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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

UKRAINE CONTINUES MOVING AWAY FROM THE EU

Despite the official statements of the Ukrainian officials, the relations between Ukraine and the EU continue to regress. The failure of the Vilnius summit dramatically undermined the credibility of the EU officials to the sincerity of the Ukrainian authorities. The events of recent weeks reinforced this distrust.

On the one hand, President Viktor Yanukovich and Prime Minister Mykola Azarov continue to assert that Ukraine's course towards European integration remains intact. On the other hand, current statements of the Ukrainian officials about the 'onerous' conditions of the Association Agreement and DCFTA¹ are in stark contrast with their own words two months ago, when similar terminology was used mainly by the Russian president's adviser Sergei Glazyev and by such outspoken proponents of the Customs Union as Viktor Medvedchuk and Valeriy Muntiyani. On December 13, at the round table 'Let's Unite Ukraine', Viktor Yanukovich said that the preparation of the Association Agreement and DCFTA had been made "with violation of the national interests of Ukraine", and officials, who had taken part in its preparation should be "removed from their duties at least, and may be dismissed."²

It is obvious that President Yanukovich meant the EU and U.S. representatives, when condemning "someone coming to our country and teaching us how we should live here". The Minister for Foreign Affairs Leonid Kozhara urged foreign officials to refrain from taking part in political processes in Ukraine, and reiterated once again that Ukraine did not need any mediation (the mediation was offered by the EU).

Positions of the EU officials on the future relations with Ukraine have divided. A part of them have lost their faith in the prospects of the dialogue with the current regime. Thus, *European Commission President Jose Manuel Barroso* said that after the talks with Viktor Yanukovich and Sergiy Arbuzov, that "the EU did not see any clear position of the Ukrainian government concerning the Association Agreement". Mr. Barroso said the Commission did not see any willingness of Kiev to sign an Agreement and hence it "did not find it necessary to hold the talks that had not been confirmed by a clear position of the partners."³ A similar position was taken by the European Commissioner for Enlargement and European Neighbourhood Policy Štefan

¹ Присяжнюк назвав умови угоди з ЄС кабальними. - <http://www.pravda.com.ua/news/2013/12/12/7006612/>

² Янукович: Ті, хто готував Угоду з ЄС, будуть відсторонені від роботи або зовсім звільнені. - <http://www.unian.ua/news/611816-yanukovich-ti-hto-gotuvav-ugodu-pro-asotsiatsiyu-z-es-budut-vidstononeni-vid-roboti-abo-zovsim-zvilneni.html>

³ Саммит ЕС не предложил Украине перспективы членства в Евросоюзе. - <http://www.itar-tass.com/mezhdunarodnaya-panorama/848789>

Füle, who said that signing of the Agreement was "postponed" until the appearance of the clear position of the Ukrainian side that the latter actually wants to sign it.

Position of the head of the European Parliament Martin Schulz is more balanced. He believes that "the EU should not terminate its relationship with the current government and with the people of Ukraine"; and "the door for relations with Ukraine should remain open." Martin Schulz considers that all the money, which Kyiv gets from Moscow, would be used during a year or two, so the EU should focus on the long term 'perspective' and "offer Ukraine a more promising way." Newly re-elected Chancellor Angela Merkel also said about "the open door for Ukraine".

The absence of the coordinated position of the EU on Ukraine was indicated by the fact that the Ukrainian issue was listed among the last items in the European Council Conclusions, adopted at the EU summit on December 20. There were only three common sentences on the Ukrainian issue: concerning the EU's readiness "to sign the Association Agreement, including DCFTA, with Ukraine, as soon as Ukraine is ready"; calling for "a democratic solution to the political crisis in Ukraine"; and emphasizing "the right of all sovereign States to make their own foreign policy decisions without undue external pressure".⁴ It should be noted that just a week before the European Parliament adopted a clear and concrete resolution, in which it criticized Russia for the 'unacceptable' pressure on Ukraine; criticized the Ukrainian government for the withdrawal from signing the Association Agreement and DCFTA at the last moment, and for the use of force against the peaceful demonstrators; urged the EU to support the involvement of the International Monetary Fund and the European Bank for Reconstruction and Development to provide financial assistance to help Ukraine.⁵

