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# FOREIGN POLICY OF UKRAINE 2008

## STRATEGIC ASSESSMENTS, FORECASTS AND PRIORITIES

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*Annual Strategic Review*

**Edited by Professor G.M. Perepelytsia**

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*Assessments presented in this Annual Strategic Review are  
those of the authors and reflect exclusively authors' opinion  
on the events of international life and foreign policy of Ukraine.*

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The Annual Strategic Review of the Foreign Policy Research Institute does not represent the official position of the Ministry of Foreign Affairs of Ukraine (MFAU), although it has been written on the basis of MFAU information materials. The goal of this publication is to provide comprehensive analysis of Ukraine's foreign policy, describe key trends inherent to Ukrainian foreign policy over the last year and forecast options for their further development, as well as spell out the priority areas for the implementation of the foreign-policy course of Ukraine.

This Annual Strategic Review is aimed at encouraging politicians and the scientific community of Ukraine to engage into discussion and seek the ways to resolve foreign policy problems and refine foreign-policy course of Ukraine

The Annual Strategic Review is intended for a wide range of Ukrainian and foreign experts, scientists, Ukrainian diplomats and Embassies, as well as foreign diplomatic missions and representative offices in Ukraine and readers interested in foreign policy issues and international relations.

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## Preface

The Annual Strategic Review «Foreign Policy of Ukraine – 2008: Strategic Assessments, Forecasts and Priorities» initiated by the Foreign Policy Research Institute of the Diplomatic Academy of Ukraine under the Ministry of Foreign Affairs of Ukraine, is aimed, primarily, at the domestic diplomatic corps, embassies of Ukraine abroad and embassies of foreign countries in Ukraine, as well as at international organizations and policy centers.

Publication of the Annual Strategic Review «Foreign Policy of Ukraine: Strategic Assessments, Forecasts and Priorities» has already become traditional. It attracts great attention both of Ukrainian experts, diplomats, politicians and the broad international community – everyone who is keen to know more about the present and the future prospects of Ukraine's foreign policy. However, the present publication is different from the previous issues insofar as it also includes an in-depth analysis of the unusual international events and complex internal processes in the country that were taking place in 2008.

The year 2008 became the next stage for Ukraine to position itself in the system of global international coordinates that define the place, role and influence of each country in the international community. Integration of Ukraine into this system of coordinates of international relations is a complicated and contradictory process. The year 2008 was full of important and, sometimes, tragic events. However, it also brought certain achievements for Ukraine.

Ukraine, due to its geographical location, developed transportation system and energy infrastructure, plays an important role in international energy cooperation. In particular, Ukraine is

an important link in providing the European consumer market with fuel and energy resources.

In this context Ukraine takes all required measures aimed at integration into the European Energy Community. Negotiation process on Ukraine's joining the Agreement on Creation of the Energy Community has been intensified. In particular, in 2008 three technical meetings were held (including the meetings within the framework of the Council of Ministers of the Energy Community) dedicated to Ukraine's application on joining the Agreement on Creation of the Energy Community.

The year 2008 was remarkable for Ukraine's accession to the World Trade Organization. After Ukraine's accession to the WTO (already having the status of WTO Member State) Ukraine began to hold consultations and negotiations with the European Free Trade Association (EFTA) regarding the conclusion of a Free Trade Agreement.

Ukraine's cooperation with international financial structures, in particular with the International Monetary Fund was quite successful. It was directed to acceleration of the processes of reforming the Ukrainian economy, encouraging the entrepreneurial activity, introduction of new technologies into production. For the purpose of overcoming the negative influence of the world financial crisis upon financial and real sectors of Ukrainian economy the negotiations were carried on with the IMF Resident Representative Office in October – November 2008 on attraction of financial resources for stabilization of the situation at the Ukrainian financial market.

In 2008 Ukraine finished its presidency of such an influential regional economic institution as an Organization of the Black Sea Economic Cooperation (BSEC). The period of Ukrainian half-year presidency of the BSEC was an eventful one. These events were directed to realization of statutory tasks and reinforcement of the level of regional and international cooperation in economy and trade, banking sector, energy, transport, environmental protection, humanitarian and other sectors.

The important tasks of Ukraine's foreign policy in 2008 were defined the wide international recognition of the tragedy of Holodomor in 1932–1933 and formation of the country's positive international image. The President's initiative on conducting of international campaign for recognition of Holodomor the geno-

cide of Ukrainian people carried out first of all by the diplomatic service was evaluated quite positively in general.

As for the bilateral level, relations with Poland and the USA were the most successful ones. Relations between Ukraine and the USA were the model ones in the context of mutually beneficial, practical and multilevel cooperation. Their determinative component was a political dialogue which was the most active in 2008 over the whole history of bilateral relations. The President George Bush visited Ukraine with a state visit, and the President of Ukraine Victor Yushchenko visited the United States of America with working visits twice. In the frames of the visit of the President of the USA the «road map» of bilateral cooperation priorities was signed in which the strategic format of relations was confirmed, the directions of cooperation were clearly mentioned then and in the long-term prospect. The result of development of political and security dialogue between Ukraine and the USA was signing of the United States – Ukraine Charter on Strategic Partnership by the Heads of Ministries of Foreign Affairs of both states.

