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UKRAINE – THE EUROPEAN UNION



KEY THEME ANALYSIS

THE EU NOTES PROGRESS IN UKRAINE AND ENCOURAGES KYIV TO SPEED UP REFORMS

In 2016, a deep and comprehensive free trade area (DCFTA) between Ukraine and the European Union entered into force; however, Kyiv will be able to fully benefit from the DCFTA only if deep reforms are implemented. The EU noted certain progress in Ukraine and confirmed the intention to take decision on visa-free regime in the nearest months. With that, the EU reminded Kyiv of the need to accelerate reforms and fight corruption, and proposed to establish a post of deputy prime minister for the European integration.

On January 1, 2016 a free trade area between Ukraine and the European Union, previously delayed due to the Russia's demands, finally entered into force. None of the DCFTA provision was amended, since Moscow did not propose Kyiv and Brussels any constructive suggestion during the year-long trilateral talks. It seems that the Kremlin actually did not have any constructive intention from the very beginning, primarily relying on bullying Ukraine with economic embargo and demanding to abandon the fundamental provisions of the EU-Ukraine DCFTA.

Kyiv did not accept the Moscow's ultimatum, and in late December 2015 the **Russian parliament approved Vladimir Putin's proposal to suspend the CIS free trade area agreement with Ukraine.** In response, the Ukrainian government introduced economic sanctions against Russian goods. In the long term, such policy makes more harm to the Russian Federation itself – after the years of Kremlin-imposed trade wars, the economic turnover between Ukraine and Russia has fallen at times, and consequently the Moscow's economic influence on Kyiv has decreased. **Russia largely exhausted its arsenal of economic pressure on Ukraine, but did not achieve its primary goals.** It is important to note that Russia's counterparts within the Eurasian Economic Union (EAEU), namely **Armenia, Belarus, Kazakhstan and Kyrgyzstan, did not support Moscow's suspending of the CIS free trade area with Ukraine.** Thus, Moscow's trade war against Kyiv undermines the unity within the EAEU geopolitical project, which was created by Moscow at heavy cost.

After the Russian market had been closed for the Ukrainian producers, the importance of the DCFTA with the EU even more increased. **However, the DCFTA entry into force does not immediately means an easy access to the European market:**

Firstly, the European Union set very small quotas for a number of

goods, which are important for Ukrainian export.¹ On January 18, 2016 Ukrainian Foreign Minister Pavlo Klimkin discussed with the EU Commissioner for Trade Cecilia Malmström the prospects for further liberalization of access to the EU market for certain categories of Ukrainian goods. But so far, there is no progress – the EU strongly protects its own producers.

Secondly, Ukraine needs to improve its quality control system providing its full compliance with the EU standards, and at the same time Kyiv has to learn to effectively defend the interests of Ukrainian producers abroad. In January 2016, in the Czech Republic a political scandal rose after the antibiotics had been detected in Ukrainian honey. On January 18, the issuance of veterinary documents for Ukrainian honey export to the EU was temporarily banned.² The scandal may have a negative impact both on Ukraine's reputation as one of the world's largest honey exporter, and on the credibility of Ukrainian agricultural sector in general. It should be noted that Czech president, known Russophile Miloš Zeman personally urged to ban the import of Ukrainian honey, so the problem is not only of sanitary origin.³

Thirdly, and the most important, the business development depends on success of radical reforms to be implemented in Ukraine, especially in the sphere of fighting corruption. This issue was among the main topics for discussion at **the EU Foreign Affairs Council meeting on January 18**. The 'Ukrainska Pravda' website informed that position paper on Ukraine stressed the slowness of reforms due to the "personal interests" and lack of capacity.⁴ The EU leaders believe that Ukraine lacks an effective structure to coordinate reforms, so, they **propose to establish a post of deputy prime minister for the European integration**. It is an ambiguous question, whether the establishment of new post may really help with reforms and European integration. But it is clear that the EU considers inadequate the reforming capacity of current ministers and wants to strengthen them with new figure. At the meeting, the EU foreign ministers also agreed that the Union should more effectively support Kyiv in implementing reforms, better coordinate the corresponding EU activity and pay regular high level visits to Ukraine – for the visibility reasons (and probably to better monitor the progress in reforms as well).

