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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS: The 14th Session of the EU – Ukraine Cooperation Committee Leaves Uncertain the Perspective of Ukraine's European Integration

Entering into cooperation with the West, the Ukrainian State, first of all, strives to build a harmonious relationship with the European Union because in the opinion of the majority of Ukrainian officials this foreign political partner could radically change the nature of the domestic political course and, thus build a new network of democratic values. However, discussing the priorities for bilateral cooperation, the parties often do not agree on their views on the further development of these relations.

So, **on 15 November 2012 in Brussels during the 14th session of the EU – Ukraine Cooperation Committee** the parties discussed the priorities of the EU – Ukraine Association Agenda in the context of preparation for signing the Association Agreement. In addition, considerable attention was paid to visa issues, including completing the procedures for the Agreement on amendments to the visa facilitation agreement for citizens of Ukraine to enter into force, and the subsequent steps in the visa-free dialogue. During the meeting the participants also discussed issues on the activation of sectoral dialogues in order to deepen trade and economic and sectoral cooperation. The parties also exchanged views on collaboration in the justice, freedom and security, foreign policy, energy, transport, education and customs spheres. However, if the educational and scientific branch meeting of the relevant Subcommittee № 7 was successful, all the other issues were discussed very formally within the framework of the regular dialogue envisaged within the EU – Ukraine Agreement on Partnership and Cooperation.

On the one hand, the dialogue between Kyiv and Brussels was indeed continued, contradicting the skeptical predictions regarding the “freezing” of relations due to the EU’s concern over the parliamentary elections in Ukraine previously expressed. Thus, *on the other hand*, one cannot say that that the meeting was an important stage of the preparation for the EU – Ukraine Summit, the date of which so far remains unclear. **There may be several reasons.** The main one is the promise to talk about the Summit with the Ukrainian authorities only after democratic parliamentary elections and a transparent vote count. The other is the non-democratic development of our state and its actual refusal to consider EU advice on selective justice, human rights and the democratization of the country. In addition, the next Summit will be crucial for the fate of the EU – Ukraine Association Agreement.

So, **on 19 November EU Foreign Ministers discussed the situation in Ukraine after the elections** but for some reason did not approve any decision. However, for example, they were able to publish the Seventh report on the reciprocity in visa policy with third countries concerning the fast establishment of a visa-free regime

with Georgia and Moldova. Having given Moldova the opportunity to sign the Association Agreement with the EU, Brussels created an important stimulus for the Ukrainian authorities. Up until this moment it was more profitable for the European Union to procrastinate, saying that the Association Agreement with Ukraine would be signed in February or in summer or at the end of 2013, under the Lithuanian Presidency of the EU. Incidentally, the latter's authorities (along with the Czech Republic, Poland and Slovakia) advocate that the Association Agreement with Ukraine be signed at the Eastern Partnership Summit in November 2013 in Vilnius. In contrast, Sweden, Finland, Denmark and the Netherlands proposed freezing further work on the Agreement until Ukraine implements several strict criteria, including the freeing of Yulia Tymoshenko. The positions of France, Great Britain and Germany on this matter are still undetermined.

In addition, the current Members of the European Parliament do not rule out that the EU may impose sanctions against Ukrainian officials, similar to those the USA has imposed against Russian officials from the 'Magnitsky list'. Even hoping that Ukrainian officials soberly assess the situation and that there will be no such harsh measures, European functionaries believe that, during future discussions on the facilitation of the visa regime for Ukrainians, "they cannot bypass those who are responsible for selective justice in Ukraine". Accordingly, deciding to impose sanctions against some Ukrainian politicians, the EU will make them of a direct personal nature.

Another problem that the European Union worries about is the inability of the Ukrainian authorities to move closer to European legal standards for transparency of finance. Therefore, instead of the promised EUR 610 million of preferential loans to cover the state budget deficit and more than EUR 200 million of non-repayable financial assistance to support specific budget programmes, Brussels has expressed readiness to provide Ukraine with only EUR 16 million of technical assistance to improve border management, and EUR 20 million to reform sanitary and phytosanitary services. This situation may force the Ukrainian Government to become more responsible. Although, without the implementation of the so-called Zhynvalskiy criterion on the functioning of democratic institutions, respect for human rights and the rule of law, it seems that one can't expect drastic changes in EU – Ukraine relations.

Accordingly, one can discuss only the issue of the EU – Ukraine Summit. *The official date of the event will be announced at the next meeting of the EU Ministerial Council on 10 December 2012.* But one can hardly associate this event with the signing of the Association Agreement. European officials generally understand that the postponement of the Summit is an extraordinary event which cannot be justified by the 'cooling' of relations. This year even the Russian Federation is planning to have a second high-level meeting with the Europeans. Accordingly, there is a 90% probability that this event happens, but one can't predict the agenda of the Summit. Against a background of the not too democratic parliamentary elections, the persecution of individual politicians and the existence of selective justice in Ukraine, the future Summit will be somewhat frosty. So, one cannot expect that during this meeting the parties will reach any breakthrough solutions. The maximum possible is that Ukraine will reiterate that it has completed the legislative part of the Action Plan on visa liberalization.