Intensive contacts of both countries' authorities testified the high level of relations between Ukraine and the Republic of Poland. In 2008 eleven meetings took place only at the level of the Presidents, and at the level of Heads of the Governments – three visits.

In the regional context, the Russian Federation remained the key trading partner for Ukraine. Despite the complex range of problems in Ukraine-Russia bilateral relations, during 2008 both sides managed to maintain a quite constructive political dialogue ruled by pragmatic approaches.

In its content the Annual Strategic Review «Ukraine's Foreign Policy – 2008: Strategic Assessments, Forecasts and Priorities» fully covers the major areas of foreign policy. Its first section analyzes the impact of internal and external factors on the formation and implementation of Ukraine's foreign policy. In addition, it highlights our country's role and place in the global world processes as well as the trends typical for its foreign policy in 2008. Section two of the Annual Strategic Review explores the security dimension of Ukraine's foreign policy. It determines the global and regional threats that were vital in terms of national and international security during the previous year. Great attention is paid to Ukraine's intensified dialogue with NATO and Ukraine's

role in the international arms control regime. The third section is dedicated to realization by our country of the EU Integration course. The section gives an assessment of the progress made thus far and prospects for the Ukraine-EU political dialogue, and reviews the state of economic relations between Ukraine and the European Union in 2008. The final fourth section offers to the reader important information and a system analysis of bilateral relations between Ukraine and other countries. First of all, it highlights the Ukrainian-Russian relations, relations of Ukraine with the USA and Canada, leading European countries and the Middle East, Asia, Africa, Latin America and the Asian and Pacific Region. The annex to the Annual Strategic Review lists the international multilateral and bilateral documents signed by Ukraine in 2008.

The complexity of objectives faced by Ukrainian diplomacy requires an open discussion, critical rethinking and well-balanced assessments of the foreign policy of Ukraine. The Annual Strategic Review «Foreign Policy of Ukraine – 2008: Strategic Assessments, Forecasts and Priorities» aims to facilitate these processes. It combines the scientific analysis in the form of conclusions and evaluations by outstanding specialists in international affairs, and information materials provided by the Ministry of Foreign Affairs of Ukraine. This entitles us to hope that it will be interesting for diplomats, experts in international relations and for Ukrainian and international communities overall.

Sincerely,



**B.I. Gumenyuk**

Rector of the Diplomatic Academy  
of Ukraine under the MFA of Ukraine,  
Ambassador Extraordinary and Plenipotentiary of Ukraine,  
Doctor of Historical Sciences, Professor



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## Foreword

Publication of the Annual Strategic Review «Foreign Policy of Ukraine – 2008: Strategic Assessments, Forecasts and Priorities» is a symbolic event in the social, political, educational and scientific life of Ukraine. It summarizes the results of comprehensive analysis of the country's foreign policy made by the leading experts in international relations. It provides an unbiased analysis of international events, foreign policy decisions, successes and problems in realization of the country's foreign policy course during the year 2008.

The value of this Annual Strategic Review lies in the way it enables the readers to assess the effectiveness of realization of Ukraine's foreign policy interests in the international arena, as well as to define these interests in different regions of the world. It covers the challenges and trends that became apparent in international community and foreign policy of Ukraine in 2008. The publication provides a comprehensive assessment of Ukraine's place and role in regional and global security systems. The Annual Strategic Review analyses the outcomes of realization of strategic directions of Ukraine's foreign policy, provides a detailed characteristic of the status of Ukraine-Russia relations and trends for their further development, describes the ways to solve the problems and achieve the objectives of European and Euro-Atlantic integration of Ukraine. The publication provides a comprehensive analysis of economic and security aspects of realization of Ukraine's foreign policy course.

The Annual Strategic Review pays due attention to characteristic and assessments of bilateral cooperation of Ukraine with other countries. In particular, the appropriate chapter of the pub-

lication provides information on the status of implementing such key areas of bilateral relations as development of cooperation with the leading EU Member States, the USA and Canada, Russia and the countries that are regional leaders in Asia, Africa, Latin America and the Asian and Pacific Region.

Therefore, the Annual Strategic Review is essentially a comprehensive reference book which highlights the major foreign policy events that took place in the year 2008 and provides a comprehensive analysis of the key aspects of Ukrainian foreign policy. Initiation of this publication for the third year is a clear evidence of Ukraine's aspiration towards transparent and predictable foreign policy in line with international democratic standards.

The General Directorate of Kyiv City Council for Servicing Foreign Representative Offices supports the publications covering the issues related to international affairs, informing the Ukrainian society and international community on foreign policy of Ukraine, as well as contributing to the formation and promotion of Ukraine's positive international image. The Annual Strategic Review «Foreign Policy of Ukraine – 2008: Strategic Assessments, Forecasts and Priorities» is rightfully considered to be such publication.