The sharp contrast between the documents adopted by the legislative and by the executive bodies of the European Union indicates that **the EU knows what it wants from Ukraine, but does not know how to achieve this.** Proposition of some European officials to wait a year or two, until Ukraine will spend all the Russian money, cannot be considered as a plan, it rather indicates the absence of the plan. During the year or two Ukraine may sign with the Customs Union a number of agreements, inconsistent with the Association and DCFTA with the EU. Calls of some European leader to stop contacts with the current Ukrainian authorities, and to resume negotiations on the Association with new authorities, after the presidential elections of 2015, indicate a lack of understanding of current political processes in Ukraine. Being left one-on-one with Russia, Ukraine might repeat the path of Belarus, where the elections are nothing more than a formality.

Given the apparent weakness and confusion of European diplomacy, **the United States decided to join the case, and the language of their representatives was less diplomatic.** On December 9, U.S. Vice President Joe Biden in the telephone conversation with Ukrainian President Viktor Yanukovich said that violence is inconsistent with the strategic relations between Ukraine and the United States. On December 12, U.S. Secretary of Defense Chuck Hagel in the telephone conversation called his Ukrainian colleague Pavlo Lebedev not to use armed forces against civilians. On December 10-11, Assistant Secretary of State Victoria Nuland visited Kyiv to meet the authorities and the opposition, as well as the oligarchs close to the authorities. On December 14-15, during their visit to Kyiv, Senators John McCain and Christopher Murphy warned that possible use of force will result in personal sanctions against the Ukrainian ruling elite. Senator McCain also said that the United States should cooperate with the IMF

⁴ European Council Conclusions. - <http://www.european-council.europa.eu/council-meetings/conclusions.aspx?lang=EN>

⁵ European Parliament resolution of 12 December 2013 on the outcome of the Vilnius Summit and the future of the Eastern Partnership, in particular as regards Ukraine (2013/2983(RSP)). -

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2013-0595+0+DOC+XML+V0//EN&language=EN>

and the EU to be ready to give Ukraine the financial assistance, necessary to overcome the short-term problems, related to the reforms or caused by Russia's actions.⁶

It is clear, that the Association Agreement and DCFTA between Ukraine and the EU will not be signed in the nearest future. **The EU will not make any concessions until it clearly understands whether the Ukrainian government intends indeed to sign the Agreement or it is just playing a 'game' in order to obtain from Russia the promised money and discount on gas. The unwillingness of the Ukrainian authorities to conduct a sincere dialogue with Brussels and Washington could force the latter to turn their backs to Kyiv. If the Ukrainian authorities lose a room for maneuver, the Kremlin's tone at the negotiations with the Bankova will become much more rigid.** On the other hand, the EU should understand that ignoring the Russian factor does not enhance the position of Brussels; and that promises of long-term economic recovery is not the answer, which may convince the Ukrainian government, being preparing for the presidential election of 2015.

⁶ Маккейн : Якщо українці попросять допомоги ми мусимо її надати. - <http://ukrainian.voanews.com/content/mccain-ukraine-atlantic-council/1814106.html>

UKRAINE – NATO



KEY THEME ANALYSIS

NATO EXPRESSED WARNING AGAINST RUSSIA'S PRESSURE ON UKRAINE

Before the EU summit in Brussels, NATO Secretary General **Anders Fogh Rasmussen** said **journalists, that Russia violates Ukraine's right to freely choose the allies**: "We see a more assertive stance of Russia. It must be emphasized that this country (Ukraine) is free to choose the allies ... I think we can say that we witness Russia's pressure on Ukraine and on the other countries of our Eastern Partnership".⁷

The situation in Ukraine was also discussed by NATO-Ukraine Commission at the level of ambassadors, with the participation of the Deputy Minister for Foreign Affairs of Ukraine Andriy Olefirov. Following the meeting, NATO spokesman Oana Lungescu emphasized the unacceptability of Russia's pressure on the neighboring countries, and said: "The ambassadors stated very clearly that an independent, sovereign and stable Ukraine is crucial for the European security."⁸ It should be noted that almost the same words about the importance of an independent and sovereign Ukraine to the European security were stated by NATO Foreign Ministers at the meeting of the North Atlantic Council.

