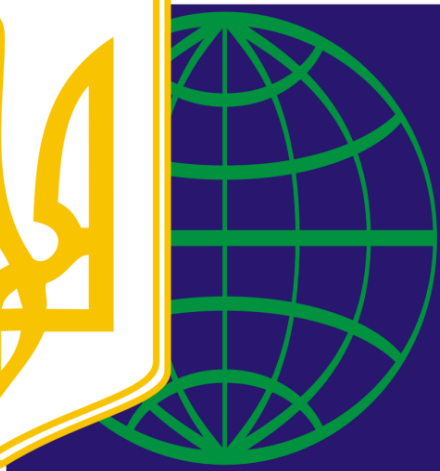


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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

THE EUROPEAN UNION CONTINUES TO SHOW ITS FOCUS ON THE ASSOCIATION AGREEMENT WITH UKRAINE

In late June, Ukraine's European integration direction was lobbied by Prime Minister Mykola Azarov. On the one hand, it may be surprising – given some of his recent statements in support of the expansion of cooperation with the Customs Union. On the other hand – it inspires certain optimism, because the Prime Minister by virtue of its powers and duties can finally move Ukraine's actions on the implementation of its commitments from a theoretical to a practical dimension. Mykola Azarov took part in the meeting of the EU – Ukraine Cooperation Council in Luxembourg, and later – met with representatives of the European Parliament Monitoring Mission Aleksander Kwasniewski and Pat Cox.

The main outcome of the meeting of the EU - Ukraine Cooperation Council in Luxembourg on June 24 was a compromise on making some changes to the agenda of the Association Agreement. Kyiv has promised to adopt a law on the Prosecutor General's Office; to reform the Criminal Code and the law on the police in close cooperation with the Venice Commission and the Council of Europe; to make some changes to the electoral law, in particular with regard to ensuring a balanced access of electoral stakeholders to the media. In return, Brussels withdrew the request to conduct a comprehensive review of the law on the National Bank of Ukraine; promised to ensure implementation of the EU Budget Support Programme in the elimination of technical barriers to trade¹.

Mykola Azarov's statements after the meeting of the EU – Ukraine Cooperation Council demonstrate Ukrainian authorities' awareness of mandatory nature of implementation of the commitments: "We also recorded the work to be done before the summit in Vilnius. Mostly it is the legislative basis for the reforms of justice, electoral law, and practice of law." The last words are **probably related to Yulia Tymoshenko and show some progress in the official Kyiv views on the possibility of solving this problem**². In this context it is necessary to consider Government Agent before the European Court of Human Rights Nazar Kulchytsky's

¹ Повестка пришла. Украина и ЕС согласовали список необходимых реформ.
<http://www.kommersant.ua/doc/2219798>

² Азаров запевняє, що Фюле однозначно хвалив його і Януковича. <http://tyzhden.ua/News/83030>

statement that Ukraine sees no grounds for challenging the decision of the European Court which declared the arrest of Tymoshenko unlawful³.

An interesting initiative, which may be considered as an alternative to the Moscow initiated Customs Union, was presented by Estonia. On June 24 at the meeting of the EU countries Ministries for Foreign Affairs in Luxembourg, Minister for Foreign Affairs of Estonia Urmas Paet said that at the Vilnius Summit **Estonia intends to offer to the Eastern Partnership countries creating of a common economic space with the EU.**

The EU serious consideration of the possibility of signing the Association Agreement with Ukraine was evidenced by **Minister of Foreign Affairs of Germany Guido Westerwelle's visit to Kyiv.** The Minister did not hide from the media that one of the key themes of his talks with Viktor Yanukovich was the possibility of Yulia Tymoshenko's medical treatment in Germany. The German side stated that it is "ready to make a constructive contribution to this case."⁴ Obviously, if this influential European politician had not seen the prospects for signing the Association Agreement with Ukraine, he would not have chosen to spend time examining the state of implementation of Kyiv's relevant commitments.

