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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

EUROPE'S STRONG SIGNALS TO RUSSIA ARE NOT EFFICIENT DUE TO THE LACK OF UNITY AND CONSISTENCY

The latter half of June 2015 was marked by several strong signals sent by the European community to Russia:

- On 17 June in Belgium and on 18 June in France, **Russian state assets, including banks and buildings owned by the Russian government companies, were seized** in pursuance of the Hague International Court of Arbitration judgements in the case of former Yukos shareholders against Russian Federation;

- On 19 June the **Council of the EU extended for a year sanctions imposed on Russia-annexed Crimea**, in particular restrictions were imposed on investment and exports activity of the EU states in Crimea as well as on entry of the European cruise liners to the Crimean ports;

- On 22 June the **Council of the EU extended for six months, until 31 January 2016, sanctions against Russian energy, financial and defence sectors**, demanding full implementation by Moscow of the Minsk agreements;

- On 23 June the EU High Representative for Foreign Affairs and Security Policy **Federica Mogherini presented to the EU General Affairs Council the plan on countering Russian propaganda**, including measures on enhancement of the EU popularity in the post-Soviet area, support for independent media and countering the disinformation that comes from abroad;

- On 25 June the Resolution on "Missing persons during the conflict in Ukraine," adopted by **the Parliamentary Assembly of the Council of Europe, clearly called Russia's actions as "aggression in Ukraine" and "occupation of Crimea."**

On the one hand, the ability of Europe to such drastic steps would have to demonstrate Russia that its aggressive actions would definitely entail appropriate response and would be costly. This was particularly illustrated by the seizure of the Russian state property according to the Hague Court judgement. Although this case refers to the claim of the former Yukos shareholders, whose property Russia confiscated long ago, but the very precedent of the Russian assets seizure by the international court decision is of special significance. After all, ***Moscow is aware of the Ukraine claims for losses incurred as a result of the Crimea occupation and the war in Donbas to be maintained.*** In particular, only along of the Crimea annexation

Ukraine has lost about \$150 billion.¹

However, the likely effect from the Russian assets seizure was wiped out by the deficit of unity – the Belgian and French initiative was not supported by the rest of their European allies. And in a couple of days a panic tone in Russian officials' comments was substituted by traditional challenging statements on Moscow non-recognition of the Hague Court jurisdiction.

The same applies to the rest seemingly strong steps of the European Community, including the sanctions issue. **Firstly, the EU has not really ventured to impose forceful sanctions that could collapse Russian economy, while only destructive sanctions could entail quick positive effect**, since they would put the Kremlin before the inevitable choice – to stop the aggression or to face the self-destruction under the ruins of its own economy. The current limited sanctions only cause economic stagnation that can last for decades and does not threaten the existence of the Kremlin regime.

Secondly, the EU acts disproportionately, it responds to the escalation of Russian aggression only with the extension of duration of the existing sanctions, but not with their enhancement. Thus, while venturing new aggravation Moscow knows that it would not worsen the sanctions.

Thirdly, the very principle of the short time frames of sanctions with the necessity of their prolonging every 6 or 12 months is wrong. It prompts Kremlin not to stop aggression, but to search ways to block the next decision on restrictions extension (via the "bribe" of some EU members with favourable economic proposals). If the EU took a clear decision on sanctions operation until Russia withdraws its troops from Ukraine, it would give the Kremlin a clear signal to search for a peaceful solution or to prepare for a lasting economic stagnation (which Moscow definitely does not want). When the sanctions are extended only for six months, the Kremlin will spend this time exclusively on attempts to deepen the cracks in European solidarity as well as on search for an "aggrieved" EU Member State able to block the next decision on sanctions extension (a complicated situation with Greece inspires Moscow with special hopes).

Lack of consistency and discipline among the EU Member States largely neutralize the sanctions effect, and therefore, destroy the very European unity. Why should Putin treat sanctions seriously, if one of the main sources of his team's enrichment, Gazprom, succeeds in June 2015 to agree with E.ON, Shell and OMV on the completion of the two new Nord Stream lines up to the German coast?² And what lesson should learn from this decision significantly poorer than Germany Bulgaria, which lost heavily, having refused from the "South Stream" for the sake of European solidarity?

