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UKRAINE – THE EUROPEAN UNION

KEY THEME ANALYSIS:
New Russian Gas Gambit, or Who Was "Tripped Up" by Russia

Winter has always given confidence to Russia in pursuit of military and geopolitical victories. Today the sphere for these geopolitical victories has become the gas sector. It is no accident that Russia tends to launch its "gas wars" in winter, and 2012 is no exception.

In using gas as its weapon, at whom is the modern Russian geopolitical game directed? Russia's new gas debut is a gambit. It is clear that the main task in this game is to gain substantial financial positional advantage by playing the victim in this acute and complicated struggle. Who is the victim and who is the victor in this game? Sacrificing the confidence of the European consumers to "Gazprom", Russia has once again tried to persuade the EU that Ukraine is an unreliable transit country, using this as the reason for building South Stream whereby Russia will bypass Ukraine. Europe was reminded once again of its critical dependence on Russia and its energy policy in the cold of winter. This gambit attack on Europe was to make it more compliant in relations with the Kremlin.

As for Ukraine, since independence it has failed to ensure its energy security. Russia has used this failure in an attempt to control Ukraine. Gas conflicts between Ukraine and Russia are a series of economic conflicts between Russian "Gazprom" and Ukrainian "Naftogaz". The key word in this definition is "economic", which, de facto, does not match the reality faced by Ukraine. Among the key attributes of the gas conflicts are political pressure and information wars. For Ukraine, 2012 began with a new "gas war" with Russia. In 2009, Europe was convinced that Ukraine was the main culprit and responsible for its own problems. Since this year a similar situation was observed, the Europeans experienced a case of déjà vu.

A latent phase of the new gas conflict took place in December 2011 – at the beginning of January 2012 when Ukrainian-Russian negotiations on the revision of contracts between "Gazprom" and "Naftogaz" reached a deadlock. In January "Gazprom" was unsatisfied with the fact that Ukraine was planning to buy too little gas, citing the illegality of such an action and its incompatibility with existing contracts. However, once the severe frosts hit accusations began to abound about the lack of gas being supplied to Italy, Austria, Slovakia and Poland, and the conflict escalated. Russia accused Ukraine of "stealing" gas as "Gazprom" increased gas supplies to Western Europe. This manipulation was very successful and Ukraine's authority in the European arena was finally undermined.

Although "Gazprom" acknowledged that, in fact, it had rolled back gas supplies, the EU was provided with additional evidence that both Ukraine and Russia are unstable and unpredictable, and reiterated the need to diversify its gas supplies. It is more likely that the EU will take up these programmes with new and doubled up forces, however at this point in time there is no other choice. It is difficult to predict how this situation will affect the Association Agreement between Ukraine and the EU.

Kyiv's position is that the current problem could be resolved by setting up a trilateral consortium (the EU – Russia – Ukraine). However, it is clear that Russia will try in any way it can to remove the EU from the talks as it does not want this process to be open and transparent. Assuming that the EU is actively involved in the gas negotiations, it will lead to new problems in other areas of bilateral relations between Ukraine and Russia. Russia will apply pressure and force on Ukraine.

In the case of defeat in the gas sphere, Russia will find new methods of coercion. One of the most striking examples of this approach is the current "cheese war" which is political, not economic, and based upon the gas conflict and Ukraine's reluctance to join the Customs Union. In turn, the European Union cannot distance itself from the settlement of the conflict between

Ukraine and Russia, despite its projects in forming its own energy infrastructure. After having made its conclusions in 2009, the EU built special storage gas tanks but still, this was not enough to ensure stability.

In order to loosen Kyiv's dependence on Moscow a series of difficult but effective measures must be implemented including, diversification of energy supplies; the search for alternative sources of energy; the introduction of energy-efficient technologies and closed production cycles; depoliticization; bringing Russian capital in from the shadows; the eradication of poverty and corruption at all authoritative levels; and bringing the Ukrainian economy from out of the shadows.

However, Kyiv has already started the privatization process of energy companies, and it is not difficult to guess who will take control of them. Ukraine has made concessions to Russia, thereby gradually "selling" its national interests and sovereignty.