With regard to the issue of European integration, **current international situation, namely cooling of Berlin relations with Moscow and Ankara, can favour Kyiv in a certain way.** Against a background of Berlin and Moscow being at loggerheads over returning to Germany the artworks taken out after the World War II (which is why Merkel refused to visit St Petersburg's Hermitage museum exhibition with Putin), political value of Kyiv's position is increasing, taking into consideration the fact that in late June Kyiv returned 713 books taken to the Ukrainian SSR from the Museum of Sugar Library in Berlin. Germany's tough stance on power dispersal of protesters in Turkey and weakening of the latter's prospects for European integration may be somehow compensated for by softening the attitude towards Ukraine, which, despite the setback, still looks relatively more European and free country.

However Kyiv should not overestimate the expectations the EU has regarding the signing of the Association Agreement with Ukraine in November 2013. Contrary to the existing opinion, in case of failure to sign the Agreement with Ukraine Vilnius Summit would anyway not be regarded by the EU as a failure. After all, initialling of the association agreements with Moldova, Georgia and Armenia is planned at the Summit. The next year, the EU plans to start talks with Serbia regarding its accession, and with Kosovo – about the Association Agreement. Certainly, all these countries together have less political and economic weight than Ukraine, though not very successful Turkish European integration experience so far demonstrates that the EU is more focused on compliance with European values than market capacity and economic potential.

Kyiv tactics of "play for time", which left so little till the Vilnius Summit, irritates even the most loyal to Ukraine politicians. Minister of Foreign Affairs of Poland *Radoslaw Sikorski stated that the signing of the Association Agreement between the EU and Ukraine in November in Vilnius appeared "threatened" because Ukraine does nothing to reform the electoral system and the Prosecutor's Office:* "So today the conclusion can only be one: **Ukraine is not ready to sign the Association Agreement.**" Radoslaw Sikorski urged Kyiv to not expect that it would be possible to settle everything by adopting needed laws just days before the Vilnius Summit is held.

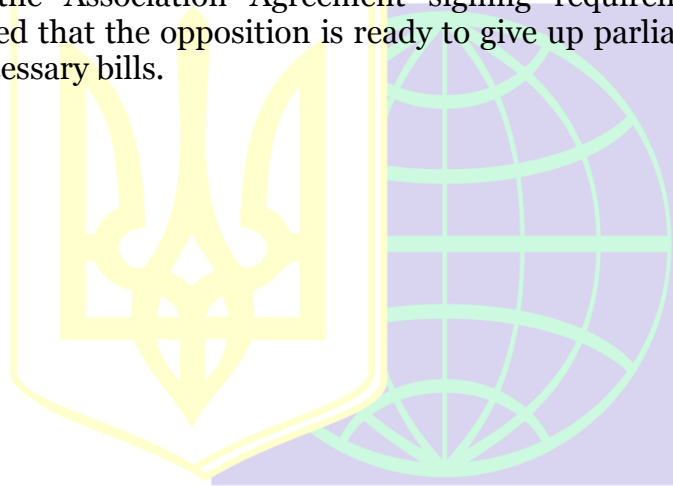
³ У Азарова не хочуть оскаржувати рішення Євросуду по Тимошенко.
<http://www.pravda.com.ua/news/2013/06/26/6993050/>

⁴ Глава МЗС Німеччини обговорив з Януковичем виїзд Тимошенко.
<http://www.pravda.com.ua/news/2013/06/21/6992767/>

The Minister announced the “deadline” to be the end of summer: “I urge: Ukraine has time till the end of summer if it wants to sign the Association Agreement in Vilnius”⁵.

It seems that some of the representatives of Ukrainian authorities still do not understand the mechanisms of the European Union relying by the old habit more on interpersonal arrangements rather than fulfilling Ukraine’s commitments. This is one of the major problems in mutual understanding between Ukrainian officials and their European counterparts. *Post-Soviet political thinking assumes that all important decisions are made through the behind-the-scenes arrangements* (as, for example, it was during the signing of the Memorandum between Ukraine and the Eurasian Economic Commission). So to this day ***the official Kyiv has made more efforts not to meet the requirements of the EU, but to gain personal support of leaders of European countries.***

Confrontation between the government and the opposition also prevents the Ukrainian parliamentary forces from focusing on the legislative work. Both camps act unconstructively and instead of the real legislative work compete in the ability to persuade their Western colleagues that it is the opposing party (government or opposition) who prevents the adoption of the decisions necessary for the signing of the Association Agreement. In late June, in this respect, there have been some positive developments: Yulia Tymoshenko called on all parties to the negotiating table to ensure the fulfilment of the Association Agreement signing requirements; and Arseniy Yatsenyuk announced that the opposition is ready to give up parliamentary vacation in order to vote for necessary bills.