It should be noted that Moscow put hopes on the EU's possible disappointment in Kyiv's ability to implement reforms. The head of the Russian State Duma Foreign-Affairs Committee, **Aleksey Pushkov** said: "Many in Europe are annoyed with Ukrainian awful corruption and fictitious reforms."⁵ The existence of certain problem was confirmed by the Chairman of the European Parliament Committee on Foreign Affairs, known friend of Ukraine **Elmar Brok**: "If nothing changes for the better in Ukraine, if reforms are not implemented, it will be difficult to explain ordinary Germans, what for are they losing their jobs" (due to sanctions against Russia).⁶

It is difficult to suspect the EU in prejudgment towards Kyiv. On January 18, **Federica Mogherini** said that the EU recognized the incredible work made by Ukrainian government in recent months to move forward the reform agenda.⁷ The very same day, **Johannes Hahn** told reporters that in the first quarter of 2016 the EU might make a proposal for establishing a visa-free regime for Ukraine and Georgia.⁸

European leaders are partial to **the consultative referendum on the fate of the EU-Ukraine Association Agreement to be held on April 6, in the**

¹ Напр., див.: <http://ukrainian.voanews.com/content/yuriy-kosyuk-eu/3149549.html>

² <http://www.vet.gov.ua/node/5263>

³ <http://www.radiosvoboda.org/content/article/27495261.html>

⁴ <http://www.eurointegration.com.ua/articles/2016/01/18/7043519>

⁵ https://twitter.com/Alexey_Pushkov/status/689559788259246080

⁶ <http://www.radiosvoboda.org/content/article/27493711.html>

⁷ <http://www.eurointegration.com.ua/news/2016/01/18/7043546>

⁸ <http://www.pravda.com.ua/news/2016/01/18/7095759>

Netherlands. European Commission President **Jean-Claude Juncker** in an interview with Dutch newspaper 'NRC Handelsblad' warned that the negative outcome of the referendum would play into the hands of Russia, and could result in the "continental crisis."⁹ Dutch Prime Minister **Mark Rutte** said that the government would hold a campaign in support for Ukraine before the referendum.¹⁰ It is clear that this task is too difficult to be successfully performed by the European officials solely, since they have no experience in combating Russian propaganda machine. The latter has already started to intimidate the Dutch people with a sham video showing fake Ukrainian soldiers promising to kill the Netherlands.¹¹ Unfortunately, it is hard to notice the evidence of strong Ukrainian information campaign in the Netherlands.

*The success of Ukraine's European integration mainly depends on the quickness and effectiveness of implementing reforms. One should not expect that the DCFTA entry into force would bring the economic growth by itself. And it is imprudently to have illusions that ratification of the Association Agreement by all the EU member states is an ultimate victory. **Currently, more than half of Dutch people intend to vote against the EU-Ukraine Association;**¹² and Moscow makes considerable efforts to use the Dutch referendum for blocking the Ukraine's European integration aspirations. **It sometimes seems that the Brussels officials are more concerned with the fate of Ukrainian reforms and Dutch referendum than their colleagues in Kyiv.***



⁹ <http://ukrainian.voanews.com/content/juncker-on-referendum-eu-ukraine/3138137.html>

¹⁰ <https://euobserver.com/foreign/131752>

¹¹ <http://fd.nl/economie-politiek/1135759/nederlandse-kiezers-bedreigd-in-oekraiense-video>

¹² <https://www.nrc.nl/nieuws/2016/01/09/driekwart-kiezer-zegt-nee-tegen-verdrag-met-oekraïne>

UKRAINE – NATO

KEY THEME ANALYSIS

**IN RESPONSE TO THE RUSSIAN THREAT,
NATO PLANS TO STRENGTHEN ITS EASTERN FLANK,
AND HELPS UKRAINE TO REFORM THE ARMED FORCES**

Due to the Russia's aggressive policy, Poland's and Baltic's leaders have enough arguments to insist on increasing of NATO presence in the region. The appropriate decisions will probably be taken at the Warsaw Summit. NATO demonstrates readiness to assist Ukraine in building its defence capacity, but the dynamics of such cooperation largely depends on Kyiv's proactiveness.

Russia's aggressive policy leaves NATO with no choice but to increase own defence capacity. On December 31, 2015 **Vladimir Putin signed a new National Security Strategy of the Russian Federation, where NATO's activity was called a threat to Russian security.**¹³ On January 12, 2016 Defence Minister **Sergei Shoigu announced plans to establish this year the three new military divisions in the west of Russia.**¹⁴

So, it is no surprise that Poland and the Baltic states continue to insist on increasing of NATO presence in the region. On January 18, in Brussels, after meeting with Polish President Andrzej Duda, NATO Secretary General **Jens Stoltenberg said that the Alliance's presence in Poland might be increased after the Warsaw Summit.**¹⁵ Previously it was decided that in 2020 Poland would be the key NATO country responsible for the Response Force.¹⁶ Polish Defence Minister **Antony Macierewicz** announced his country's intention to purchase the U.S.-made air defence system and 'Patriot' surface-to-air missiles.¹⁷