Sincerely,



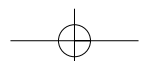
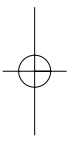
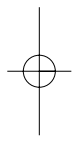
**P. O. Kryvonos,**  
Director General  
General Directorate of Kyiv City Council  
for Servicing Foreign Representative Offices,  
Adviser of the first class

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## **CHAPTER I**

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# **NATIONAL AND INTERNATIONAL CONTEXT OF UKRAINE'S FOREIGN POLICY**



## § 1. Structural Imperatives of Foreign Policy of Ukraine

The place of Ukraine in the modern system of international relations is defined in the following dimensions: research of the status of the system international relations; correlation between the system of foreign policy objectives of Ukraine and the international environment in which these objectives are to be achieved; Ukraine's ability to concentrate resources for the consistent implementation of its foreign policy strategy.

By its potential Ukraine ranks among the medium states and its foreign policy actions are localized mostly on meso-levels of the international relations system. This predetermines a relay nature of systematic impacts when defining the place of Ukraine: first, general trends of the system on a global level and trends' specifics on regional levels are defined; and then the counter reaction of Ukraine to this impact (mostly within the limits of regional sub-systems) is defined.

As a medium-level state Ukraine has inadequate structural power to significantly influence the processes in a global international relations system. Therefore, in the context of global processes, the main objective of the foreign policy strategy of Ukraine is an understanding of and an adequate reaction to structural imperatives of global policy aimed at materializing potential opportunities and top priority vital national interests: survival and gradual development of Ukraine as a sovereign state in the context of the dynamism of the modern system of international relations.

Unlike the case with the global international system, Ukraine's structural power is sufficient to influence the process of the formation and development of the regional European subsystem of international relations. From the moment of its independence, Ukraine has been an important element in the European

political landscape. On the sub-regional level of the international relations system Ukraine preserves the status of a leading state that creates the «critical mass» for the implementation of significant Eurasian projects: in Eastern and South Eastern Europe, Baltic-Black Sea and Black Sea-Caspian regions, etc.

For Ukraine the year 2008 was marked by numerous foreign policy challenges (at both regional and global level) predetermined by a critical mass of changes accumulated over the last years. These changes resulted in a high «crisis nature» of Ukraine's foreign policy characterized by a number of strategic dilemmas which were to be resolved under conditions of time deficit and high «price of the issue».

The variety and multiplicity of these changes can be assigned to several major groups: changes of polarity and correlation of forces; change in hierarchy level of global and regional systems; changes in the degree of homogeneity/heterogeneity of global policy.

The impact of such structural changes revealed itself at the level of global structural shifts, regional transformations, and local challenges. The combination of these signals creates the nature of structural imperatives of state foreign policy and determines the key parameters of its «road map». From this point of view the following question tends to be of critical importance: do the theory and practice of Ukraine's foreign policy keep pace with the fast transformation dynamics of the structure of global and European regional systems of international relations?

Over the last years the most significant changes in the system of international relations were related not to the transformation of institutes and regimes of «cold war» times (as it was in the Nineties of the 20<sup>th</sup> century and at the beginning of the 21<sup>st</sup> century), but to a new dynamic of global and regional processes aimed at a restructuring of world hierarchy and establishment of a new balance of forces both globally and in separate regions of the world. Major system-level conflict in international relations in the first decade of the 21<sup>st</sup> century is related to the aspirations of certain states that significantly strengthened their economic, military, and political potential and greatly enhanced their impact on global policy, and attempts of the recognized world leaders to retain their dominant role on the international scene.

This trend revealed itself in a relative decline of US hegemony, the global system's shift to a new type of multi-polarity, trans-

formation of several inter-state political institutes at global and regional level, and an intensification of ideological struggle in the midst of growing international heterogeneity.

The US hegemony crisis is a lasting phenomenon which will predetermine the landscape of world politics over a long period of time. After September 2001, the decline of American domination seemed to be the period of «organized chaos»: the momentum of US power and the powerful influence of common Euro-Atlantic values guaranteed a relatively peaceful transition period. However, the 2008 global financial crisis brought about significant changes and shook the balance of powers that took shape after the beginning of the Iraq war. It creates the conditions which significantly increase the risk of system destabilization in general and various adventurous foreign policy steps in particular.

Over the last few years the international system has been seeking such a way of self-organization that would compensate the lack of American power. Until recently, among several possible models characterized by different degrees of cooperation/competition/opposition, preference was given to a sort of multi-polarity with relatively low antagonism levels predetermined by the strengthening of such a structural parameter as growing mutual dependence and mutual integration in the international system.

G 20 is an obvious example. The establishment of this international institution is fully associated with the trend towards redistribution of influence among the leading world powers. It was the G 20 format rather than G 8 which was selected as an appropriate format to discuss at the highest level the ways for overcoming the global financial crisis. Possible scenarios include both expanding the G8 format and the parallel competitive existence of such formats as G 8, G 20, BRIC (Brazil, Russia, India, China) etc.

Both the East and the West are seeking alternative ways to enhance their influence on international policy outside the scope of previously established institutions. Specifically, in the last few years Russia managed to bring to summit level meetings in the format of Russian Federation-China-India (RCI) and make systematic the activity of the Shanghai Cooperation Organization (SOC). In opposition to the idea of the second administration of President Bush regarding the creation of global and several regional organizations of democratic states (de facto – an alternative to UNO), lately the representatives of the US Democratic

Party pursued the idea of small coalitions within which the USA (along with certain other leading world nations) must resolve specific comprehensive issues of a global and regional nature. Particularly illustrative in this respect was the proposal of Zbigneŭ Bzhezinskij regarding the creation of the «Group of Two», composed of the USA and China, to resolve key issues of global politics. This coalition may allow the USA to gain control over the increasing power of China and compensate the losses of its own image in the world arena.