⁵ Глава МЗС Польщі: Україна ще не готова до підписання угоди про асоціацію. <http://tyzhden.ua/News/82876>

UKRAINE – NATO



KEY THEME ANALYSIS

NATO leaves its door open for Ukraine as well

An important message on the NATO position on the prospects for Ukraine's possible membership in the Organisation in the future was made by NATO Secretary General Anders Fogh Rasmussen in Georgia June 26, 2013. In response to questions from reporters after a meeting of the NATO-Georgia Commission **Anders Fogh Rasmussen** said: "Neither Russia nor any other third country can intervene in NATO decision-making process ... We have repeatedly stressed that our doors remains open. **At the Bucharest Summit it was stated that Georgia and Ukraine will become members of NATO, if they have a desire and if they satisfy the criteria. Therefore, Russia will not decide who becomes a member of NATO.**"⁶

In this context, it is noteworthy that during meetings with current Ukrainian leadership NATO representatives have not mentioned the prospect of membership due to Kyiv's declared policy of non-alignment. At the same time, while in Georgia, and, accordingly, without the need to make diplomatic adjustments due to Kiev's political situation, Mr Rasmussen clearly reminded that the Alliance's door remains open both for Georgia and Ukraine.

Both Brussels and Kyiv's intention to develop close partnership without complicating its political component with raising the issue of membership is evidenced by the fact that collaboration is about not just some military aspects, but all the important issues of the Ukrainian state. Thus, during **a meeting of NATO-Ukraine Commission at the level of ambassadors in Brussels on 19 June, chaired by NATO Secretary General Anders Fogh Rasmussen** and attended by Head of the Department of Constitutional and Legal Modernisation of the Administration of the President of Ukraine Maryna Stavnichuk, in addition to Ukraine-NATO Annual National Programmes implementation some issues of the constitutional and judicial reforms in Ukraine, bringing the institute of prosecution to the European standards, meeting the criteria for signing the Association Agreement between Ukraine and the EU were discussed as well. The position of NATO on Ukraine's European integration is important, because most of the Alliance member countries are members of the EU, and *the political and legal criteria for Association with the EU are similar to the requirements for membership in NATO.*

⁶ Андерс Фог Расмуссен: «Не России решать, кто станет членом НАТО». <http://www.golos-ameriki.ru/content/georgia-nato-visit/1689789.html>

Ukrainian delegation also took part in the NATO conference on the prospects for strategic military partnership held June 25-27 in Stockholm with the participation of delegations of 56 countries. In particular, they discussed the development of partnership since the Chicago NATO summit, prospects for cooperation with the Alliance after the International Security Assistance Force Mission in Afghanistan is complete. Ukraine's Armed Forces delegation at the conference was headed by Chief of the General Staff – Commander-in-Chief of the Armed Forces of Ukraine Colonel-General Volodymyr Zamana.

Ukraine's cooperation with NATO countries on a practical level is traditionally aimed at improving interoperability and facilitating reforming of the Armed Forces of Ukraine. In this context, in June military transport aviation pilots of the Air Force of Ukraine performed tasks of the joint Ukrainian-Danish operation "Northern falcon – 2013" transporting fuel to Greenland with military transport aircraft Il-76MD for three weeks. Due to the operation, Ukrainian pilots were able to train in extreme conditions (temperature -50 degrees Celsius) and had a flying time over a hundred hours in the polar sky, completing 45 flights from the U.S. Air Force airbase "Thule" to the Danish polar station "Nord" on the island of Greenland. Without cooperation with the members of the Alliance, Ukrainian pilots hardly could have gained such a valuable experience, given the current level of funding for the national Armed Forces.



FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

Moscow's Pressure on Kyiv to join the Customs Union is increasing

Fearing that in case the Association Agreement with the EU is signed in November 2013 Ukraine's reintegration opportunities are lost to Russia, Moscow increased its pressure on Kyiv. Chairman of the Eurasian Economic Commission (EEC) Viktor Khristenko in an interview to Russian TV-channel "Russia 24" said that this year will be crucial for Ukraine in deciding on participation or non-participation in the Customs Union of Russia, Belarus and Kazakhstan⁷. In order to make the deciding for Kyiv "easier", Russia has taken a number of very aggressive steps, including:

- 1) EEC Trade Minister Andrei Slepnev stated that Russia and its Customs Union partners are discussing the possibility of appeal to the CIS Court to cancel the imposed by Ukraine protective measures on imports of motor vehicles;
- 2) Gazprom has blocked gas supplies from Slovakia to Ukraine, refusing to come to agreement about appropriate request for transportation;
- 3) Gazprom spokesman Sergei Kupriyanov stated that this year Gazprom will present Ukraine with a considerable bill for unused contracted volumes of gas, although the Company still will not resort to arbitration on the matter⁸;
- 4) Head of Gazprom Alexei Miller has discussed with First Deputy Prime Minister of Belarus Vladimir Semashko the opportunity of a speedy construction of the pipeline "Yamal-Europe 2" bypassing Ukraine.

At the same time, Russia does not refuse to continue the policy of economic neo-colonialism, expressing through the mouth of its ambassador to Ukraine Mikhail Zurabov its interest in being involved in the consortium planned to be created if JSC Odessa Port Plant and JSC Turboatom are sold.

In its intentions to ease its dependence on Russia, Kyiv holds great hope for the project of transforming Ukraine into a large energy hub – independently or in cooperation with the countries of Central and Eastern Europe (including with Slovakia and Austria). The Ukrainian side has engaged a large German energy market player – RWE Supply & Trading GmbH – in the negotiations on the implementation of the project and its possible formats.

⁷ У Митному союзі Україні нагадали про необхідність визначитися з "угрупованням".
<http://tyzhden.ua/News/82770>

⁸ «Газпром» заявив про намір виставити Україні рахунок за недобір газу й цього року.
<http://www.radiosvoboda.org/articleprintview/25029128.html>

It is in the context of Ukraine's transformation into an energy hub, obviously, one should understand Minister of Energy and Coal Industry Eduard Stavytskyi's words regarding intentions to increase the capacity of Ukrainian underground gas storage facilities more than twice their current capacity – up to 75 billion cubic meters. In particular, the possibility to expand the capacity of existing storage facilities from 32 to 55 billion cubic meters and build new ones to have additional 10-20 billion cubic meters is considered⁹. Implementation of this project will definitely help increase European gas traders' interest in cooperation with Ukraine, strengthen the position of our country as a reliable energy supplier (that would weaken the argument of bypass pipeline projects supporters), enhance our bargaining power at negotiations with Gazprom on gas prices and tariffs for gas transportation.

Ambiguous in terms of intention to draw Ukraine into the Customs Union became the visit of President of Belarus Alexander Lukashenko to Kyiv. On the one hand, Alexander Lukashenko said that Belarus “really wants to see Ukraine in the Common Economic Space and the Eurasian Union.”¹⁰ There is nothing strange in that statement, because Belarus is objectively interested in promoting its products to the Ukrainian market, and it is likely it would like to have another partner in the Customs Union in order to “dilute” the Kremlin's monopoly power in the union a little bit at least. On the other hand, *the President of Belarus brought to Kyiv long-awaited ratification instruments of the border treaty* what Advisor to the President of Ukraine Andriy Goncharuk rightly called the next step for Ukraine in implementation of the Action Plan on visa liberalisation with the European Union. Of course, in exchange for ratification instruments Lukashenko has obtained some economic concessions, but we should not neglect another factor – *Belarus is interested in maintaining a good trade and political relations with Ukraine in case Kyiv signs the Association Agreement with the EU as well*. Indeed, in this case, it is Kyiv to be a window for banned from travel to European countries Lukashenko to maintain liaisons with the EU, having some room for manoeuvre.

⁹ Україна збільшить потужності підземних сховищ газу. <http://www.pravda.com.ua/news/2013/06/25/6992924/>

¹⁰ Лукашенко обіцяє демаркацію кордону і кличе в Митний союз.

http://www.bbc.co.uk/ukrainian/politics/2013/06/130618_lukashenko_ukraine_it.shtml