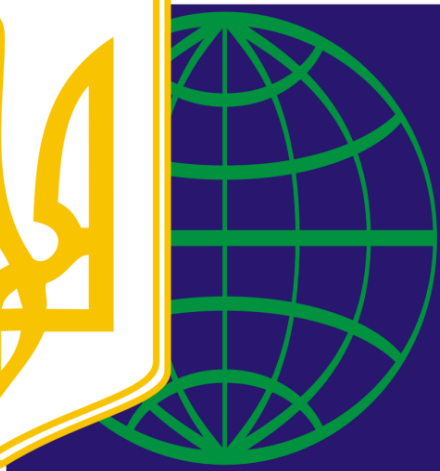


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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

The XVI EU-Ukraine summit results: will the hopes come true?

For 20 years the Ukrainian government has been trying to determine the priority of its own position and to stop the policy of balancing on the edge of the geopolitical interests of the stronger players in the international arena. These days it has received one more opportunity to complete the process. Ukraine has got an opportunity to take a 'historic step' towards its European future on **February 25, 2013**. The parties managed to formalize cooperation between Kyiv and the European Community **during the XVI EU-Ukraine Summit in Brussels**, which would probably lead to signing the Association and Free Trade Zone agreements during the Eastern Partnership Summit which is planned to be held in Vilnius on November 28-29, 2013. Considering the current EU political situation, the EU Parliament elections scheduled for 2014 and Ukraine's presidential elections scheduled for 2015, the Summit would be a good opportunity for the adoption of the document. Furthermore, the participating countries themselves look positively on Ukraine's movement towards the EU. Thus, during the meeting of the President of Ukraine Viktor Yanukovich with his Polish and Slovak counterparts Bronisław Komorowski and Ivan Gašparovič, the latter voiced their support on the question of Kyiv preparation of the Agreement. France and the UK have also changed their positions regarding Ukraine's movement toward the EU, making the parties believe that the 'window of opportunity' for Ukraine in forming its relations with the EU has become much wider.

These beliefs became stronger during the Summit. Besides the concrete matter of Association itself, the parties discussed a number of sectors and vectors of bilateral cooperation potentially significant for the EU. The meeting agenda and a high level composition of the delegations (Ukraine's party was headed by President Viktor Yanukovich, while the EU was represented by President of the European Council Herman Van Rompuy, President of the European Commission José Manuel Barroso, European Commissioner for Energy Günther Oettinger and European Commissioner for Enlargement and European Neighbourhood Policy Štefan Füle) allowed this event in relations between the EU and Ukraine to be considered a strategic one.

Considering the political events of recent years, a number of the EU recommendations addressing Ukraine on how to develop its domestic and foreign policies, the Summit itself and the pre-Summit preparation performed by Ukraine, the European partners seem to be interested in cooperation with Kyiv. The duration of the

discussion of the 'behind closed doors' agenda (which took 2 hours instead of 20 minutes) could also be regarded as a positive sign. This persistence of the European partners in trying to explain the essence of the EU's requirements, implementation of which is important for the future association agreement, was surely noticed. It is noticeable that these so-called 'delicate' matters were not put on the agenda during the other official meetings. Furthermore, during the Summit the President of Ukraine has once again confirmed that the course of European integration remains a constant priority for the Ukrainian state, a fact that has been formalized by the Law of Ukraine 'On the basis of domestic and foreign policy' on July 1, 2010.

The approach brings hope for positive completion of the process of association with the EU. However, after the Summit it became clear that there are a number of significant issues, a number of 'buts', whose resolution does not look as rosy as the declared positions or higher level of presentation. While Ukraine is trying to sign an association agreement and a free trade agreement as soon as possible, Brussels has stressed that, *firstly*, the Ukrainian scenario of conducting its foreign policy 'on two fronts' (i.e. attempts to integrate simultaneously into the EU and the Customs Union of Russia, Belarus and Kazakhstan) is unrealistic; *secondly*, the prospect of signing agreements with the EU will be possible only under condition that Ukraine implements the prescriptions stipulated by the EU Council of Foreign Ministers' conclusions dated December 10, 2012.