Therefore, there is another round of uncertainty in EU – Ukraine bilateral relations. The procrastination over fixing the date of the Summit is a simple attempt to make a 'soft' demarche to the current Ukrainian authorities, to show that all is not well, and that many expectations of the West have not been met. However, soon Brussels is likely to get tired of pointing out to Kyiv its mistakes, leaving the joint projects of the formal relationship only on paper.

UKRAINE – NATO



KEY THEME ANALYSIS: Regarding the 9th Assembly of the All-Ukrainian Public Organization “Ukraine – NATO Civic League” and the Public Communication Strategy for Promotion of Ukraine – NATO Cooperation”

The combination of information and educational efforts of the community, state agencies and international organizations, as well as the experience and opportunities of the activities in the new environment of cooperation between Ukraine and the North Atlantic Treaty Organization became the key issues for public discussion during *the 9th Assembly of the All-Ukrainian Public Organization “Ukraine – NATO Civic League” held on 14 November 2012 in Kyiv* with the support of the NATO Centre of Information and Documentation in Ukraine, the Ministry of Foreign Affairs of Ukraine, the State Committee for Television and Radio Broadcasting of Ukraine and the Ministry of Defense of Ukraine. The Assembly was attended by 150 representatives of public organizations and state institutions, diplomats and military officers. Within the framework of the sessions the organizers held a video bridge with the NATO Headquarters in Brussels participated in by Dr. Petr Lunak, the Deputy Head of the Engagements Section in the NATO Public Diplomacy Division. He acquainted the Ukrainian participants with the practical aspects of NATO's public diplomacy and answered their questions.

In general, the work of the Assembly was directed towards discussing a new National Security Strategy for Ukraine and the Military Doctrine of Ukraine, as well as threats and challenges for our country. In that context, the participants considered the possibility of combining the information and educational efforts of the public, state agencies, and international organizations, and the experience and capabilities of activities in new conditions. In addition, these ‘new conditions’ of the non-block status of our country have become the major stumbling block in the work of the Assembly, as the representatives of the public and pro-Government figures have radically opposite views on the advantages of the status of the Ukrainian state in the international arena.

On the one hand, it was stated that the non-block status of Ukraine provokes encroachments on the Ukrainian economy and the state itself of third parties, because a non-block status is a kind of particular detachment and isolation, including isolation from aid, but not from threats. Moreover, this non-block status provokes more attacks on our country. The current multi-vector policy of Ukraine does not really give the country the opportunity to be more successful in a particular field. At the same time, the world's military spending has increased by 6% compared to last year. Accordingly, such a position establishes a situation in which NATO and Ukraine have to find new forms of further cooperation that would help our state to overcome the curse of the ‘grey zone’.

So, in this new environment Ukraine and NATO should develop a clear strategy for bilateral cooperation.

On the other hand, the representatives of the Government emphasized that the statements of some Ukrainian and Western politicians on the international isolation of Ukraine are untrue because our state actively collaborates with its strategic partners in various fields. First of all, it concerns NATO – Ukraine cooperation in the sphere of international security, that applies not only to the participation of the President of Ukraine in the NATO Summit in Chicago (May 2012), but also to a large number of international events attended by the President, the Prime Minister and the Minister for Foreign Affairs of Ukraine. Therefore, the dynamics of the practical cooperation between Ukraine and NATO is also extremely high.

However, such antagonism was tempered with the unemotional phrases of the NATO representatives who dotted all the i's and crossed all the t's. It was stressed that a Distinctive Partnership between NATO and Ukraine previously helped Ukraine to preserve, firstly, the Alliance's unwavering commitment to the independence, territorial integrity and sovereignty of Ukraine, and secondly, contributed to increasing the effectiveness of its own foreign and security policy. Accordingly, relations with NATO had a positive impact on domestic reforms in Ukraine, in particular, in the defence and security sector. So, because of NATO Ukraine was able to assert its image of a stable and reliable partner in the world, as well as of a contributor to world security.

It's interesting that such statements were made exclusively in the past tense. The only perspective achievement of the meeting became the presentation of the **“Public communication strategy for promotion of Ukraine – NATO cooperation”** elaborated on improving the awareness of Ukrainian society in Euro-Atlantic cooperation. The main objective of the paper was determined as the increase of the role of non-governmental organizations working in the security field and the improvement of the public awareness about the national security of Ukraine. It is obvious that in the absence of the relevant Governmental programme on informing the public, the realization of the information function should be undertaken by public organizations.