Anders Fogh Rasmussen in his interview to German «Die Welt» indicated his **concern that Ukraine's turn towards Russia would affect relations not only with the EU but also with NATO**: "The Ukraine has decided not to join any alliance, but NATO has a special and particularly strong partnership with this country. My point is that Ukraine should be able to decide, without the outside pressure, which security alliance it wishes to belong to."⁹

NATO Secretary General's concern is reasonable, because it is obvious that, besides the rapprochement with the Customs Union, Russia will also insist on Ukraine's rapprochement with the Collective Security Treaty Organization (CSTO). Vladimir Putin announced recently the strengthening of the united air defense system of Russia and Belarus, and the beginning of the formation of the similar systems with Armenia and Kazakhstan, as well as the establishment of the regional military groups with Armenia,

⁷ У НАТО вважають, що РФ порушує право вільного вибору України. - <http://www.unian.ua/news/613319-u-nato-vvajayut-scho-rf-porushue-pravo-vilnogo-viboru-ukrajini.html>

⁸ НАТО очікує мирного вирішення конфлікту в Україні. - http://www.ea-ua.info/news.php?news_id=24650&news_show_type=1&

⁹ Ich erwarte mehr Einsatz von den Europäern. - http://www.welt.de/print/die_welt/politik/article122967213/Ich-erwarte-mehr-Einsatz-von-den-Europaern.html

Belarus, Kazakhstan and Tajikistan.¹⁰ In December European media discussed anxiously the information about possible deployment in Kaliningrad region (Russia), near the borders of the EU, of the 'Iskander-M' (SS-26) tactical missiles, which can carry both conventional and nuclear charges, and have 500 km. radius of action and thus can theoretically attack the Berlin.¹¹ It is clear that NATO is not interested in possible deployment of such missiles on the western borders of Ukraine.

Probably, the increasing Russia's pressure on its neighbors was among key factors, which forced Anders Fogh Rasmussen to call on the EU member states to strengthen their military capabilities: "If the current trend continues and Europe spends less and less money for defense, then Europe will soon be unable to play a role in the management of international crises. Who wants to be ready to defend European values and democratic principles, should possess sufficient military capabilities."¹²

It is obvious that the Ukrainian army in its present conditions could not strengthen the defense capability of the Alliance. However, **NATO was ready to contribute to strengthening the army of non-aligned Ukraine**, because strong neutral neighbor is much better for Alliance than a member of a military alliance led by Moscow, which rhetoric is more and more close to the times of the 'cold war'. **But if Ukraine continues rapprochement with Russia, including the military sphere (Vladimir Putin has already announced such plans), then NATO will surely have no reason to support the reform of the Ukrainian army.** And Russia has neither reasons, no abilities to do the same.

¹⁰ Путін анонсує єдину систему ППО для всього Митного союзу. - <http://www.pravda.com.ua/news/2013/11/19/7002502/>

¹¹ Putin stationiert Atomraketen an EU-Grenze. - <http://www.bild.de/politik/ausland/wladimir-putin/bild-bericht-bestaetigt-putin-stioniert-raketen-an-eu-grenze-33885032.bild.html>

¹² Ich erwarte mehr Einsatz von den Europäern. - http://www.welt.de/print/die_welt/politik/article122967213/Ich-erwarte-mehr-Einsatz-von-den-Europaeern.html

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

UKRAINE ENTERS RUSSIAN FAIRWAY FOR THE PROMISES OF BUYING ITS EUROBONDS AND TEMPORAL REDUCING THE GAS PRICES

On December 17, 2013 during Yanukovych's visit to Moscow to take part in the sixth meeting of the Ukrainian-Russian intergovernmental commission, a number of documents were signed. Ukrainian authorities said that these agreements should resolve the issues of trade barriers, strengthen cooperation in a number of strategic sectors, reduce the gas price to \$268.5 per thousand cubic meters, and provide Ukraine with \$15 billion due to buying Ukrainian Eurobonds by Russia. According to the official statements, neither document, related to the Customs Union, has been signed.