The three criteria were clearly established in the document: elimination of selective justice practices, reform of electoral legislation and implementation of the reforms envisaged by the Association agenda. The EU has set a strict timetable for Ukraine to implement the necessary reforms, with a deadline of May 2013 to report on the work performed. In addition, in its mutual claim the XVI EU-Ukraine summit has fixed some certain indicators for Ukraine to follow in its process of changes and implementation of European standards. Firstly, Ukraine has to pay attention to the OSCE / ODIHR final report regarding the parliamentary elections in Ukraine held on October 28, 2012. Our country should take the report's provisions into account while preparing its new Electoral Code. Secondly, taking into account the full support of the European Parliament monitoring mission in Ukraine led by the former President of Poland Alexander Kwasniewski and the former President of the European Parliament Pat Cox, Ukraine should resolve some judicial cases that cause particular concern. The discussion of these issues was probably the main point of discussion during the closed session of the Summit. However, this issue has not prevented the 3rd Joint Report on the implementation of the EU-Ukraine Association Agenda to be signed. The document stresses the importance of the overall strengthening of its implementation and quick updates. But the rule of law and the independent judicial system were considered the core principle for the Association Agreement. It was fixed in the Joint Declaration of the parties during the EU-Ukraine Summit held in December, 2011.

At the same time, this matter was fundamental in the so-called 'Füle's List' presented to Ukrainian authorities under the 'non-paper' format by the EU Commissioner during his official visit to Kyiv on February 7-8, 2013. This informal 'dispatch' deemed to provide Ukraine with the final explanations of the EU's requirements and allow the Ukrainian authorities to determine the reporting list of questions for the future Summit. Thus, signing the Resolution № 73-r 'On approval of the plan of priority measures for Ukraine's integration into the European Union for 2013', dated February 13, 2013, the Cabinet of Ministers of Ukraine has approved its own version of this list, confirming the commitments of our country to meeting the requirements of the EU. However, some items relating to reforms of the law enforcement bodies and prosecutors, as well as items on fighting against corruption and

the fiscal policy restructuring for some reason were not included to this document. Meanwhile the Parliament of Ukraine has pledged to fulfill them. The Statement № 30-VII 'On the realization of Ukraine's European aspirations and Association Agreement between Ukraine and the European Union' was passed with 315 positive votes on February 22, 2013. The document confirmed the importance of implementing the recommendations for signing the Association Agreement between Ukraine and the EU (as well as all the measures fixed in the Association Agenda), set out in the resolutions of the European Parliament and the European Council's Conclusions approved on December 10, 2012 at the meeting of the Foreign Ministers of the EU member states. Moreover, the Ukrainian Parliament has asked the EU to support the implementation of reforms and to promote this implementation financially.

Brussels responded to this request by signing a Memorandum of Understanding between Ukraine and the European Union and a Credit Agreement between Ukraine, the National Bank of Ukraine and the European Union for **EU macro-financial assistance amounting to €610 million**. These documents should regulate the EU credit line in order to stabilize Ukraine's financial and economic system. These funds are provided by the program of funding of the Eastern Partnership countries in 2010-2013 in order to strengthen the administrative capabilities of its officials to conduct reforms. The funds can be provided only after restoration of Ukraine's cooperation with the IMF. Thus, the implementation of the EU credit program remains problematic.

The same situation exists with the **energy sector agreements**. The parties underlined the importance of Ukraine's gas transportation system (GTS) to the EU member states during the Summit. The EU is ready to continue the support of Ukraine's GTS modernization program and intensify a dialogue between Kyiv and international financial institutions in order to provide loans for realization of the first priority transit project called "Reconstruction of the linear structures of the pipeline "Urengoy - Pomary - Uzhgorod (the first stage)".

Determining priorities for cooperation in 2013 could be considered as another common achievement of the Summit. The priorities include completing negotiations for the Agreement on a Common Aviation Area and putting into force the Agreement on Amendments to the Visa Facilitation Agreement signed on July 23, 2012. The leaders also exchanged views on international and regional issues, particularly in the context of Ukraine's chairmanship of the OSCE.

Political motivation of the EU-Ukraine Summit did not become nonsense in the context of Ukraine's approach towards the European institutions. Stressing that Ukraine will not be alone in its 'aspirations' while carrying out a long list of tasks and implementing the necessary requirements, Brussels has defined a rigid time limit for these processes to be accomplished. It's difficult to meet all deadlines, but it's possible. So realization of the declared goals through a common manifestation of political will and concrete actions of the national government is still the only 'stumbling block' on Kyiv's path towards European integration.

UKRAINE – NATO



KEY THEME ANALYSIS

NATO Secretary General Anders Fogh Rasmussen Annual Report for 2012 and Ukraine

For over 60 years North American and European countries have been cooperating in order to defend freedom, security and prosperity in the world. The solidarity that unites the two continents, the embodiment of which is NATO has helped to establish an unprecedented period of peace and stability. In his **Annual Report on the work performed in 2012** released on January 31, 2013 NATO Secretary General Anders Fogh Rasmussen has stressed that in 2013 the member countries must continue to display that same solidarity, commitment, and foresight, in order to sustain their strength and their success.

