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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS: *Parliamentary elections effect on Ukraine's relations with the IMF and EBRD*

During the years of independence a sufficiently close relationship between Ukraine and international financial institutions was formed on the basis of not only economic but also political undertones. It should be noted that financial institutions that have the greatest potential for Ukraine's cooperation (given the low cost of their borrowings) are the International Monetary Fund (IMF), the World Bank (WB) and the European Bank for Reconstruction and Development (EBRD). Now, with the parliamentary elections passed, the most urgent need is to restore Ukraine's cooperation with the IMF under the stand-by arrangements.

As you know, the relationship between the IMF and Ukraine has progressed through several stages since the September of 1993, when Ukraine became the 168th member of the Fund and received a formal right to join the World Bank Group. The same day the country became the 167th IBRD member. During the years of its cooperation with the IMF Ukraine has acquired a good reputation and a relatively good rating in comparison with other countries, thus the further development of the relationship seems quite perspective. Information stating that the relations with the IMF can possibly get under the threat due to pre-default conditions of Ukrainian economy is somewhat exaggerated. According to the Ministry for Finance of Ukraine, the country's recent external debt is moderate with a slight tendency to decrease.

New parliamentary opposition, which obviously would be the democratic minority, has not formulated its clear position as for cooperation with the IMF yet. However, in government circles there are two viewpoints on cooperation with the IMF. The first standpoint proves that Ukraine could possibly do without the IMF funds and cope with the difficult economic situation by itself. This way the country will be able to keep rates on public utilities at a sustainable level and to refrain from increasing the price for gas for households. According to Ukrainian Prime Minister Mykola Azarov, Ukraine had managed to do without the IMF loans for two years and would restore borrowings only provided it would make for the national economy development and would not harm the country's population. M.Azarov also stressed that the conditions imposed by the IMF regarding the gas tariffs for households are unacceptable for Ukraine.

Another position is that cooperation with the IMF should be immediately resumed as funds provided by the IMF are the prerequisite for further development and prosperity of our country. This way the negotiations as for resumption of cooperation with the IMF and continuation of the stand-by arrangements, according to the First Vice Prime Minister of Ukraine V.Khoroshkovskiy, will be revived after the elections. He believes the issue of calling for new IMF loans is not timely at the moment. During his

official visit to Tokyo the National Bank of Ukraine's head S.Arbutov said that the cooperation program can be continued immediately after the parliamentary elections, if agreement is reached. He also mentioned that the negotiations between Ukrainian and the U.S. officials were followed with the IMF decision to send a technical mission to discuss the loan.

According to the IMF, the Fund's Resident Representative in Ukraine M.Alier reported that "in the context of the ongoing cooperation with the National Bank of Ukraine, in October 26 - November 2 term the IMF technical mission of experts would come to Kyiv". The IMF technical mission in Ukraine has already completed its work. Moreover, the Fund reported that the technical mission results would not be published.

Director of the IMF External Relations Department G.Rice said that the fund has not discussed the restoration of cooperation with Ukraine yet. The mission discussed the government's program to reform the financial sector, including the measures taken by the authorities to address the issue of loans not being serviced, to create more favorable conditions for banks lending as well as reform priorities for 2013.

Obviously, the *IMF will wait for declaration of West formal assessment of the parliamentary elections in Ukraine, and depending on the declaration results will adjust its cooperation with official Kyiv.*

UKRAINE – NATO



KEY THEME ANALYSIS: *Despite the criticism of the elections conducting, NATO maintains the existing relationship tone with official Kyiv*

While considering the issue of democratization of neighboring countries and discussing the possibilities and limits of further cooperation with these partners, **during its 58th session (9-12 November 2012) NATO Parliamentary Assembly (PA) held in Prague urged Ukraine along with Russia and Belarus to investigate the violations that took place during the parliamentary elections in these countries.** And despite the fact that the resolution entitled “The Future of Democracy in the Eastern Neighborhood” (referring to member states of the Eastern Partnership program), being passed by the gathering, discussed the nuances of the electoral vote of all states, it was the voting in Ukraine being evaluated as ‘a well-conducted polling process’. But, of course, this estimation is too low compared with the candidate for the Alliance membership - Georgia. This country was paid much attention in certain provisions of the document, stressing out the ‘achievements’ in the conduct of democratic elections in the country. And even though the NATO Parliamentary Assembly calls on the new government of Georgia to refrain from politically motivated arrests, to continue the reforms and ensure the ‘effective coexistence’ till the presidential elections in October 2013, the Alliance puts on consideration of granting Georgia a Membership Action Plan.

Therefore, the application of a ‘good conduct’ of Ukrainian elections looks like a simple politically motivated language formula, as all the comments and, especially, the fact that our country was placed on the same level with Russia and Belarus, force the local officials to think about the requirements of NATO and, most importantly, the elections consequences regarding the foreign policy of official Kyiv in the future.