On January 15, 2016, at the meeting with the U.S. Assistant Secretary of State Victoria Nuland, Latvian Foreign Minister **Edgars Rinkēvičs** said that Russia's plans to establish new divisions near **the Baltic countries** require a response in the form of long-term NATO presence in the region. On January 18, 2016 NATO Deputy Secretary General **Alexander Vershbow** said that the Alliance considered further plans for the Baltic air defence to deter Russia.¹⁸

Previously, **Alexander Vershbow said that at the Warsaw Summit NATO should upgrade the containment doctrine in accordance with the**

¹³ <http://publication.pravo.gov.ru/Document/View/0001201512310038>

¹⁴ <http://tass.ru/armiya-i-opk/2579480>

¹⁵ <http://www.radiopolsha.pl/6/137/Artykul/236980>

¹⁶ <http://www.polradio.pl/5/38/Artykul/236080>

¹⁷ <http://www.dw.com/uk/міністр-оборони-польщі-ми-хочемо-постійної-присутності-військ-нато-і-сша/a-18984769>

¹⁸ <http://ru.delfi.lt/news/politics/zamestitel-genseka-nato-nado-pozabotitsya-o-pvo-stran-baltii.d?id=70140852>

requirements of the XXI century. He said that NATO needed modern mobile and fast special forces deployed on the ground, to clearly show that the intersection of NATO's borders either by tanks, or by unmarked "green men" is impossible.¹⁹

Ukraine also plans to participate in the NATO Warsaw Summit, being invited by the Polish President Andrzej Duda. The respective plans were discussed on December 17, 2015 during the **visit of Ukrainian President, Head of the General Staff and Foreign Minister to Brussels**, where they met with NATO Secretary General Jens Stoltenberg and Supreme Allied Commander Europe Philip M. Breedlove. At NATO Headquarters, **a Roadmap for NATO-Ukraine Defence-Technical Co-operation** was signed. Petro Poroshenko said that "Ukraine's cooperation with NATO is among the priority issues for strengthening country's defence," and full interoperability between Ukrainian and NATO Armed Forces should be reached by 2020.²⁰

In late December 2015, it was reported that at NATO initiative **a working groups are to be established to develop detailed plans for the Ukrainian Armed Forces to meet NATO standards.** On January 16, 2016 **the U.S. delivered to Kyiv the equipment for secured radio communication at \$21 million, and medical equipment at \$2 million.** At the Yavoriv and Khmelnytskyi training grounds, the American instructors will teach Ukrainian military to work with new equipment.

But still, it is obvious that Ukraine-NATO cooperation needs further stepping-up in dynamics, and this issue largely depends on Kyiv. Ukrainian expert **Mykola Sungurovskiy rightly notes that it is advisable to make the format of the Annual National Programme of NATO-Ukraine cooperation strictly corresponding to the Membership Action Plan.** This would contribute to a more accurate implementation of all tasks required to meet the membership criteria. The expert also considers it appropriate **to hold a referendum on NATO membership** – "not as a way to indicate Ukraine's readiness to join the Alliance, but rather as an appeal to our authorities on the immutability of this course, and to include the preparation to NATO membership in the country's agenda."²¹

*If to compare Ukraine's position on cooperation with NATO with the corresponding activity of its neighbours, Poland and the Baltic countries, it becomes apparent that Kyiv needs more proactiveness, purposefulness and perseverance. Poland's and Baltic's initiatives also met German and French objections, but their persistence prevailed, and today they are much closer to the permanent NATO presence than a year ago. To the contrary, Kyiv scaled back its ambitions and agreed to satisfy with the format of partnership and interoperability. **Warsaw summit can become a historic chance for Ukraine to bring its cooperation with NATO to a new level, if Kyiv prepares the relevant initiatives and efficiently makes the preparatory work.** And it should be kept in mind that the time is quickly running out.*

¹⁹ <http://uudised.err.ee/v/valismaa/bca633d1-295a-47b7-8ccf-82429ad83887/vershbow-nato-ulesanne-on-kaasajastada-heidutusedoktriin>

²⁰ <http://www.president.gov.ua/news/prezident-dlya-ukrayini-spivpracya-z-nato-ce-odne-z-pershoch-36512>

²¹ <http://www.day.kiev.ua/uk/news/130116-48-ukrayinciv-za-vstup-do-pivnichnoatlantynchnogo-alyansu>

FOREIGN POLICY OF UKRAINE



KEY THEME ANALYSIS

DESPITE THE WEAKENING POSITIONS, RUSSIA TRIES TO IMPOSE ITS SCENARIO FOR DONBAS AND UKRAINE

Oil prices are close to their production cost in Russia, and sanctions deepen the crisis in Russian economy. In these circumstances, Moscow tries to speed up the resolution of the Donbas issue on the Kremlin scenario, to secure lifting of sanctions, and to shift on Kyiv the financial burden for the ruined region (according to the German 'Bild', Donbas costs Russia more than a billion Euros per year).²²

On December 30, 2015, the "Normandy" Four leaders agreed in phone conversation to extend implementation of the Minsk agreement to 2016. However, no specific terms have been set, and no action plan has been proposed in the case of further Russian sabotage.