While analyzing NATO activities in 2012, the Secretary General focused on several priority areas, within which the organization's member countries and their partners conducted active work under the Alliance's auspices. Thus, the '**NATO operational priorities**' included the organization's activities in Afghanistan and Kosovo, its anti-piracy cooperation and providing assistance to Turkey.

In particular, while analyzing the activities of NATO and its 22 partner countries participating in the International Security Assistance Force (ISAF), Anders Fogh Rasmussen mentioned that the forces preserved a strong commitment to the future of Afghanistan with the ISAF mission's fundamental goal to prevent the country once again becoming a safe haven for terrorists and terrorism. It was pointed out that at the Chicago Summit in May 2012, the parties renewed their commitment to a sovereign, secure and democratic Afghanistan and agreed that their current combat mission would be completed by the end of 2014, when the Afghan partners will have assumed full responsibility for the security of their country. The Alliance engagement would then enter a new phase. The organization is already planning a new NATO-led mission from 2015 to train, advise and assist the Afghan security forces. Throughout 2012 the Afghan National Security Forces and ISAF managed to dislodge the rebels further away from highly populated areas, aiming to thoroughly isolate them. As a result, 80% of all anti-civilian attacks occur in regions with only a 20% share of the population. Nearly 50% of all attacks in the country are committed in 17 districts, being home to only 5% of the Afghan population.

Within the analysis of **NATO activities in Kosovo**, it was noted that during 2012 the main purpose of the KFOR was to continue building a peaceful, stable, multi-ethnic Kosovo society. However, the overall level of security is still affected by

corruption, organized crime and a lack of economic development, especially in the northern part of Kosovo. Throughout the year NATO has held special operational reserve forces in Kosovo to be able to immediately respond to potential incidents and secure freedom of movement.

The report has also declared certain progress in the **combating piracy sector**, with 2012 criminal activity being significantly decreased compared to previous years. Achieving this result has contributed to the NATO operation 'Ocean Shield', and the missions of other international organizations, including the European Union (Operation 'Atalanta') and the activities of the United naval forces led by the U.S.. The alliance has decided to extend the operation to combat piracy at least until the end of 2014.

It was stated that due to the difficult situation on the south-eastern border of NATO and regular **violations of the state border of Turkey** in the second half of 2012 on December 4, 2012 the Alliance's Foreign Ministers decided to deploy 'Patriot' anti-missile batteries in Turkey in order to protect Turkish people and promote de-escalation of the crisis along the border countries. Due to the realization of the **NATO Force 2020** program the contemporary Alliance forces are significantly different from its twenty years' prescription forces. Multinational rapid reaction formations combining heavy and light weapons have changed the heavily armed national forces which had been used during the 'Cold War'.

The Annual Report clearly confirms (see the '**Economic hardship**' section) that NATO countries spend more than a half of all global funds allocated for defense, while the money spent by allies is becoming increasingly uneven - not only between North America and Europe, but also among the European Allies as well. In addition, recent total NATO defense expenditures have declined, while defense spending of the world leaders and rapidly developing countries are invariably increasing. Only four member states spent over 2% of GDP on defense in 2012, and only five states directed more than 20% of the total defense spending for purchasing modern equipment and technology. 22 countries spent less than 20% of the defense budget for investment in defense capabilities, 9 of which spent less than 10%.

If these budget trends continue, NATO could possibly face three serious problems. *Firstly*, there is a risk of deepening differences between the EU countries. *Secondly*, there is a risk of a deepening transatlantic 'gap' that can also weaken the United States' political support for the Alliance. And, *thirdly*, new potential world leaders may appear to have more capabilities to influence events and to act in the international arena. Accordingly, during 2012 NATO was mostly concentrated on overcoming these deficiencies.

While dealing with the 'smart defense' issues, the necessity of the first 22 projects' realization approved by the member states during the NATO Summit in Chicago was particularly stressed. The projects include working out the universal interface for NATO forces; maritime patrol aircraft fleet; multinational medical and therapeutic facilities and mobile modular airfields.

Analyzing the work done in the '**Missile defense**' sector, the Secretary General said that the organization is now actively working on improving the current mechanisms of command and control, deployment of the missile defense system components offered as contributions of the member states, which include the U.S. forward-based radar, as well as deployment of the U.S. surface ships 'Aegis', capable of withstanding ballistic missiles in the Mediterranean, and a number of other means proposed by other Allies. In addition, the Annual Report has separately dealt with the importance of creating the '**Alliance Ground Surveillance Systems**', '**Joint Intelligence, Surveillance and Reconnaissance**' as well as the development of the '**Connected Forces**

Initiative’ that are called to give the Alliance an opportunity to obtain the necessary information, share it and then interact at the appropriate level.