Ukraine must define a specific, clear and strict strategy of cooperation with Russia, but it should not try to satisfy the short-term preferences of the Eastern neighbour. One should realize that Russia will never want to let Ukraine off its control hook.

In general, all the gas conflicts between Ukraine and Russia demonstrate Kyiv's incredible dependence on Moscow, the lack of clear strategy, and the weakness of and dire need for energy reforms.

UKRAINE – NATO

KEY THEME ANALYSIS: Results of the 12th International NATO Week
"NATO: joint responses to common security challenges"

Having declared non-bloc status in 2010, Ukraine has refocused its relations with NATO on tactical issues, i. e., specific and practical measures. *The 12th International NATO Week was held February 6 - 10 in Kyiv*. The theme for the week was, *"NATO: joint responses to common security challenges".* The event of such caliber demonstrated the sophistication of cooperation between NATO and Ukraine, with emphasis on the practical approach to cooperation. For the first time, representatives of the NATO Defence College in Rome and the NATO School in Oberammergau participated in the event. They shared their practical experiences with Ukrainian officers in preparing and carrying out military operations .During the discussions the participants not only touched upon threats facing the world in recent years, but also those that appeared just a few days ago. For example, the hacker attacks on governmental sites in Ukraine, the USA, Germany and France; attacks on commercial ships in the Atlantic Ocean and in the Danube River; conflicts in Syria and Egypt; terrorist attacks in Iraq and Afghanistan. Ukrainian servicemen were introduced to the notion that joint threats mean joint actions, however more details on this would be revealed in Chicago at the NATO Summit in May.

According to Lieutenant General Arne Bard Dalhaug, NDC Commandant such conflicts destroy the balance of international security simultaneously in several parts of the world, so they should be resolved jointly, where several thousand people who are physically divided by thousands of miles work together for a common goal. Because of the fact that Ukrainian officers have experience in peacekeeping and military operations in different parts of the world, they know what "collective security" means in practice, as well as how to work with servicemen from various countries to prevent or contain conflict. Of course, these words could only flatter Ukrainian servicemen. However, the attention given through these words do not focus on mutual

commitments or guarantees from NATO to include the Ukrainian Armed Forces and its available defence capabilities in its missions and operations. All of this is on a so-called "philanthropic basis" of cooperation.

On the other hand, Kyiv's non-bloc status limits taking full advantage of cooperation with the Alliance, so even the theoretical training of Ukrainian servicemen within the framework of NATO Week took place within narrow lines. During NATO Week one could hear comments related to the Ukraine's non-bloc status and its cooperation with NATO. Some argued that while NATO was aware of what Ukraine did not want as a non-bloc state, Ukraine had not explained what was the essence and benefit of the non-bloc security doctrine.

The 12th International NATO Week was of great importance for students of the National Defence University of Ukraine where the event was held, as it helped accumulate personal knowledge and increase the level of professional skills through NATO experience. The lectures and workshops with NATO experts contributed to increasing the military skills of the Ukrainian Army, police and intelligence services. Unfortunately, Ukraine will remain a spectator of events unfolding internationally where there is NATO involvement, even with first-hand experience and theoretical knowledge. ***Strategically Ukraine will remain on the sidelines due to its non-bloc status fixed in the Law "On Foundations of Domestic and Foreign Policy". This is our own choice***.

FOREIGN POLICY OF UKRAINE

The Munich Conference is the place where countries share their views on regional, national and global security. Which priorities and trends in the sphere of international security were identified by members of this year's Conference? The main trend was *the deterioration of security in the Euro-Atlantic region*. The main feature of this as defined by the participants, was ***the increase in the deficit of trust*** among key players in the region that include the USA, NATO, the EU and Russia, and within security associations. Another feature of the deterioration of security was ***the inability of countries and security sector to deal with the new challenges of the 21st century***. The third feature of the security theme was ***a diverse understanding of threats to national and international security*** by its participants. **Western countries** which were protected under the NATO umbrella were more concerned about non-traditional, soft threats that are becoming a serious challenge for them. ***Cyber attacks*** are among such threats, and constitute a real danger. It is not just about cyberspace crime or industrial espionage, but also about the destruction of national security systems. Therefore, the point was raised that there is a need to regulate the Internet and to develop software systems that can meet the highest standards of safety of these critical infrastructures. Some NATO experts proposed including cyber security issues and the protection of critical technologies under Article 5 of the Washington Treaty, as an integral part of collective defence. However, the implementation of such cyberspace controls goes against freedom, security, interests and rights of citizens. Today, finding the right balance between security and freedom is a real issue to be resolved.

