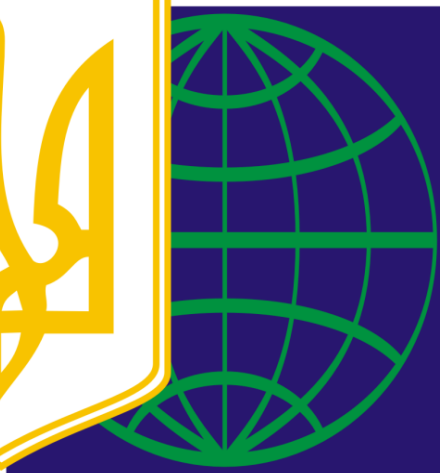


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Friedrich Naumann
STIFTUNG
FÜR DIE FREIHEIT

UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

ON THE AGENDA OF THE FUTURE EU-UKRAINE SUMMIT

Taking into account the fact that today nearly half of Ukrainians (48%) connect Ukraine's future with membership of the European Union, the question ***of the future of the EU - Ukraine Summit is one of the crucial items on the agenda of Ukrainian foreign policy in early 2013.*** However, many respondents (40%) and politicians support a diametrically opposite trend, namely Ukraine's entry into the Customs Union of Russia, Belarus and Kazakhstan, which forces not only the government but the entire society to make a difficult geopolitical choice.

To end this uncertainty at least in relations between Ukraine and the EU the European Commission (EC) on December 20 2012 agreed to hold the next EU - Ukraine Summit on February 25 2013 in Brussels. The decision of the European Commission was based on the conclusions of the EU Foreign Affairs Council dated December 10 2012 and the resolution of the European Parliament on the situation in Ukraine dated December 13. In these conclusions the European Union expressed its readiness to sign the Association Agreement with Ukraine during the Eastern Partnership Summit, which takes place in Vilnius on November 28-29, 2013. The signing will take place under the following conditions: implementation of electoral law reforms by Kyiv; continued judicial reform; implementation of Constitutional reform; better results in the fight against corruption and improvements in public finances.

However, such a decision can be regarded as a purely political act being far beyond a desire to discuss the problems existing in Ukraine. Considering the fact that in 2012 there were two EU-Russia Summits (the last was held on December 21 2012), the complete disregard of Ukrainian interests would look like a 'boycott' of the Ukrainian party. Taking into account that the previous year was not the best in relations between Kyiv and Brussels, the latter couldn't further aggravate its relations with Ukraine. Moreover, Russia has already announced a tentative date for Ukraine's joining the Customs Union, and has also announced formation of the Eurasian Union in 2015 that would have been finally solved during the official visit of the President of Ukraine Viktor Yanukovich to Moscow on December 18 2012. These circumstances forced the EC to hurry up with the announcement of the date of the Summit. It is understood that the Association Agreement will finally determine the official line of Kyiv's political movement that will force the Russian government to face the fact of the irreversibility of the process.

In this case, Moscow itself will have to find formulas of cooperation with the countries of the post-socialist camp outside the Customs Union, obviously within the Free Trade Agreement within the CIS or similar instruments of multilateral cooperation. Consequently, none of the leverages would be this effective, and the gas prices or trade wars certainly would not be a stumbling block between the parties, which have single cycles of production and established schemes of export-import operations. Furthermore, these troubles may last for an unusually long time, because the EU, while giving a 'green light' to the Association Agreement, has left 'wiggle room' in case Ukraine fails to fulfill the necessary requirements. And this scenario is quite possible, because the very discussion of this document during the EU-Ukraine Summit has not been mentioned yet (at least by European Union officials).

Thus, Kyiv will be forced to carry out all the necessary conditions for signing the document. However, Ukrainian officials find that the agenda of bilateral relations between the parties is much wider and concerns not only the necessary reforms. So Ukraine being a member of the Council of Europe promises to European officials to enforce the decision of the European Court of Human Rights concerning former Ukrainian officials, while noting that many Ukrainians consider them guilty. In order to prove the transparency of the electoral system and continue an impartial study of former government officials' cases, including the former Prime Minister of Ukraine Yulia Tymoshenko and former Interior Minister Yuriy Lutsenko, the state authorities agree to extend a mandate of the Cox-Kwasniewski monitoring mission, issued in May 2012.