As far as the **‘Reforming NATO’** field is concerned, it was noted that the reform of the internal structures is an integral part of on-going transformation. In 2012, the emphasis was particularly put on reforming NATO agencies, International Secretariat and International Military Staff. The reform of military command structures is held as well.

The **‘Enhancing cooperation in confronting new security challenges’** report subsection is the only place in the document to mention NATO-Ukraine cooperation. However, it is mentioned not in the context of its participation in military operations led by NATO or in the line of importance of partnership with our state. Ukraine, along with Uzbekistan, was most likely mentioned as a pariah country pleading the Alliance to assist in its military education improvement program. Thus, Ukraine has fallen off the NATO list of perspective and priority countries. These days the **‘Commitment to the open door policy’** applies only to the four official candidates for membership: Bosnia and Herzegovina, Georgia, Montenegro and Macedonia. Ukraine also remains a purely pragmatic **‘secondary’** partner, occupying a marginal place in the Euro-Atlantic security architecture.



FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

President Viktor Yanukovich's visit to Turkmenistan as an attempt to resume gas sector cooperation

On 12-14 February 2013 the President of Ukraine undertook a state visit to Turkmenistan. During the visit eight documents were successfully signed. Given the typical character of the agreements reached during the visit, experts' main attention was paid to the 'gas' memorandum providing for the deepening of cooperation in the oil and gas sectors as well as restoration of the supply of Turkmen gas to Ukraine. This decision was immediately positioned in the line of the policy of diversification of gas supply sources and, consequently, reduction of the monopoly of dependence on Russian supplies of the fuel.

This idea is not a brand new one, though it has acquired certain new aspects. The idea is to obtain gas from Europe by the reversing principle, in particular from German company RWE while importing gas through Turkish LNG-terminals through the territories of Bulgaria and Romania. Another possible option is the development of Ukrainian shale gas. Therefore, it is quite natural to speak about the intentions in the line of recent statements on energy diversification.

However, the export of Turkmen gas is possible only through Russian pipelines. In the case of its implementation, the price for gas will be about US\$ 390 per 1,000 cubic meters, while these days Ukraine has to pay US\$ 420 per 1,000 cubic meters of Russian gas. It was the very eastern neighbor of Ukraine that signed the agreements with all Central Asian gas suppliers in 2002-2003 for the purchase of surplus cubic meters, which could be exported by these countries. Despite its commitments, Russia annually buys only 10 billion cubic meters of Turkmen gas, instead of the promised 40 billion. So for the latter the abovementioned agreements with Ukraine were also an attempt to force Russia to comply with its obligations, diversify its own gas exports through the supply of fuel to Ukraine and Europe, and become a strong competitor in the global gas market.

However, whether Russia itself is interested in it is a big question, particularly in the line of its monopoly in the Ukrainian gas market, and hence the opportunities for economic and political pressure on the Ukrainian leadership. According to the experts, such an agreement (i.e. to supply Turkmen gas to Ukraine) is quite possible, but under conditions of formation of a bilateral Ukrainian-Russian consortium for control of the domestic gas transporting system, with the Russians dominating all the leverage and exclusion of the European party with its transparent market rules. However, this is not

suitable for Ukraine at all. Therefore, given the ephemeral nature of Russian agreement for Turkmen gas transit, all diversification plans can only be considered as an attempt to bring down the price of Russian gas, with a strong possibility of failure.

As far as Ukrainian-Turkmen agreements to restore supplies of natural gas to Ukraine are concerned, one can envisage two possible scenarios. The **first** scenario interprets the document as a mere memorandum of unreasonable expectations, not possible to be implemented, though attempting to make Russia reduce the gas prices. The **second** one sees it as an embodiment of the state policy aimed to diversify the energy sources and reduce energy dependence on one supplier and, hence, diminish political pressure from Russia in the context of Ukraine's economic interests and its national security. It is clear that the second option is more desirable than the first one. However, only time will tell.

Summing up, it should be stressed that the visit of the President of Ukraine Viktor Yanukovich to Turkmenistan was essentially aimed at deepening cooperation between the two countries in various spheres. It will certainly contribute to the implementation of Ukrainian security and economic interests in the region. However, the implementation of these agreements and, thus, securing of national interests depends on the political will of the Ukrainian leadership as well as the policies of contractors, including Russia.