The United States was primarily concerned about ***Iran's nuclear programme and the problem of nuclear proliferation***. The White House succeeded in garnishing support of the EU to impose economic sanctions on Iran in response to these concerns. The solidarity of Europe and the US on this issue indicates the exhaustion of diplomatic tools in taking this decision. Yet, economic sanctions may be ineffective. Western politicians hope that sanctions will help overthrow the existing regime in Iran and precipitate a change in its foreign policy. Sanctions have a poor reputation in forcing regime change or driving shifts in political course, and they did not prevent countries such as Pakistan, India or North Korea from acquiring nuclear weapons.

The most effective force to be taken into consideration by all countries and regimes has been and remains military power. This is not an option for the US and the EU in the case of Iran.

The consequences of going this route could be devastating for everyone involved. Military intervention will never get a mandate from the UN Security Council when the positions of China and Russia are taken into account. "Now sanctions are our only option. We must do something," one American official said at the Conference.

Among the many security problems, **the EU** was mostly interested in economic security. Today's biggest risk to national security for many European countries may arise in connection with the fate of the euro. ***The failure of the European currency*** can greatly destabilize the situation in Europe threatening the institutional and economic order of the European community. The collapse of the euro can fragment the European Union and threaten its existence. It could have dire consequences for both world trade and the health of the financial system. In addition, the financial crisis can cause deep and lasting political, economic and social crises that could ultimately lead to a real crisis of the liberal, market democracy. The potential consequences of this financial and economic crisis deprive the EU of possibly building up its own defences.

The crisis has also impacted NATO's military capabilities. Its defense potential decreased as the Alliance's Member States reduced their military budgets in an attempt to overcome the financial crisis. As a result, NATO and the EU were concerned with the *rapid change in military balance of power in favour of such Asian powers as China*. In particular, Asia-Pacific, Central Asia and the African region are growing in strength. As a result, the role of the West in maintaining international order consistently diminishes.

Russia also put forth its own security priorities. The first among them was ***removing prospects of deploying elements of the AMD, and overcoming the power imbalances in relations with NATO to restore its own sphere of influence in Europe***. For this reason Sergey Lavrov, Minister of Foreign Affairs of Russia, suggested including Dmitrii Medvedev's old initiative to sign the Treaty on European Security as part of the Munich Conference's agenda.

The most painful priority of **Ukraine's** national security was its ***energy security***. Viktor Yanukovych outlined the main parts of this problem at the Conference. In particular, he focused on applying the principles of military and political security in the energy sector. Firstly, this requires a systematic and consolidated approach based on agreed principles and instruments of cooperation, including contractual and legal ones. Commitment of the states *not to strengthen their security at the expense of others*, recorded in the Istanbul Charter for European Security of 1999, is also required. This key principle could be applied to resolving energy problems. In practice this means that ***economic feasibility and environmental compliance, rather than political interests of separate states***, should be determining the implementation of energy projects.

From this perspective Ukraine proposes to assess the rationality of a new energy transportation project, specifically the so-called "alternative" routes initiative which will require enormous financial and human costs, time and may result in significant hazards to the environment. It is clear that the search for balance in this area is challenging, but balance is necessary in order to come to a mutually beneficial compromise in any case. The Ukrainian example points to the need to consolidate joint efforts to develop clear, transparent and fair rules in the energy sector to achieve a balance of interests: for Ukraine as a major transit country, for Russia as a supplier, and the EU as a consumer.

The creation of single, clear rules, and an effective legal framework for international cooperation is the key to success. In particular, Ukraine supports the practical implementation of initiatives for the creation of multilateral mechanisms **to forewarn developing energy crises.**

These issues have already been discussed in various formats, including the OSCE. An agreement could not be reached due to the differences in national positions and the lack of adequate political will. ***Since every party discussed their own grievances at the Munich Conference, it is uncertain that the international community heard the Ukrainian initiatives this time***.