For faster execution of the tasks defined by the Action Plan on visa regime liberalization with the European Union, the Law of Ukraine "On a Unified State Demographic Register and on documents confirming citizenship of Ukraine identifying or specifying its status" came into force on December 6 2012. So the process of gradual introduction of passports that will contain contactless electronic medium with biometric information of the document's owner was officially launched under this law. The introduction of biometric documents, which is still only a project, will not be a sole basis for the EU to evaluate Ukraine's progress. The EU will assess progress in the fields of public order and safety, respect for fundamental human rights, the improvement of the system of personal data protection, achievements in the fight against corruption and implementation of the relevant recommendations of GRECO (Group of States against Corruption).

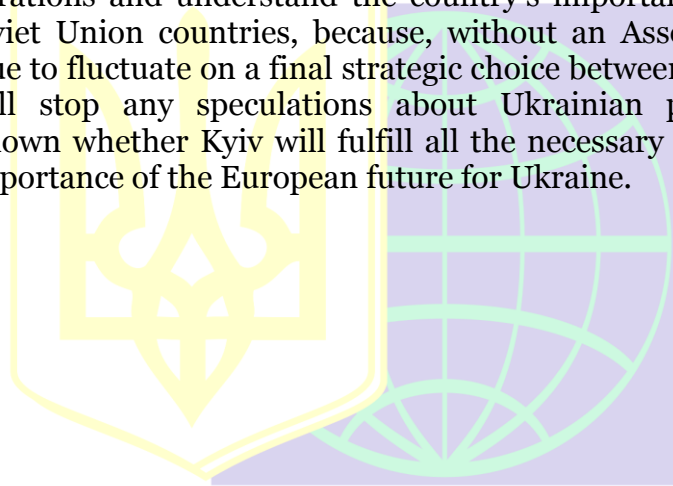
In order to reach success in this area, our state will require a relevant decision of the EU Council, but not a mere approval of this issue during the summit. The only thing the Ukrainian delegation can hope is conducting negotiations on speeding up the procedure of ratification by the European Parliament (EP) an enhanced bilateral agreement on visa system facilitation between the EU and Ukraine, signed by the parties on July 23 2012.

Moreover, the cooperation at sector level, which develops independently of the political situation, will be the leading theme of the Summit, because about 80% of the bilateral relations between Ukraine and the EU are concentrated with areas of industry or sector cooperation (the number of such areas is about 28). *Firstly*, such cooperation concerns the transport, aviation and space industries, high technologies and navigation. The *second* important moment of cooperation is the customs area. It includes much effective cooperation in the fight against fraud, customs modernization, called to improve the working conditions of the foreign investors in Ukraine and then will help to increase the state budget revenues. *Thirdly*, the officials will discuss cooperation in the fields of ecology and agriculture.

One of the major themes of the negotiations will be energy and finance. In particular, the local authorities would like to see Ukraine's interests taken into account while forming the EU Multiannual Financial Framework 2014-2020 as well as providing Ukraine with macro-financial assistance (€610 million), considering that our country has already fulfilled all the necessary technical prerequisites for it. But it's early to talk about getting some financial bonuses, because unemployment is growing in the eurozone (11.8% these days compared to 11.7% in October 2012), and inflation is still fluctuating 'within abnormal limits' (2.2%). Moreover, Ukraine has not yet fulfilled the basic conditions for democratic reforms.

Regarding the energy sector, Russia's gas sales abroad (mainly to Europe and the former USSR countries) decreased by 8.7% to 186 billion cubic meters in 2012, while the European Union is currently undertaking an antitrust investigation against the Russian supplier. Therefore, taking into account Ukraine's membership in the Energy Community Treaty, our government tends not to lose a chance to realize its own interests in Brussels's policy formation as for working out new projects in the area of gas supply and to call for a more active position of the EU in the issue concerning Ukraine's gas transportation system.

Of course, these issues will be raised during the upcoming Summit. Hopefully, the Europeans have already chosen a strategic vision of a role and place of Ukraine in geopolitical configurations and understand the country's importance both for the EU and the former Soviet Union countries, because, without an Association Agreement, Ukraine will continue to fluctuate on a final strategic choice between the East and West. The agreement will stop any speculations about Ukrainian political movement. However, it is unknown whether Kyiv will fulfill all the necessary conditions. The fact goes to prove the importance of the European future for Ukraine.