Moscow continues its double game, encouraging insurgents to breach the truce on the one hand, and simulating fake peace initiatives on the other. In late December 2015, Vladimir Putin appointed ex State Duma speaker, permanent member of Russian Security Council **Boris Gryzlov** as a new Russian representative to the Trilateral Contact Group on Ukraine. In mid-January Mr. Gryzlov proposed to announce a new "regime of silence" (cease-fire), but Russia-backed militants violated it the very same day. **Boris Gryzlov held talks with Petro Poroshenko**, and announced the existence of opportunities for a "serious progress in implementation of the Minsk agreement,"²³ without specifying what he meant.

Along with strengthening negotiating position in the contact group by appointment of experienced heavyweight Boris Gryzlov, Russia intensified talks on Ukrainian issue with the United States. On January 13, Vladimir Putin and Barack Obama discussed Ukraine in phone conversation; and on January 15, **six-hour talks behind closed doors between Russia's presidential adviser Vladislav Surkov and the U.S. Assistant Secretary of State Victoria Nuland were held in Kaliningrad.** No specific information was published after the talks, and some Ukrainian experts were alarmed by the fact that Mr. Surkov, who is considered to be a coordinator for Donetsk separatists, called "constructive and useful" those consultations

²² <http://www.bild.de/politik/ausland/ukraine-konflikt/russia-finances-donbass-44151166.bild.html>

²³ <http://www.kommersant.ru/doc/2895197>

to find "compromise" on implementing the Minsk agreement.²⁴ It should be also noted that the next day, official of the U.S. Department of State, Daniel Fried said that the majority of sanctions against Russia might be lifted, if the situation in Donbas is settled; and only restrictions imposed for the Crimea annexation would remain.²⁵

Unlike the simulated sham readiness for compromise, actual Russian position remained unchanged. This was clearly evident from **Vladimir Putin's interview to German 'Bild.'** **Russian president stated that constitutional reform in Ukraine with granting a permanent autonomous status to Donbas should be the main prerequisite for the Minsk agreement implementation.** And only after the constitutional reform, all the other Minsk II provisions, including the truce, would be implemented.²⁶

A bad sign for Ukraine is that not only Germany and France, but even the U.S. are actually inclined to agree on such scenario. In January 2016, both the U.S. Ambassador to Ukraine **Geoffrey R. Pyatt**,²⁷ and German Foreign Minister **Frank-Walter Steinmeier**²⁸ said that Kyiv should carry out the constitutional reform and appoint the elections in the occupied areas of Donbas.

With that, none of the Western politicians publicly supported a reasonable **proposal of Ukrainian President Poroshenko to clearly define the timescales for implementation of all the Minsk II provisions in 2016.**²⁹

It is clear that if Ukraine yields to Western pressure and provides autonomy to the separatists with holding sham elections controlled by Russian troops, it will legalize the Kremlin-controlled enclaves, but will not solve the problem. Russian troops and weapons will remain in Donbas, most likely under the new name of 'Donbas people's militia,' whose funding will become Kyiv's responsibility, while control will remain in the Kremlin.

*The Minsk process is in a gridlock. Russia continues insisting on its unacceptable scenario of unilateral implementation of the Minsk agreement by Ukraine. At the same time, Moscow simulates sham readiness for compromise attempting to enlist the support of the West, which seems to be inclined to 'believe' in Kremlin's promises to fulfil its part of the Minsk agreement. **Russia's disruption of the deadlines specified in Minsk II gives Kyiv a reason to insist on its own proposal on sequence and new deadlines for Minsk II implementation, or to raise the question of revising the Minsk agreement due to the Moscow's sabotage.***

²⁴ <http://ria.ru/world/20160115/1360317603.html>

²⁵ <http://ukrainian.voanews.com/content/us-russia-sanctions/3148894.html>

²⁶ <http://www.bild.de/politik/ausland/wladimir-putin/interview-mit-dem-russischen-praesidenten-44091672.bild.html>

²⁷ <http://ukranews.com/ru/interview/2016/01/03/695>

²⁸ http://www.tyden.cz/rubriky/zahranici/evropa/steinmeier-pomaly-pokrok-na-ukrajine-vyostri-konflikt_369377.html

²⁹ <http://www.president.gov.ua/news/ukrayina-vimagaye-viznachennya-chitkih-strokiv-vikonannya-mi-36602>