Moreover, an ideological component of structural transformation does not contribute towards improved stability. By activating another dimension of political confrontation, it «brings back to life» the identity conflicts (first of all religious and ethnic conflicts) thus undermining not only global or regional stability, but also the national security of separate states.

For Ukraine sharp transformations in the system of international relations resulted in an increased number and an aggravation of foreign policy challenges. These challenges are further aggravated by the global financial crisis, the Russian-Georgian War, Ukraine-Russia gas conflict, problems in Ukraine's relations with the EU and NATO, and Ukraine's loss of its regional leadership status position.

In the political dimension a global financial crisis has three major consequences: first, for a long time the state reduces its unconditional leadership among players in international relations – mostly due to the decreasing role of international organizations, regimes and integration groups, i.e. all institutions which are the products of states' policy (under conditions of shortage of funds and reduction of budget expenditures the states will cut the funding of all international projects); second, the states will be ever more inclined towards selfish behavior (which is predetermined by the need for financial mobilization); third, international cooperation will experience the revision of quantitative and qualitative parameters towards regional and sub-regional levels, which will precondition the increased political influence of regional leaders.

For Ukraine (already a strong possibility) this would mean the crisis of a total reliance on Western institutions as the imperative of Ukrainian foreign policy. In the near future Ukraine, just like the majority of world nations, will face the following policy realities: a) low – compared to the previous periods – readiness of other



states to assist Ukraine in the protection of its national interests (except situations when Ukraine is part of the vital interests of other states); b) revision of the contents and structure of regional cooperation entailing the establishment of clear boundaries of integration groupings and regional organizations. As a result, Ukraine may find itself outside the boundaries of such regions (most expressly – outside Central and Eastern Europe and the EU region) which will lead to a limited format of cooperation with respective institutions.

Decreasing oil prices (as well as prices for other energy carriers) caused by the global financial crisis will have restricting political consequences for Ukraine. Investment in mineral exploration and energy infrastructure will reduce (at least, it is unlikely to increase). As a result, the practical activity of leading energy companies in the development of alternative routes for transportation of energy carriers will also reduce. Only the EU is really interested in the development of new transportation routes. However, unlike the US, the EU has no leverage on energy companies to compensate the reduced economic efficiency of projects.

Along with the decrease of the investment attractiveness of Central Asia and Caspian Region, the weakened position of alternative projects for transportation of energy carriers will lead to a significant decrease of the role of Black Sea and Black Sea – Caspian areas in the organization of transit. This will lead to structural shifts in Ukraine's international environment: US and EU involvement in political and economic projects will decrease, the influence of Russia and Turkey will increase, and, what is most important, room to maneuver for the region's medium level states (and first of all for Ukraine) will be significantly reduced.

The decrease of Ukraine's weight in the structure of international relations, combined with domestic instability and uncertainty of the leading external players of Ukrainian political space (USA and Russia) regarding the selection of priority partners in the Ukrainian political establishment, may lead to the increased probability of direct agreements (regarding Ukraine) between these two players without the involvement of any Ukrainian politicians. This will make Ukraine the object of international relations. At first glance, this trend is moment-driven by its nature and is related to future elections in Ukraine. However, it might have long lasting consequences if the USA and Russia meet

halfway and agree not to oppose each other. This, de facto, will create a condominium of two states in resolving foreign policy problems of post-Soviet states, which can take the shape of a structural imperative in the region.

In this respect the Russian-Georgian war is quite illustrative. A great nuclear power was a direct participant of this conflict. If it was not Russia but some other state, the reaction of the United States would have been much tougher.

Anyway, this conflict was highly illustrative from a political point of view. It emphasized certain important trends of the modern international relations system. Specifically, after the attempts to form a dominated world environment the world is coming back again to the fragmentation of political space. In a war involving a nuclear power – a permanent member of the UN Security Council – most of the countries refrained from stating their own position on the origin of the conflict and limited themselves to expressing their regret about the conflict.

In the case of all the leading players in international politics (from leading EU member states to Japan, India, and China), their own selfish interests prevailed over the aspirations towards a universal security regime in the world or specific region.

This conflict also provided evidence of the renaissance of the policy of force and the use of armed forces as an effective foreign policy instrument. The inability of the international community to interfere with a conflict and stop it (proved many times over the last years and repeated lately during the military operation of Israel in the Gaza Strip) evidences that – at least in a contemporary world – large powers and regional leaders can resort to force to demonstrate their status and protect their own interests.

For Ukraine this experience proves the absolute danger of confrontation scenarios in relations with great powers (first of all, with Russia) and lack of any international guarantees in case of direct conflict with such states. Asymmetry in Ukraine-Russian relations remains uncompensated and runs contrary to the interests of Ukraine. Under these conditions Kyiv has to seek a systematic compromise with Russia. Pursuing the confrontation policy and the so-called policy for «promotion of democracy» in the post-soviet area in the spirit of an old American administration, can lead to a worsening of relations with the majority of countries that prefer a dialogue with Russia, as well as result in the loss of privileged

relations with such countries and marginalization of Ukraine in the European space.