UKRAINE – NATO



KEY THEME ANALYSIS

In 2013 Ukraine will continue meeting its obligations under the pragmatic partnership with NATO

The beginning of the year has added new impetus to cooperation between Ukraine and NATO. In accordance with its previous commitments, on **January 16-17 2013 a delegation of the Armed Forces of Ukraine headed by the Chief of the General Staff, Commander-in-Chief of the Armed Forces of Ukraine, Lieutenant General Volodymyr Zamana, participated in the 168th meeting of the NATO Military Committee of Chiefs-of-Staff in Brussels.** During the visit Volodymyr Zamana held a working meeting with the newly appointed Chairman of the EU Military Committee, General Patrick de Rousiers, Chiefs of General Staff of NATO's member countries and partner nations. He also participated in meetings of the NATO Military Committee involving the countries contributing to the International Security Assistance Force (ISAF) in the Islamic Republic of Afghanistan and NATO's mission in Afghanistan after 2014, as well as the NATO Military Committee involving the countries contributing to multinational KFOR in Kosovo and the NATO Military Committee in the EAPC format.

While concluding their work with a meeting dedicated to NATO's transformation, the allies recognized that the initiative by the Chiefs of the Armed Forces of the countries calling for establishing NATO's united forces should be a top priority for the organization based on current operational and economic challenges. In this context, a special position was expressed by the countries of the Mediterranean Dialogue, which provided the meeting with valuable analysis of the regional security challenges.

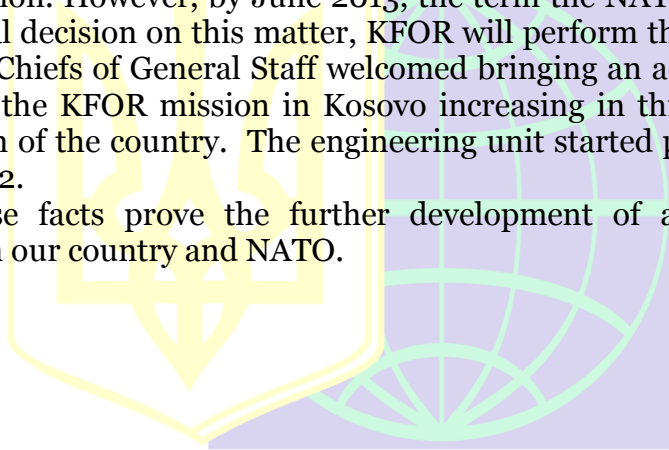
However, the key points to the Ukrainian delegation were the scopes of the direct interaction with the Alliance missions in Afghanistan and Kosovo. Thus, during the **9th meeting of the NATO Military Committee in the format of the countries contributing to the International Security Assistance Force in Afghanistan,** special attention was paid to assessing the progress of the Afghan National Security Forces (ANSF) formation as well as the process of delegating authority in the security sector from ISAF to the ANSF. It was noted that the Afghan National Army and police training program was carried out according to its targets. Currently, the total number of the Afghan national security forces is 352,000 soldiers. Since the beginning of 2013 about 80% of military operations are to be conducted directly by the ANSF of Afghanistan. The fourth round of the authority delegation will

start within a month and will cover 52 administrative units of 12 provinces in the northern border part as well as inside the country numbering about 11% of the population. Thus, after the authority delegation is completed, 87% of the population living in 23 of 34 Afghan provinces will find themselves under the direct control of the ANSF. In fact, the new NATO mission in Afghanistan, while planning to start its operations in the country after 2014 and focusing on helping the National Security Forces and their preparation, should really be prepared today, as January 9 2013 was a day of the official announcement of the beginning of transfer of control over the territories of Afghanistan to the armed forces of the country.

In addition, ***on January 17 the sixth meeting of the NATO Military Committee at the level of Chiefs of General Staff of the countries contributing to the KFOR mission was held.*** The meeting addressed issues concerning the current state and prospects of the Kosovo operations led by the Alliance. In particular, the participants were informed about the progress and prospects of the security situation in northern Kosovo, the Kosovo Security Force (KSF) gaining full operational capability, and the future role of NATO in the context of its further development.

Transition to the third stage of the phase “Restraining Presence” of NATO’s forces in Kosovo was discussed separately. During the stage the KSF should be transformed into a so-called ‘Army of Kosovo’, which will take over the role of security guarantor in the region. However, by June 2013, the term the NATO Council will have made a final political decision on this matter, KFOR will perform their functions in the province. Thus, the Chiefs of General Staff welcomed bringing an additional Ukrainian engineering unit in the KFOR mission in Kosovo increasing in this way the required capacity in the north of the country. The engineering unit started performing its tasks on December 31 2012.

Hence, these facts prove the further development of a purely pragmatic partnership between our country and NATO.



FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

Visit of Russia's Foreign Minister Sergey Lavrov to Chernivtsi: a sign of diplomatic reciprocity or setting new guidelines for bilateral relations?

Against the background of negotiations regarding Ukrainian movement towards European Union membership (taking a more realistic form these days) and a possible signing of an Association Agreement with this structure in November 2013, Ukraine's diplomatic cooperation agenda was once again supplemented with paragraphs addressing the key issues of the country's relations with the Russian Federation, which, incidentally, is still considered not only a major strategic, but also an 'alternative' EU partner of Kyiv. Therefore, the **visit of Russia's Foreign Minister Sergey Lavrov to Chernivtsi held on January 13-14 2013** proved to be not only a 'sign of diplomatic reciprocity' or the next step in the parties' ongoing work. The main purpose of the meeting of the head of Russia's Foreign Ministry with the Minister for Foreign Affairs of Ukraine Leonid Kozhara was to discuss certain burning issues of bilateral relations, which, in fact, had to influence the course of cooperation of the parties in all currently available spheres as well as determine their development in the years to come.

The official reason for the meeting was the seventh regular session of the Subcommittee on International Cooperation of the Ukrainian-Russian Intergovernmental Commission bringing the officials together to discuss a wide range of pressing issues of bilateral relations. The issues included demarcation of the Ukrainian-Russian border, simplification of the border crossing procedure for citizens of the two countries and consular cooperation, expansion of bilateral trade, economic and investment cooperation as well as strengthening of interregional relations. Considerable attention was paid to interaction of the two countries, including within international organizations in the context of Ukraine's OSCE chairmanship in 2013.

In addition, the co-chairs of the Subcommittee for Operation of the Black Sea Fleet of the Russian Federation and its presence on the territory of Ukraine of the Ukrainian-Russian Intergovernmental Commission, Deputy Foreign Minister of Ukraine Ruslan Demchenko and the State Secretary, Deputy Foreign Minister of the Russian Federation Grigoriy Karasin discussed current issues connected to the presence of the Black Sea Fleet on the territories of Ukraine. The gathering resulted in the signing of a protocol of the Subcommittee and a plan of interaction between the

Ministry of Foreign Affairs of Ukraine and the Ministry of Foreign Affairs of the Russian Federation for 2013.

However, the main focus was put on the geopolitical orientation of Ukraine and its relations with the Customs Union (CU) of Russia, Belarus and Kazakhstan, the EU and the OSCE, as well as possible mutual visits of the heads of the two states in the near future.

Taking into account Ukraine's chairmanship of the OSCE, an important issue is clarification of the position regarding the Transdnistriean conflict settlement. The conflict settlement negotiations are to be held in Lviv in February 2013 in the '5 + 2' format.

Fierce fighting for Ukrainian cooperation with the Customs Union negates all other possible aspects of bilateral dialogue at the moment, so it was rather logical that the Ministers failed to agree on the visit of the President of Ukraine Viktor Yanukovich to Moscow or the President of the Russian Federation Vladimir Putin's visit to our country. Kyiv, in fact, cannot continue preserving a wait-and-see position, making 'pauses' in relations with Russia while waiting for the EU summit and pleading for the time required to study the membership conditions of the CU. In the case that Ukraine continues targeting EU integration Russia will force the Customs Union to introduce certain 'defensive' measures against Ukrainian products among the group. Although, in fact, even if it were a member of the union, Ukraine would hardly enjoy particularly favorable conditions for exporting sugar, metal and chemical products. In addition, the very process of collecting taxes inside the Customs Union as well as conducting a common policy *a priori* requires the transfer of a share of the country's sovereignty to a so-called supranational body and that is far beyond the plans of the Kyiv authorities. Even the very existing CU members (of course, with the exception of Russia) question the need for political integration in the future Eurasian Union with the Customs Union membership being the first stage of the process. Furthermore, the CU members are not immune to the rise of prices for a number of commodities or worsening certain economic issues such as deliveries of Russian oil and petroleum products. Thus, we observe a clear situation of Russia's satisfying its interests at the expense of weaker players in the international political arena. And these conditions certainly do not coincide with those of the WTO.

Thus, it is clear that Ukraine's accession to the CU will bring the country only short-term dividends; because those few billion dollars being mentioned by the Kremlin is a fee in exchange for Ukraine's sovereignty. While the pressure coming from Moscow will be intensified with each passing day, Kyiv needs just to hold out and avoid attempts to fight on 'two fronts' to realize the country's European choice.