According to the survey of the European media alliance LENA (which includes the famous German edition Die Welt), 9 of the 28 EU Member States have neither frozen nor withdrawn any asset of individuals, companies and organizations from the EU sanctions list. They are: Spain, Ireland, Lithuania, Malta, Slovakia, Slovenia, Hungary, Finland and Croatia. Several other states have implemented sanctions nominally: just 200 Euros have been frozen in Sweden, 120 thousands Euros in Cyprus (it is in the country most popular among Russian businessmen!), a little more than 124 thousand Euros have been frozen in Germany. ³ Should anyone expect efficiency of sanctions imposed after that?

Even truly sound Resolution of the Parliamentary Assembly of the

¹ <http://economics.unian.ua/finance/1093730-u-vms-zayavili-scho-cherez-aneksiyu-krimu-ukrajini-zavdano-zbitkiv-na-sumu-blizko-150-milyardiv.html>.

² <http://www.dw.com/uk/газпром-розширює-північний-потік-до-німеччини/a-18525308>.

³ <http://www.dw.com/uk/змі-у-низці-країн-єс-не-застосовували-персональні-санкції-проти-росіян/a-18526245>.

Council of Europe bears the same drawbacks of inconsistency as the whole European community policy does. On the one hand, this Resolution clearly calls the Russian Federation actions as "Russian aggression in Ukraine", names Crimea as "occupied," calls on Russia to "release all prisoners illegally captured in Ukrainian territory." It transparently alludes to the deaths of Russian soldiers in Ukraine by condemning the decision of Russian President to classify information on casualties among the personnel of the Armed Forces of the Russian Federation incurred in special operations during peacetime. ⁴ On the other hand, the very name of the Resolution "Missing persons during the conflict in Ukraine" demonstrates the inconsistency, **since those persons missed not during the "conflict in Ukraine", but during the Russian aggression against Ukraine.**

Is also noteworthy, that it is not PACE which threatens Russia to exclude it from its ranks for the repeated breaches of the organization documents, but on the contrary, it is Moscow that blackmails PACE to withdraw and denunciate the European Convention on Human Rights. PACE tries to avoid the exclusion of Russia referring to mythical reasons voiced by the President of the organization Anne Brasseur, such as preserving "dialogue" with Russia, including on the issue of the "Ukrainian conflict," and not depriving Russian citizens of the protection of European Convention on Human Rights.⁵ The very phrase "Ukrainian conflict" as well as the belief in observance of human rights in Putin's Russia calls into question the PACE Chairman ability to adequately assess the situation.

It is time for the European officials to finally understand the Kremlin leaders' psychology and to realize that Moscow could be dealt with only through putting it before a clear choice: either it stops aggression, or Russia faces tough sanctions with further economy collapse; either Moscow withdraws its troops, or it is in complete isolation; either Russia adheres to the European energy packages, or Europe curtails Russian gas consumption. Neither semi-sanctions for six months, nor semi-recognition of the aggression or substitution of South Stream for North Stream could convince the Kremlin in the EU resoluteness as well as prevent Russia from breaching the international law.

⁴ <http://assembly.coe.int/nw/xml/XRef/Xref-XML2HTML-en.asp?fileid=21970&lang=en>.

⁵ <http://www.eurointegration.com.ua/interview/2015/06/25/7035216/>.

UKRAINE – NATO



KEY THEME ANALYSIS

NATO MINISTERIAL MEETING GIVES START TO TANGIBLE MEASURES OF SECURITY ENHANCEMENT

On 24-25 June 2015 **NATO defence ministers meeting** was held in Brussels, and a series of important decisions for the Alliance defence capabilities strengthening were announced, in particular:

1. The procedure of NATO forces command has been improved with aim to avoid delays in the deployment of NATO Response Force. Supreme Allied Commander Europe Philip Breedlove was vested with authority to deploy the Alliance forces, without waiting for a political decision by NATO governing bodies. Previously, NATO Eastern European members expressed concerns that in case of aggression the Alliance's forces would fail to provide timely help, since their deployment could start only after a political decision of all NATO 28 members. Henceforth, this challenge has been removed. It is noteworthy that Philip Breedlove belongs to the Alliance's officials, who soberly assess the level of Russian threat, and this gives hope for an adequate response in case of emergency.

