conference (ASRC) on 24-25 June 2012, there were so called OSCE Security Days in Vienna – the meeting at the highest level attended by the leading scientific experts, non-governmental think tanks and other public organizations involved in the resolution of security issues. The idea to conduct the event came from the Secretary General of the OSCE.

The main objective is strengthening cooperation between the OSCE and relevant initiatives of the so called “Track II” of Euro-Atlantic and Eurasian security to create a platform for sharing new ideas and approaches to security issues that make it possible to make a joint contribution of traditional diplomacy and civil society to the establishment of the security community, as defined in the Astana Anniversary Declaration.

The main participants of the event were representatives of scientific and academic circles, think tanks and NGOs from the OSCE Member States (about 240 persons). The participants of the ASRC, representatives of partner countries, the OSCE institutions and the OSCE Parliamentary Assembly were actively involved in the meeting.

At the ministerial level the Ukrainian delegation was represented by the Director of the Department for International Security and Disarmament of the MFA of Ukraine O. Aleksandrovykh and the Deputy Permanent Representative of Ukraine to the International Organizations in Vienna H. Homenko. At the level of non-governmental organizations and academic circles our state was represented by the Director of the Institute for International Studies of the Academy of Sciences of Ukraine O. Tytarchuk, who is also the Head of research activities on the priorities and foreign policy initiatives within the framework of the Presidency of Ukraine of the OSCE in 2013 which are implemented by the Foreign Policy Research Institute of the Diplomatic Academy of Ukraine under the MFA of Ukraine.

The event took place in the format of four working sessions and discussion debates when the organizers encouraged the implementation of the valuable intellectual contribution of the participants before the ASRC on the main agenda items:

- formation of the security community: thematic and geographic issues within comprehensive security;
- formation of the security community: the opposition to global challenges. Does one need to develop new approaches to arms control?
- towards reconciliation: the situation surrounding long conflicts and the resumption of dialogue;
- towards reconciliation: is there a new vision of the OSCE's role?

The OSCE Secretary General L. Zannier, the Permanent Representative of Ireland (which currently holds the Presidency of the OSCE) to the OSCE Ambassador E.

O'Leary and the former Federal Chancellor of Austria W. Schüssel sent greetings during the opening session.

The moderators of the meetings were the OSCE Secretary General L. Zannier, the Director of the OSCE Conflict Prevention Centre A. Koberatsky, the Director of the OSCE Office for Democratic Institutions and Human Rights Y. Lenarchich.

During the first working session (formation of the security community: thematic and geographic issues within comprehensive security) the Director of the Institute for International Studies of the Academy of Sciences of Ukraine O. Tytarchuk made remarks in point of fact of the speeches made by reporters. That speech put emphasis on the problematic issues of the formation of the Euro-Atlantic and Eurasian security community with reference to the address of the Minister for Foreign Affairs of Ukraine K. Gryshchenko on the priorities of the Ukrainian Presidency of the OSCE in 2013 delivered at the meeting of the OSCE Permanent Council on 20 June 2012. Stress was placed on the necessity to elaborate common approaches of Member States to the determination of the value essence of the security components of each dimension of the OSCE, as well as an unambiguous understanding of the basis of formation of the security community. Special attention was paid to the need to increase the participation of civil society in OSCE activity, in particular, in the further development of initiatives of the so called "Track II".

The main results of the Meeting served as a kind of approbation of the modern approaches to the participation of civil society and academic circles in OSCE events. Taking into consideration the abovementioned facts, in the future one plans to conduct the appropriate meetings before the next ASRC, paying attention to the recommendations and proposals of the OSCE Member States, as well as non-governmental think tanks, academic circles and the public.