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UKRAINE – THE EUROPEAN UNION



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

During its 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 that the parliamentary elections have passed, the most urgent need is to restore Ukraine's cooperation with the IMF under stand-by arrangements.

As you know, the relationship between the IMF and Ukraine has progressed through several stages since September of 1993, when Ukraine became the 168th member of the Fund and received the formal right to join the World Bank Group. The very same day it also 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 promising. The claims stating that relations with the IMF can possibly be under threat due to the pre-default condition of the Ukrainian economy is somewhat exaggerated. According to the Ministry of Finance of Ukraine, the country's recent external debt is moderate with a slight tendency to decrease.

The new parliamentary opposition, which is obviously a democratic minority, has not yet formulated a clear position concerning cooperation with the IMF. However, there are two points of view on cooperation with the IMF among political circles. The first perspective proves that Ukraine could possibly do without the IMF funds and cope with the difficult economic times by itself. This way the country can keep public utilities rates at a sustainable level and refrain from increasing the price of 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 that it helps in the development of the national economy and does 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.

The second perspective says 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 for the resumption of cooperation with the IMF and the 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 head of the National Bank of Ukraine, S.Arbuzov 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, M.Alier, the Fund's Resident Representative in Ukraine reported that "in the context of the ongoing cooperation with the National Bank of Ukraine, on October 26 to November 2 the IMF technical mission of experts will 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 yet discussed the restoration of cooperation with Ukraine. The mission discussed a governmental program to reform the financial sector, including measures to be taken by authorities to address the issue of loans not being serviced, to create more favorable conditions for banks to lend, as well as reform priorities for 2013.

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

UKRAINE – NATO



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

During its 58th session (9-12 November 2012) the 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, while considering the issue of democratization of neighboring countries and discussing the possibilities and limits of further cooperation with them. 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), was being passed at the gathering, the nuances of the electoral vote of all states discussed. The voting in Ukraine was being evaluated as ‘a well-conducted polling process’. But, of course, this estimation is too low compared with Georgia, a candidate for the Alliance membership. A lot of attention was paid to Georgia in certain provisions of the document, stressing its ‘achievements’ in the conduct of democratic elections. The NATO Parliamentary Assembly calls on the new government of Georgia to refrain from politically motivated arrests, and to continue the reforms to ensure ‘effective coexistence’ until the presidential elections in October 2013 - the Alliance is considering granting Georgia a Membership Action Plan.

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

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. A particular concern was expressed regarding limiting the civil rights of activists, of free press as well as the 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 the 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 to confirm its international obligations and continue to implement genuine democratic reforms through some concrete action. While emphasizing their demands, the 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 after the Soviet Union collapsed, invested heavily in Ukraine for it to become a member of NATO, and would prefer not to see our country 'slipping' to the Russian model of pseudo-democracy apparently possessing elections, parties and candidates, but actually having less and less real competition. However, the October elections were actually 'best organized' in a special post-Soviet style. The style was followed by Russia and other countries of Eurasia. As their conduct is not characterized by technical issues, but rather the reluctance or inability to use fair procedures that could open the system for those that are 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 from fulfilling 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 a technically satisfactory voting process. In this sense, NATO member states, that are also members of the EU, constantly stress that the quality of Ukrainian elections allows Brussels to give / not to give the green light with regards to the Association Agreement with Kyiv, which is frozen since December 2011.

They probably do not tend to worry over excessive pessimism within the NATO PA. Having thrust certain requirements upon Ukraine, and drawing its attention to the implementation of democratic reforms, NATO is not going to break relations with Kyiv, since the latter is an extremely important partner for the West in almost 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 Kyiv and trying to help the latter to remove the existing 'negative manifestations' in a society.

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

Summing up, *one can state that, despite the fact that the Ukrainian parliamentary elections of 2012 have disappointed the NATO PA, the latter "hopes that this disappointment will only encourage the new Parliament to provide the necessary legislative changes to ensure democracy". Moreover, it is unfair to speak of a complete reorientation of NATO toward an anti-Ukrainian policy. The Alliance still considers Ukraine as a loyal and reliable partner in the conduct of its foreign policy, and has 'reproved' Kyiv for conducting not too transparent elections, and would work with the new Parliament of Ukraine to avoid these negative manifestations in the future. However, the official authorities should reflect on the comments made by NATO in order (taking into consideration the EU's frustration against its policies) 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.

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

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 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,

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>

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.