2. A new concept of NATO advance planning was adopted. The need for such change was demonstrated by the confusion and passivity of the Alliance in the first months of the Russian-Ukrainian conflict.

3. The number of NATO Response Force personnel will be increased to 40,000, including air, maritime, and special forces components.

4. The details of the first six multinational command and control headquarters (NATO Force Integration Units) being set up in Bulgaria, Estonia, Latvia, Lithuania, Poland and Romania were finalized. Each headquarter will consist of around 40 people, and play a key role in planning, exercises, and assisting potential reinforcements. A possibility of setting up such headquarters in some other Member States is being discussed.

5. The largest since the end of "Cold War" NATO exercises to be held in Fall 2015. "Trident Juncture 2015" manoeuvres will involve more than 30 thousand servicemen, mainly from Italy, Portugal and Spain.

6. NATO Defence Ministers discussed and supported the US proposal to provide equipment for the Rapid Reaction Force. It should be noted that prior the Brussels ministerial meeting, **the Pentagon Chief Ashton Carter held a five-day tour in European states (starting with Germany).** He took his European colleagues into the details of the U.S. initiative to place heavy weapons in Eastern Europe (about 250 tanks, combat vehicles "Bradley" and self-propelled artillery). It is noteworthy that the U.S. plan to strengthen the Alliance eastern borders defence capabilities was supported by the **German Defence Minister Ursula von der**

Leyen, who recognized that "from a position of strength we can communicate better with Moscow."⁶

7. A defence capacity building package for Moldova was endorsed. NATO will assist Moldova to modernize its Armed Forces by "training, support and education."

On June 25 the **Ukraine – NATO Commission meeting** was held in Brussels with Jens Stoltenberg chaired and the Defence Minister of Ukraine Stepan Poltorak participated. The latter informed his colleagues about the military and political situation in Ukraine; Armed Forces actions directed to repel Russian military aggression; and about security sector reform. Stepan Poltorak held several important meetings, including with NATO Secretary General Jens Stoltenberg and the U.S. Defence Minister Ashton Carter.

It was agreed that **NATO would set up a new trust fund to assist Ukraine** – on demining and countering improvised explosive devices at the liberated territories of Donbas. In a few months the appropriate exercises of Ukrainian military and Emergency Ministry officers will be launched.

In addition, **NATO assistance to enhance air space security of Ukraine** was agreed: Poland, Norway and Turkey will start providing Ukraine with information on the movement of aircrafts.

British Defence Minister Michael Fallon stated that his country would increase twice the expenditures for Ukrainian military personnel training (up to \$9.4 mln.).

During the Brussels meeting Stepan Poltorak and Defence Ministers of Poland and Lithuania Tomasz Siemoniak and Juozas Olekas agreed that **a protocol on the establishment of a joint Lithuanian-Polish-Ukrainian brigade LITPOLUKRBRIG would be signed this summer in Kyiv.**

Ukrainian media reported that NATO Defence Ministers pledged **to help Kyiv set up special operation units according to NATO standards.** In addition, according to unofficial information, NATO states expressed willingness **to help Ukraine with building of a new plant for ammunition production** to compensate the lost of Luhansk ammunition plant.⁷

Upon the Brussels meeting, Stepan Poltorak informed that **NATO Defence Ministers confirmed the possibility to revise the issue of lethal weapons assistance to Ukraine** in case if Russia proceeds to violate the Minsk agreements.⁸

It is noteworthy that **the position of the Alliance leaders regarding Russia's aggression against Ukraine becomes increasingly clear.** During the press conference in Brussels, NATO Secretary General **Jens Stoltenberg made a clear statement that the "annexation" of the part of Ukrainian territory by Russia "is an act of aggression".** He stressed as well that "Russia continues to send troops, forces, supplies into eastern Ukraine."⁹ A few days earlier Jens Stoltenberg stated that "Russia has transferred in recent months over 1,000 pieces of heavy military equipment. It includes tanks, artillery and advanced air defence systems".¹⁰ **The Commander of U.S. Army Europe Ben Hodges in his speech at the OSCE conference in Vienna on 23 June 2015 honestly and openly spoke of the "combined Russian-separatist military forces" that "continue to operate widely and in large numbers in eastern Ukraine."** Ben Hodges said also about "Russian

⁶ <http://www.dw.com/ru/министр-обороны-фрг-с-москвой-лучше-разговаривать-с-позиции-силы/a-18530476>.