Transformation dynamics in the structure of the European regional system of international relations is no less deep and turbulent. First, significant weakening of American domination results in a transformation of the trilateral balance EU-Russia-USA into a bilateral structure of a new (mostly cooperative) EU-Russia structure. This is exactly the structure that transforms into the imperative for resolution of principal problems of European policy: conflicts in the Caucasus and Transnistria, energy security, crisis of regional organizations and security regimes etc. It is this format that has a decisive influence on the positioning of Ukraine in the European space: problems related to the plan for preparation for NATO membership and actual NATO membership, EU Eastern policy and status of the EU neighbor or associated partner, status of a transit state and gas conflict with Russia.

Second, geopolitical and geostrategic discrepancies between the USA and the EU deepened. The EU has different geopolitical projects both in global politics and on the European continent. This leads to aggravated competition between the two «cornerstones» of Euro-Atlantism for maintaining a strategic dialogue with Russia, influence on Eastern Europe, as well as further transformation of NATO and reorganization of general European security structure. It creates conceptually a new political environment for Ukraine and new alternatives for foreign policy orientation: to speed up the process of accession to NATO and ascertain its place in Euro-Atlantic space, or, considering objective differences between the processes of European and Euro-Atlantic integration, to focus on «European identity» and the «European choice» of Ukraine and seek its place in the unified Europe.

Third, «strategic pause» in further expansion of the European Union became a fact. Despite the continuing rhetoric on «open doors», the Eastern policy of the EU and principal provisions of future Agreement on association with Ukraine became the official reaction of the European Union to the completion of the expansion process. For Ukraine, another consequence of such a policy will be the return of the EU to the practice of the delegation of powers to its separate members interested in the development of a respective area of EU policy. In case of Ukraine these «authorized representatives» will be Poland and Baltic states. As a result, the intensity of

the dialogue with Brussels and some European capitals will decrease and the subjective factor of Warsaw and Poland's influence on Ukraine will, on the contrary, increase.

Fourth, change of the role and modality of policy of great European states is another key structural challenge for Ukraine. In 2008, due to frustration with the inability of the Eastern Europe member states to depart from national selfishness and promote consolidation of the European Union, as well as realizing the inability of the United States of America to unilaterally regulate economic and political processes in the world, France, Germany and Italy have seen the revival of the trend for a strengthening of their independent role and the renaissance of great power ideas.

Over a long period of time Ukraine's policy with regard to leading European states was based on the imperative of accession to the EU and NATO. Unreadiness or unwillingness on the part of these organizations to further discuss these problems can lead to decreased interest in Ukraine if the latter fails to offer cooperation in areas that would meet the interests of European «grandees» (considering their vision of the transformation of the European international-political region).

Fifth, Russia is strengthening its position as Europe's political, economic, and energy «center of balance». Despite the fact that (compared to the EU) Russia has much less attributive and attractive potential, it is a centralized great power formation capable (as demonstrated by the events of 2008) of pursuing a more consolidated and mobile strategy, including aggressive use of force in both «soft» and «hard» formats. Consolidation of post-Soviet space will take place mostly around Russia. At the same time it should be born in mind that it is Ukraine that creates «critical mass» for the success of significant geopolitical projects in the post-Soviet area. In principle, it secures for Ukraine a significant resource for pursuing an active policy both in the region in general and with regard to Russia in particular. Reactivation of this resource requires the achievement of a systematic compromise with Russia based on an understanding of both the high mutual dependence of these two states, and differences in the levels of interests and potential for their realization: formation of a global geopolitical code for Russia and regional geopolitical code for Ukraine.

Thus, transformation processes in global and European policy significantly influence foreign policy behavior of separate ele-

ments/states of international systems. Therefore increased pressure on Ukraine simultaneously by Russia, the USA, and the EU is not just the consequence of mistakes of Ukrainian foreign policy, but rather the result of changes in the configuration of forces on both global and regional-European levels.

The aggregate of these changes and challenges put to doubt the effectiveness of the foreign policy strategy of Ukraine. Instead of developing a consistent and realistic strategy that would allow the government to bring to order and pragmatically balance Ukraine's relations with NATO, the EU, and Russia, strengthen the personality of Ukraine in European policy, prevent or neutralize specific threats to national security resulting from destabilization in the Black Sea region, and the financial and energy crisis, Ukrainian diplomacy in 2008 can be characterized by resonant steps in the area of «soft force» – organization of the visit of the Ecumenical Patriarch and the Forum dedicated to Holodomor (Famine) of 1932–1933. But was the prioritization correct in the context of actual political, economic, and security related processes in the world and in Europe?

Of course, the reasons for a weak foreign policy for Ukraine in 2008 are related to internal problems. A state that lacks an attractive model of economic, political, and social development cannot play the role of a regional leader. Likewise, the activity of the Organization for Democratic and Economic Development – GUAM (that includes countries that rank 53<sup>rd</sup>, 62<sup>nd</sup>, 104<sup>th</sup> and 135<sup>th</sup> in the democratization rating of the world nations) cannot be effective. It will be impossible to integrate into the European development model without changes in the «internal life» of Ukraine. Likewise, it will be impossible for Ukraine to become a full-fledged element of the European security system.