Making its resolution public, the PA participants, *firstly*, encouraged Ukraine, Belarus and Russia to implement the recommendations by ‘competent international organizations’ who observed the election process in these countries. Particular concern was expressed as for limiting the civil rights of activists, of a free press as well as discrepancy between the recent elections in Belarus, Russia and Ukraine and international standards. *Secondly*, the PA participants highlighted the problems in the majority districts in Ukraine and expressed concern over increasing number of violations after the October elections. *Thirdly*, the document calls for Ukraine, Belarus and Russia to immediately release ‘political prisoners’ and to strengthen the rule of law, though without naming names of these persons. *Finally*, the Assembly called on Ukraine through some concrete actions to confirm its international obligations and continue to implement genuine democratic reforms. While emphasizing their demands,

NATO Parliamentary Assembly sought to “redouble efforts in supporting the democratic aspirations of the people in the Eastern neighborhood in full respect of the sovereignty of Belarus, Georgia, the Russian Federation and Ukraine”.

Indeed, taking into account the fact that the United States as a leading player in the Alliance at the time after the Soviet Union collapse invested heavily in Ukraine for it to become a member of NATO, at the moment they would not prefer to see our country ‘slipping’ to the Russian model of pseudo-democracy apparently possessing elections, parties and candidates, but actually enjoying less and less real competition. However, the October elections were actually ‘best organized’ in a special post-Soviet style. The style is being followed by Russia and other countries of Eurasia. As their conduct is not characterized by not some technology issues, but rather reluctance or inability to use fair procedure that could open the system for those being a source of law in a democracy – citizens creating a nation. Both the use of administrative resources and the lack of media objectivity did not prevent citizens to fulfill their constitutional duty and come to the polls.

However, concern over the lack of openness, transparency and timeliness, which was typical for the counting procedure and the fact that not all election participants were given equal opportunities, negated technically satisfactory voting process. And in this sense, NATO member states, being simultaneously members of the EU, constantly stress that the quality of Ukrainian elections allows Brussels to give / not to give the green light the Association Agreement with Kyiv, which is frozen since December 2011.

They probably do not tend to worry over excessive pessimism within NATO PA. Having thrust certain requirements upon Ukraine, drawing its attention to the implementation of democratic reforms, NATO is not going to break relations with Kyiv, since the latter is extremely important partner for the West almost in all peacekeeping operations and missions. Thus, parliamentary elections are not too related to the military aspect of Ukraine’s cooperation with NATO, because the latter leaves the right ‘political accusations’ to the EU continuing its cooperation with official Kyiv and trying to help the latter to remove the existing ‘negative manifestations’ in a society.

Accordingly, ***in its relations with NATO official Kyiv managed to maintain the existing level of tone***, because, *first*, a new Parliament was not declared illegitimate. Instead, on 27th October 2012 the European Parliament by a majority of votes at the session in Strasbourg passed a resolution, which considers the parliamentary elections in Belarus illegitimate, which took place September 23, 2012. *Secondly*, Ukraine was able to avoid the international isolation, being promised by West representatives in the case of opaque rigged election.

Summing up, *one can state that, despite the fact that Ukrainian parliamentary elections of 2012 have disappointed NATO PA, the latter “hopes that this disappointment will only encourage a new Parliament to provide the necessary legislative changes to ensure democracy”. Moreover, it is unfairly to speak of a complete reorientation of NATO toward anti-Ukrainian policy. Continuing to consider our country as a loyal and reliable partner in the conduct of its foreign policy, the Alliance having ‘reproved’ official Kyiv for conducting not too transparent elections, said that in the future it would work with a new Parliament of Ukraine to avoid these negative manifestations. However, the official authorities should reflect on the comments of NATO in order (taking into consideration the EU frustration against its policies) simply not to lose the Euro-Atlantic community support.*

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS: Election of the President of the United States - 2012 and prospects of relations with Ukraine

On 6th November 2012 the United States elected a new President. Ukraine was watching the U.S. presidential elections closely as both presidential candidates have presented a fundamentally different vision of the main provisions of the U.S. foreign policy.

When *Barrack Obama* was running for presidency for the first time *in 2008*, he was talking about a restart of relations with Russia. This made Ukrainian experts believe that Obama had allegedly sacrificed Ukraine. The U.S. President Administration indifference was somehow broken by Tymoshenko's imprisonment. However, the situation regarding this issue was commented by the U.S. Secretary Hillary Clinton, not the President Barrack Obama. In addition, the position based on Tymoshenko's release does not contradict the interests of Russia itself. One of the best examples of the President Obama's indifference about Ukraine might be the fact that he failed to visit Kyiv during his first term in the office. Such a situation might repeat itself during his second term as well. Meetings of the two presidents could possibly coincide with the events on a global scale, such as regular sessions of the General Assembly of the United Nations.