⁷ <http://tsn.ua/politika/pro-yaku-globalnu-dopomogu-ukrayini-govorili-za-zachinenimi-dverima-v-nato-eksklyuziv-tsn-tizhnya-447030.html>.

⁸ <http://www.mil.gov.ua/news/2015/06/25/vsi-kraini-chleni-alyansu-zhorstko-ta-rishuche-zasudzhuyut-agresiyu-rosijskoi-federaczii-na-shodi-ukraini-s-poltorak--11110>.

⁹ http://www.nato.int/cps/en/natohq/opinions_120953.htm.

¹⁰ <http://www.eurointegration.com.ua/news/2015/06/19/7035001/>

command and control support of military operations in Ukraine", and continuing transfers of military equipment and forces from Russia to Ukraine.¹¹

Generally, one can state that NATO is finally sobering: they start to give real assessment of Russian actions in Ukraine, and take decisions that can really enhance security of the Alliance's eastern borders. However, the NATO actions still lack dynamics – *the Alliance is always a few steps behind Russia and belatedly responds to its actions. NATO should act proactively, take the initiative in its hands and impose its rules.*



¹¹ <http://ukrainian.ukraine.usembassy.gov/uk/statements/osce-conf-06232015.html>.

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

BEING INTIMIDATED BY MOSCOW, THE WEST TRIES TO PERSUADE UKRAINE TO AGREE ON RUSSIAN SCENARIO FOR DONBAS

The latter half of June 2015 brought another wave of Russia's intimidation intended to persuade Kyiv and Western capitals to accept Moscow's terms of "settlement" for Donbas.

Speaking at a conference in Vienna on 23 June, ***Russia's representative to OSCE Andrey Kelin clearly said: "It is time to understand that if we continue in the same vein, the clashes in Donbas may acquire a new dimension, going far beyond the limits of this region."***¹² Speaking in traditional Russian-propaganda style, Mr. Kelin blamed the Ukrainian side in violating Minsk agreements and shelling on separatists, while reality is strictly the opposite. But the traditional absurdity of Moscow arguments is not the main thing in this issue. The main message of the Kremlin is about the threat of a "new dimension" of hostilities going "far beyond" the Donbas. ***In fact, Moscow threatens with an open full-scale invasion to Ukraine, if the latter does not adhere to Russian scenario.***

It is remarkable that on the eve of Mr. Kelin's speech, the Russian "political technologists" ***Alexander Boroday, one of the most active initiators of Donbas separatism, also said 'Reuters' about possible escalation of the conflict into the "large war."*** Unlike Kelin, Boroday did not conceal that he was talking about a large-scale Russia's invasion, "because Russia cannot indefinitely tolerate this plague on its borders."¹³ Mr. Boroday said that the "offensive" of Ukrainian troops might become an excuse for intervention. Let us recall that in 1939 Nazi Germany invaded Poland under the pretext of alleged attack of Polish troops. It is obvious that Ukraine has neither intention, nor resources to attack now, but Moscow does not care too much, if the West believes its lie, the Kremlin seeks for Western fear first of all.

In the latter half of June 2015 Russia consistently blocked all the initiatives that could contribute to peaceful settlement in Donbas: Russian ambassador to the UN Vitaly Churkin made it clear that Moscow would not allow opening the UN peace support office in Ukraine,¹⁴ while Russian representatives to the

¹² http://www.mid.ru/brp_4.nsf/newsline/4D2688349AD0A3A643257E6D0064FB4F.

¹³ <http://ru.reuters.com/article/topNews/idRUKBN0P41SL20150624?sp=true>.

¹⁴ <http://sputniknews.com/europe/20150617/1023459620.html>.

OSCE blocked the extension of the mandate of the Observer Mission to the whole Ukrainian-Russian border in Donbas region. Russian Foreign Ministry rejected calls for the establishment of a UN tribunal to try those responsible for the downing of Malaysia Airlines flight MH17 in eastern Ukraine last year.¹⁵ Secretary of the Russian Security Council Nikolai Patrushev cynically said that Russia "cannot prevent" the participation of Russian "volunteers" in the hostilities in Donbas.¹⁶

In fact Russia makes it clear that that it is not going to soften its position and is ready to escalate to the full-scale war. Unfortunately, this intimidation succeeds against the EU and the U.S.