Preserving significant delays in the domestic «European transformation» of Ukraine leads to an intensification of the «scissors effect» in the development vectors of Ukraine and European countries. This can have grave strategic consequences, bring to nothing Ukraine's ability to implement its Euro-Atlantic policy line, and keep Ukraine for a long time in the shadow of Russia's center of gravity.

The last years have clearly demonstrated the trend towards a transformation of Eastern Europe into a major geostrategy epicenter of the activity of world powers in the Eurasian region.

Stabilization and structuring of this region (a key region in the world hierarchy of geopolitical spaces in the times of that classicist of geopolitics, Sir Halford John Mackinder) based on the model of a respected world leader ranks among the top priority objectives of the leading world centers of influence – the EU, the USA, and Russia. Increased competition of these models is already observed now and Ukraine becomes one of the most important objects of this competition. Under such difficult and strained conditions, this represents one of the greatest challenges for the foreign policy strategy of Ukraine.

This situation is a challenge for Ukraine and has both its «disadvantages» and «advantages». Disadvantages include the risk of the escalation of conflict differences between the «poles» and general destabilization of the European region, which entails the threat of a catastrophic reduction of space for foreign policy maneuver by Ukraine and its increased dependence on the leading international players. The advantage is that under conditions of a renaissance of multi-polar balance policy, Ukraine will gain new opportunities for protection of its interests. In practice it means finding a rational balance among the concepts of «multi-vector approach», «non-participation in any alliances», «European choice», «European» and «Euro-Atlantic integration», «Eurasian vector» etc., which can result in the need to shape a new paradigm of Ukraine's foreign policy. This can also lead to the initiation of such a geopolitical project, in implementation of which Ukraine could play a constructive integrating role corresponding to its potential and geopolitical status.

Considering the above, the project for the formation of the Great Europe (a stable regional structure of inter-state relations within the framework of which Ukraine will realize its vital interests) may become the basic concept and instrument of Ukraine's European policy. The Great Europe paradigm must give back to Ukraine its natural place in the center of general European processes, its natural role as a unifying element and system-forming segment, rather than the role of peripheral element and sanitary buffer. This project is aimed at increasing the influence and role of Ukraine in achieving and enhancing the unity of Europe.

## § 2. Ukraine in a global world

A country's place in a globalized world is predetermined by its positioning at a certain level of hierarchy of international relations and the degree of its involvement in the system of international relations and processes. Therefore, the trends that define the behavior of states at this highest global level are characterized by a lasting nature and cyclicity. These features need to be taken into account in determining the key parameters of Ukraine's foreign policy in the global and regional systems of international relations over the last year.

The year 2008 became the next stage for Ukraine to position itself in the system of global international coordinates that define the place, role and influence of each country in the international community. Integration of Ukraine into this system of coordinates of international relations is a complicated and contradictory process. The year 2008 was full of important and, sometimes, tragic events. However, it also brought certain achievements for Ukraine. But these achievements (as well as losses) can be perceived only in the turbulent context of global processes. Ukraine is just part of them.

Increased globalization and strengthening of the regionalization of international relations should be emphasized among the key trends that predefined international processes in 2008. These two global trends are characterized by dialectical correlation and result in the change of international relations' coordinates from a one-polar to a multi-polar system.

Under these conditions, the place of Ukraine in a global world is predetermined by both its ability to adjust to dynamic changes in the system of global and regional relations, and Ukraine's contribution to the resolution of the global problems of international politics.

## **Role of Ukraine in Resolution of Global Problems of International Politics**

Major problems faced by humankind in 2008 included:

- aggravation of global environmental problems related, first of all, to excessive pollution of the atmosphere with harmful greenhouse gases;
- increased deficit of energy resources and worsening of energy supply security;
- aggravation of confrontation among the leading players in their struggle for regional leadership.

Among the global environmental problems the highest threat is posed by climate change that results in such extreme natural disasters as droughts, floods, hurricanes, inundation of onshore areas and settlements, and abnormal temperatures. Climate change already represents a real threat to the existence of hundreds of millions of people by the end of this century. The major reason for climate change is considered to be the increased man-caused emission of greenhouse gases. Carbon dioxide (CO<sub>2</sub>) is the main greenhouse gas. Over the last 100 years its concentration increased by 40%, which represents the highest level in the last 650 thousand years. Major reasons causing the increased concentration of carbon dioxide include burning of fossil fuel (coal, oil, gas), changes in the use of land, and deforestation.

The Kyoto protocol became the first international document that limited the volume of greenhouse gas emission in the atmosphere. It came into force on February 16, 2005 after seven years of negotiations and reconciliations. In accordance with the protocol, the developed states must reduce their general greenhouse gas emission in 2008–2012 by at least 5.2% (compared to the year 1990). In addition, each country is allocated a certain quota for pollution of the environment with greenhouse gasses that cause global warming of the planet.

Ukraine ratified the Kyoto Protocol in 2004 and assumed the obligation not to exceed by the year 2012 the volume of emission that it had back in 1990. Actual greenhouse gas emission in 2004 totaled only 45% of the 1990 volume. Pursuant to the forecasts of the Ministry of Economy, even in case of an «optimistic scenario of the development of the national economy» Ukraine will not



reach the emission level of 1990. However, despite the reduced emission volume, Ukraine still ranks among the twenty largest polluters of the planet with greenhouse gases and bears a certain liability to the world community for negative climate change consequences<sup>1</sup>.