Talking about economic relations, one should outline the fact that during the election campaign in 2012 most countries, including Ukraine, were never put on the agenda. Pre-election promises were focused on domestic policy mostly. Extraordinary and Plenipotentiary ambassador of Ukraine Yuriy Shcherbak in one of his interviews has stated that after Barrack Obama's re-election Ukrainian-American relations would not change at all with Ukraine enjoying the 200th place in the list of priorities of the U.S.

In contrast, the former Ukrainian ambassador in the USA Oleh Shamshur said that America would continually perceive our country as an important country in Central and Eastern Europe, although relations between the two countries become less fruitful. Most likely, after holding the presidential elections the USA will pursue the same policies, in fact America will focus on specific projects and sectors. They are especially interested in the energy sector¹.

A striking example of this policy may be a project by the oil company Shell, which together with SC "Ukrgezvydobuvannya" in Kharkiv began the first well drilling while searching for natural gas in consolidated sandstones. This project is not of a very long-term perspective and should be implemented within several years. A possible scenario may be used with similar short- and medium-term USA projects in Ukraine in the future. However, it does not mean that such projects are not profitable and beneficial for Ukraine.

While outlining *the political sphere of mutual relations between the U.S. and Ukraine*, one should mention the resolution of the U.S. Senate assessing the actions of Ukrainian authorities concerning persecution of political opponents and speaking out against the curtailment of democracy and establishment of dictatorship in Ukraine. The U.S. Senate has separately addressed the U.S. government calling for application of personal sanctions towards

¹ Seryoznoho supernyka v Obamy ne bulo. - http://tvi.ua/seryoznogo_supernika_u_obami_ne_bulo.

people involved in political repressions. But the most important fact is that the resolution is advisory in its nature, although it was a good reason for Ukraine to think it over. However, one can not exclude the adoption of a new resolution that would be of a binding nature this time. Extraordinary and Plenipotentiary ambassador of Ukraine Yuriy Shcherbak while commenting the U.S. elections said that the U.S. policy towards Ukraine would become tougher and soon Ukraine could possibly get a resolution of a binding nature due to the events surrounding the parliamentary elections in Ukraine.

A statement by the U.S. Ambassador to Ukraine John Tefft appeared to be a quite important event after the presidential election. The Ambassador said that after the election “the United States will remain consistent” regarding democratic development, economic growth in Ukraine as well as domination of the rule of law². According to him, the U.S. will remain pragmatic in conducting its foreign policy. Thus, they will participate only in the projects they have their own interest in. Most likely, Obama has to take into account the mistakes that were made during his first term, namely the fact that it was very ineffective president in foreign policy. He failed to answer the calls from Russia and a reset policy appeared to be a failure. In turn, even if the United States shows some interest in Ukraine, the relationships will have to be built almost from scratch, as the interest has been lost recently by both sides. The agenda of bilateral relations has lost some crucial topics such as the problem of shared values, being enshrined in the Charter on Strategic Partnership. That is why, for the moment, a strategic partnership between Ukraine and the United States is not even being discussed.

Another important event for Ukraine was *a telephone conversation between a newly-elected President Barack Obama with the President of Poland Bronislaw Komorowski*. Besides proclaiming the Independence Day greetings, Obama has discussed the situation in Ukraine after the elections. They have also discussed the prospect of Ukraine’s rapprochement with the West. This conversation proved to be another confirmation of Poland’s adherence to Ukraine. President Komorowski sticks to position of the slightest criticism of Ukraine, considering strong criticism unproductive. He believes that such criticism limits Ukraine’s cooperation with European countries. Belarus could be perceived as an example of vainness of such rigid criticism. So Komorowski has tried to get Barack Obama interested in establishing cooperation with Ukraine not only in the economic sphere, but also in the political one. Moreover, the cooperation with the U.S. can help Ukraine in its quest for democratic values.

Consequently, relations between Ukraine and the United States after the presidential elections in the United States **will hardly change** for two main reasons. **Firstly**, Barack Obama is focused primarily on the U.S. domestic policy, and the country’s external focus will be riveted to the Middle East, Afghanistan, relations with China, and certainly with Syria. Ukraine is not to be found on the agenda of the United States of America. **Secondly**, Ukraine, in its turn, expresses no interest towards establishing relations with the U.S. Experts believe that Obama’s reset policy has actually transferred Ukraine in the sphere of influence of Russia at the request of the latter, thus, Ukraine was sacrificed for the sake of settling relations with Russia. Thus, the most important issue for Ukraine is the cooperation with Russia and the European Union, while the United States is practically not mentioned among Ukraine’s foreign policy vectors. Thus, the relations between Ukraine and the United States continue to remain cool, neutral and interested only in certain planes and spheres.

² John Tefft: Posle vyborov v USA politika v otnoshenii Ukrainy ne izmenitsia - <http://korrespondent.net/video/ukraine/1419828-dzhon-tefft-posle-vyborov-v-ssha-politika-v-otnoshenii-ukrainy-ne-izmenitsya>