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS: Preparation for Ukraine's Entry into the Customs Union: Myth or Reality

Feeling the coolness of relations with the EU, the Ukrainian authorities are striving to make up for the lack of this relationship deepening collaboration with Russia, with which the national Government has many problems. Accordingly, **during the official visit of the Prime Minister of Ukraine Mykola Azarov to Moscow on 21 November 2012, the negotiations of the Ukrainian official with the Head of the Government of the Russian Federation Dmitry Medvedev focused on the topical issues of bilateral cooperation.**

Firstly, it was emphasized that both the President and the Government of Ukraine look forward to a constructive dialogue with the Russian Federation and the mutually beneficial partnership with it. *Secondly*, the parties discussed the agenda of the meeting of the Intergovernmental Committee for Economic and Trade Cooperation of the Ukrainian – Russian Intergovernmental Commission to be held in December 2012. However, behind closed doors the negotiators tried to identify how the states should act in the mutually painful sectors of energy and customs.

Against a background of the expressions of the First Vice Prime Minister of Ukraine Valeriy Khoroshkovsky at the First Conference of the Ukrainian National Platform of the Eastern Partnership Civil Society Forum that the issue of Ukraine's accession to the Customs Union of Russia, Belarus and Kazakhstan is 'illegal', Mykola Azarov made a step backwards assuring his Russian vis-à-vis that this position does not reflect the official opinion of the Ukrainian Government. Therefore, the parties again renewed their talk about the possibility of Ukraine joining this regional integration. It looks strange, because the Law of Ukraine "On Foundations of Domestic and Foreign Policy" of 1 July 2010 clearly establishes the course for European integration as mainstream in the foreign policy of Ukraine. That's why the statements that if the economic crisis in the European Union continues, Ukraine will have nothing to do there, are, basically, groundless. In case of joining the CU, there are no preconditions for the further formation of the FTA with the EU. However, taking into consideration the leverage of economic pressure so actively used by Moscow, the concessions of the Ukrainian Government seem to be a 'Pyrrhic victory'.

Its first part, of course, is **the energy tariffs**. It is known that in case of accession to the Customs Union Russia promises to reduce the price of gas to USD 160 per 1 thousand cubic metres. Such a discount is quite significant, but it is unknown how long this price will be held, due to the fact that Gazprom uses a policy of equal profits in relations with its partners selling gas to consumers (even in Russia) at a price which is proportionate to European consumers. Therefore, the maximum Russia might give is a

slight discount in the range of 10-15%, as is already happening with its European partners.

However, without joining the CU Ukraine does not even get that. It may try to achieve the true price via international arbitration, but the Ukrainian case is obviously futile. Gazprom also cannot reduce gas supplies because Naftohaz has cut imports of Russian gas by 6 billion cubic meters from the target amounts.

The next one is ***the regulation of the market for Ukrainian goods***. Stressing that the Customs Union is open to new members, Moscow avoided cancelling the Law on a 30% recycling fee on certain types of vehicles established on 1 September 2012. On 3 September the Ukrainian Government issued a Resolution introducing a recycling fee on Russian cars and buses. However, on 19 November the Cabinet of Ministers drafted a law on the collection of the utilization fee from all imported and manufactured automobiles.

The All-Ukrainian Association of car importers and dealers suggests that on 4 December the Verkhovna Rada of Ukraine could approve this document with amendments which would put importers under unequal conditions. Therefore, not only Russian manufacturers, but all world producers that supply vehicles to Ukraine will suffer in this situation. Taking into account that in September this year Ukraine appealed to the WTO with the intention of raising import duties on 371 merchandise lines, such a move may be an indicator of preparations for accession to the Customs Union. It could significantly affect overall exports from the EU to Ukraine, which are nearly EUR 2 billion per year. Furthermore, it does not correlate with the intention to conclude the Agreement on a free trade area with the EU. Accordingly, one can conclude that Ukraine is gradually refusing to cooperate with the Customs Union using the '3+1' formula but even now one sees that Russia actually uses it to cooperate with other countries (for example, it was agreed to start work on the Agreement on a free trade area between the Customs Union and Vietnam).

So, one cannot say that the Government of Ukraine is waiting for the Customs Union to start working. Ukrainian experts are carefully studying the formation of collective bodies of the Customs Union, as well as the economic processes in Ukraine and the CU countries. However, even if the Ukrainian authorities make a decision to join the Customs Union, the completion of the negotiations would take a year or a year and a half, because the parties should sign at least 17 economic agreements. *For the first time in the last five years one can observe the excess of Ukraine's trade with the CU over the volume of trade with the European Union in the ratio of 42 to 30 percent. Accordingly, the meeting of the premiers only proved the power of Russian pressure on Ukraine, and once again showed the foreign policy course of the domestic officials.*