Ukraine is considering the feasibility of reducing greenhouse gas emission by

20–30% by the year 2020. However, these reductions must be scientifically substantiated and achieved through the use of modern ecologically-friendly technologies and allocation of required financial resources. In this respect the development of cooperation with the European Union (as well as other developed states) on modernization of the economy tends to be of great importance for Ukraine.

Based on various estimates, sale of emission quotas can secure good profits for Ukraine – from \$ 740 mln to \$ 1.5 bln annually. However, by no means all industrial states intend to meet Kyoto Protocol requirements.

The most likely buyers of Ukrainian emission quotas are Germany and Japan. Germany is ready to pay for Ukraine's quotas by investing about \$ 2 bln in the projects that make it possible to reduce harmful emissions at Ukrainian enterprises, specifically at heat and power generation plants. The program that includes 36 joint projects for the total value of over \$ 700 mln has already been developed for Ukraine. The program is mostly aimed at metallurgical enterprises, mines, and utility companies and is designed to reduce CO<sub>2</sub> emission to 65 mln t.

In July 2008, Ukraine for the first time in its history formalized its quotas for greenhouse gas emissions by signing the memorandum with Japan, which makes it possible to start selling the emission quotas. Pursuant to the memorandum the funds generated from the sale of quotas will be used for the modernization of Ukrainian enterprises. According to the National Agency for Environmental Investments, the total of 1.46 mln t. of conditional emissions was transferred to Japan. According to expert estimates,

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<sup>1</sup> Questions and answers on climate change and Kyoto Protocol. – [http://climategroup.org.ua/?page\\_id=75](http://climategroup.org.ua/?page_id=75).

<sup>2</sup> *Dmytro Kravchenko*. Smoke of Kyoto Protocol // *Kontrakty*. – № 7. – 2004.

the average value of one ton of conditional emissions totals about Euro 10. Thus, the value of the agreement with Japan may total \$ 15 mln<sup>3</sup>. However, Ukraine lacks a proper legislative framework for such investment projects. To make these projects possible it is required: first, to establish an office for joint implementation projects and second, to approve the program, criteria, and implementation procedure for such projects<sup>4</sup>. In 2008, international projects on reduction of greenhouse gas emission were implemented only at two Ukrainian enterprises: coal mine at Zasyadko, and Podilsky cement plant.

On October 13, 2008, the Minister for the protection of the environment, Vasyl Dzharty and the Director of the World Bank in Ukraine, Belarus, and Moldova, Paul Bermingham, agreed on the intensification of cooperation to terminate manufacture of bromo-methane, as well as the planting of greenery and the modernization of Ukrainian industry. This meeting was also used to discuss issues related to the assistance of the World Bank (within the framework of Kyoto Protocol projects) in the formation of a trade system for the sale of greenhouse gas emission quotas<sup>5</sup>. The EBRD is ready to annually allocate \$ 2–4.6 bln to transition economies, among which Ukraine takes one of the leading places.

At the end of 2007, Ukraine completed the fulfillment of all conditions required for the use of Kyoto Protocol mechanisms. For the first period of Kyoto Protocol validity, Ukraine assumed the obligations that do not require domestic measures aimed at the reduction of greenhouse gas emission. As for the second period, Ukraine maintains the position that the approval of a new agreement and completion of negotiations on Ukraine's obligations for the second reporting period must take place in 2009 during the meeting of the Parties in Copenhagen (Denmark). This is possible only in case of combined efforts of both the countries which are Parties to Appendix I of UN Framework Convention on Climate Change and countries which are not the Parties to this Appendix,

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<sup>3</sup> Delo. – 2008. – Nov. 3. 04:59. – <http://delo.ua/news/92061>.

<sup>4</sup> *Dmytro Kravchenko*. Smoke of Kyoto Protocol // *Kontrakty*. – № 7. – 2004. – Feb. 16.

<sup>5</sup> The Ministry for Protection of Environment and the Security Service will enhance joint implementation of Kyoto Protocol. – proUA. – 14.10.2006. – 14:29.

the states that ratified and did not ratify the Kyoto Protocol. In this respect Ukraine draws the attention of the international community to the initiative (declared by the President of Ukraine, Viktor Yushchenko during the 63<sup>rd</sup> Session of the UN General Assembly) on the development of a conceptually new and binding framework agreement – Ecological Constitution of the Earth, the Main Law for preserving the quality of the environment, the common natural heritage of humankind, and for preserving life on Earth. The mechanism for formalization of voluntary obligations may become an important element of international efforts for the reduction of greenhouse gas emission.

Since the largest share of greenhouse gas emission is generated by the energy sector, it will be impossible to resolve the issue of softening a man-caused impact on climate without changing the system for energy production and consumption. Therefore, in the long term UN members must combine their efforts in seeking new sources of energy.

Implementation of green investment schemes based on funding of projects aimed at the reduction of man-caused emission of greenhouse gases, transparency, and sustainable development will enable the transitional economies and developed countries to secure the expansion of «ecologically friendly technologies».