At the *Normandy Quartet meeting in Paris on 23 June 2015*, Germany and France actually supported Russian demands, calling for the "political dialogue" between Kyiv and separatists, as well as for the demilitarization of Shyrokyne village¹⁷ that actually gives this strategically important location near Mariupol into the hands of Russian militants, who would not respect the demilitarization agreements as they had not done it after the Minsk-I.

The "Ukrainska Pravda" reported that ***the EU recommended Ukraine to fulfil the latter provisions of Minsk agreements on a special status for Donbas in advance, without waiting when separatists begin to respect the ceasefire commitment.***¹⁸ The spokesperson for High Representative of the European Union for Foreign Affairs Maya Kosyanchych said that the EU had not changed its position on implementation of Minsk agreements,¹⁹ but the actions of European officials indicated the opposite. The EU representatives (in particular, the European Commissioner for Enlargement and Neighbourhood Policy Johannes Hahn) urged Kyiv to adopt as soon as possible a new Constitution to provide decentralization and special status for Donbas, and to hold local elections, including the occupied areas of Donbas. Europe's strong desire for such developments was indicated by unusual quickness of Venice Commission in giving positive response to the draft amendments to Ukrainian Constitution. The transitional provisions of the latter provides for a special regime of local government for Donetsk and Luhansk regions with reference to the relevant law.

According to the "Mirror Weekly," the United States also supports such development. ***Assistant Secretary of State Victoria Nuland during her recent visit to Kyiv reminded of the need for constitutional decentralization and recommended to hold local elections in the occupied areas.***²⁰ The impossibility of free elections on the areas occupied by Russian troops is absolutely clear; so it would be just de facto legalization of Moscow-controlled separatist regimes. Such legalisation would entail the need for Kyiv to fund these regimes at the expense of the state budget; and it would become more difficult to control the demarcation line with the occupied territories after such legalisation. All these would worsen the economic and security situation in Ukraine.

In this context it is important to note that in May 2015 the "Normandy format" was supplemented with **the bilateral Russian-American channel of communication through Grigory Karasin and Victoria Nuland**. The head of Russian Presidential Administration Sergei Ivanov said that Russian Deputy Foreign Minister Grigory Karasin and the U.S. Assistant Secretary of State Victoria Nuland

¹⁵ <http://www.theguardian.com/world/2015/jun/26/russia-rejects-calls-for-un-tribunal-malaysia-airlines-flight-mh17/>

¹⁶ <http://kommersant.ru/doc/2752250>.

¹⁷ http://www.ukrinform.ua/ukr/news/normandska_chetvirkha_hoche_vikonannya_minskih_ugod_u_povnomu_obsya_zi_zayava_2067292.

¹⁸ <http://www.eurointegration.com.ua/experts/2015/06/24/7035198/>.

¹⁹ <http://www.unian.ua/politics/1093452-es-sprostovue-vimogi-do-ukrajini-nadati-donbasu-osobliviy-status-do-pripinennya-vognyu.html>.

²⁰ http://gazeta.dt.ua/internal/konstitulyaciya-_html.

would "coordinate actions concerning Ukraine."²¹ The question is whether Ukraine will be the only theme of dialogs under this format. ***During the telephone conversation on 25 June 2015, when Vladimir Putin and Barack Obama agreed on the next meeting of Mr. Karasin and Ms. Nuland, they also discussed cooperation on issues of Iran, Syria and ISIL.***²²

Respected Western media have repeatedly speculated about Barack Obama's willingness to "exchange" Ukraine for Russia's concessions in Iranian and Syrian issues. So Kyiv should closely analyse the development of Karasin-Nuland communication, and continue its attempts to make the EU and the U.S. partners understand that possible concessions to Russia due to its blackmail of large-scale war would not bring peace, but only increase the appetite of the aggressor.



²¹ <http://www.interfax.ru/world/448678>.

²² http://www.nytimes.com/2015/06/26/world/europe/putin-breaks-silence-with-call-to-obama.html?_r=1.