Analysis of the list of 14 documents, signed in Moscow, gives grounds to say that only few of them relate to the concrete economic activities. Among them are the following: Action Plan for the settlement of trade barriers in bilateral trade between Ukraine and the Russian Federation for 2013-2014; Protocol between the Government of Ukraine and the Government of the Russian Federation on the supply of goods for industrial cooperation in 2014; Agreement between the Government of Ukraine and the Government of the Russian Federation on the implementation of state support measures to restore the serial production of the AN-124 aircraft family with D-18T engines and their modifications; Amendment to the Contract of January 19, 2009, between Naftogaz of Ukraine and Gazprom on natural gas sales in 2009-2019. However, the joint documents on producing the AN planes have already been signed previously, but they have not been implemented because of the position of the Russian side. As for the rest of the documents, signed in Moscow, they were either the memoranda of intent (to intensify cooperation in the fields of shipbuilding and space-rocket industry), or the documents related to other areas than economics.

Not everything is clear about the promises on gas discount. It turned out that the amendment to the Naftogaz-Gazprom contract provides just the opportunity for such discounts, which can be revised every quarter. The situation with Eurobonds is also 'interesting': Russia will buy them by parts, and Kyiv will get only \$3 billion in 2013. **So one can assume that step-by-step decisions of Moscow on gas discount and Eurobonds purchases will depend directly on political and economic concessions of Ukraine. It is obvious that distancing from the EU and NATO, and rapprochement with the Customs Union / Eurasian Economic Union and the CSTO will be among the key requirements.** By the way, Vladimir Putin told the reporters recently: "Russia and Ukraine could cooperate tightly at the international arena and enhance the level of coordination of their positions on important global issues ... We

need to restore full cooperation in military and military-technical spheres. We have told a lot about this with the President of Ukraine."¹³

In Moscow, Ukraine and Russia agreed also to instruct the governments to pay priority attention to the development of Ukrainian-Russian military-technical cooperation; to resolve a number of issues concerning the Black Sea Fleet base in Crimea, in particular the inventory of land and buildings, and the coordination of movements of the BSF military units through Ukrainian territory outside the base; to prepare the agreement on modernization of the BSF weapons and equipment. It will be extremely difficult for Kyiv to defend its interests during the preparation of such agreements under the conditions of constant pressure by Moscow's decisions on gas discount and purchase of the Eurobonds.

Ukrainian experts suggest that despite the fact that on December 17, in Moscow, Ukraine did not sign any documents on the rapprochement with the Customs Union, such agreements may be signed in the nearest future. During his interview on December 19, Viktor Yanukovich said that the government is considering the possibility of Ukraine's accession to certain agreements of the Customs Union: "The government of Ukraine has received the documents and is considering their provisions. After the conclusions are made, the transparent decision will be made on which provisions we may join, on what terms, and so on."¹⁴ One can assume that the issue of the rapprochement of Ukraine with the Customs Union may be discussed on December 24, at the meeting of the Supreme Eurasian Council in Moscow. Presidents of Belarus, Kazakhstan, Ukraine, Armenia and Kyrgyzstan have been invited to the meeting.

While taking 'easy' money, offered by Moscow, Kyiv should remember about the high price it would have to pay in the nearest future. It is obvious that the temporary gas discount would nullify all the efforts, aimed at diversifying energy supplying, because the reverse from Europe or construction of the LNG terminal would not be profitable. ***Buying Eurobonds without any demands to reform the economy creates a tempting opportunity to spend the money on social payments before the presidential election of 2015, rather than on infrastructure projects. At the same time, Russian 'loans' would close access to the IMF loans and to the financial support of the EU.*** As a result, in a few years Ukraine might owe Russia dozens of billions of dollars without the ability to repay, with weak economy, being completely dependent on Russian energy, and without support from the EU and the IMF. In addition, the policy of rapprochement with the Customs Union will significantly worsen the already tense political situation in Ukraine. ***Under such conditions, Kyiv risks to turn from the subject of the negotiations with Moscow and Brussels/Berlin into the object of bargaining between the latter. Respectively, Kyiv might lose the opportunity to 'bargain' on the conditions of its adherence to any integration project, and even the opportunity to take decisions on its own future.***

¹³ Путін пропонує Януковичу "координувати" зовнішню політику. - <http://www.pravda.com.ua/news/2013/12/17/7007388/>

¹⁴ Янукович: Україна може приєднатися до деяких договорів Митного союзу. - <http://www.pravda.com.ua/news/2013/12/19/7007713/>