Ukraine shares the standpoint regarding the importance of international agreements on preservation and restoration of forests, especially tropical forests. Ukraine has the largest area of plowed land in Europe and the need for the 'foresteing' of new territories is really vital.

In this respect the countries that preserve and restore forests must be encouraged by provision of international financial and technical assistance based on the mechanisms established for implementation of such projects. Further dialogue regarding forests within the framework of the SBSTA agenda will make it possible to prevent the diffusion of efforts.

The implementation of the Kyoto Protocol in Ukraine must be reflected in the formulation of objectives and implementation of national policy in such areas as energy development strategy, improvement of energy efficiency in all sectors of national economy, and the introduction of alternative and renewable sources of energy, etc.

Thus, Ukraine and Ukrainian industrial enterprises face the problem of large scale ecological modernization, which must be implemented in the tideway of Kyoto Protocol requirements.

Ukraine, due to its geographical location, developed transportation system and energy infrastructure, plays an important role in international energy cooperation. Specifically, Ukraine is an important link in supplying the European consumer market with fuel and energy resources.

In this context Ukraine takes all required measures aimed at integration in the European energy community. The Negotiation process on Ukraine's accession to the Agreement on the Creation of the Energy Community has been intensified. Specifically, in 2008 three technical meetings were held (including the meetings within the framework of the Council of Ministers of the Energy Community) dedicated to Ukraine's application on accession to the Agreement on the Creation of the Energy Community. Based on the results of these meetings Ukraine confirmed its intentions regarding its accession to the Agreement, as well as arrangements on holding the next round of negotiations in February 2009.

Implementation of the project on the integration of the Unified Energy System (UES) of Ukraine into the Union for the Coordination of Transmission of Electricity (UCTE) is going on. The major objective of the project is to secure the functioning of the power and energy sector of Ukraine based on European standards, technical norms and rules. Implementation of this project will make it possible for Ukraine to increase the volume of electric power export.

Within the framework of the implementation of the initiative of the Presidents of Ukraine, Poland, and Lithuania, in May 2008 Kyiv hosted the Summit on energy security issues. This Summit was aimed at elaborating unified approaches to securing a consensual transnational policy and culture of collective guarantees for reliable transit and untouchability of energy carriers in Caspian-Baltic-Black Sea energy transit space. Such policy is called to secure minimization of political and other risks, as well as minimization of grounds for implementation of economically unfeasible projects. Based on the results of the Kyiv Summit, the participants approved the Kyiv declaration on the principles of global energy security and signed the following documents:

- Joint statement on Caspian – Black Sea – Baltic energy transit space (Presidents of Azerbaijan, Estonia, Georgia, Latvia, Lithuania, Poland, and Ukraine);
- Joint statement of the Presidents of Azerbaijan, Georgia, Lithuania, Poland, and Ukraine regarding the project on Euro-Asian oil transportation corridor.

Expert development of draft Concept of Caspian – Black Sea – Baltic Energy Transit Space within the framework of the inter-state working group established during the Kyiv Summit is also going on. This working group includes representatives of the states – parties to the joint statement on Caspian – Black Sea – Baltic energy transit space.

On November 14, 2008, Baku hosted the Fourth Energy Summit attended by the President of Ukraine V. Yushchenko. The Baku Energy Summit became a logical continuation of the initiatives of the Krakow, Vilnius, and Kyiv Summits. Based on Summit results, 15 participating states and a representative of the European Commission signed the Declaration of the Baku Energy Summit.

Among other things, the Declaration stresses the importance of the Euro-Asian oil transportation corridor for transportation of hydro-carbon resources from the Caspian region to international markets through the Ukrainian oil pipeline «Odesa-Brody», as well as the significance of further elaboration of the initiative on the creation of a Caspian – Black Sea – Baltic energy transit space. The Declaration positively assessed the creation of a new organizational structure of the international pipeline enterprise «Sarmatia» and development of operation conditions for the «Odesa – Brody – Plotsk – Gdansk» oil pipeline.

### **Ukraine in the Global Economic Space**

A state integrates into global economic processes, first of all, through accession to international financial, trade-and-economic organizations. In this respect the year 2008 was marked by Ukraine's accession to the World Trade Organization. On January 16, 2008, during the London meeting of the Working Group that considered Ukraine's application for accession to the WTO, the Ukrainian party agreed to limit the number of existing export

duties for the determined list of products and not to increase these duties in the future. Thus, the last barrier that hampered Ukraine's accession to the WTO was eliminated.

On February 5, 2008, the President of Ukraine, V. Yushchenko, took part in the meeting of the WTO General Council held in Geneva. During this meeting WTO member states approved the Report of the Working Group on consideration of Ukraine's application for accession to the WTO with respective addendums, specifically, the list of tariff concessions and obligations in the area of access to markets for products and specific obligations in the area of access to services' markets. During this meeting the Protocol on Ukraine's accession to the WTO was signed. On April 10, 2008, the Ukrainian Parliament (Verkhovna Rada of Ukraine) adopted the draft law «On Ratification of the Protocol on Ukraine's Accession to the WTO». On January 16, the Law of Ukraine «On Ratification of the Protocol on Ukraine's Accession to the WTO» was signed.

Pursuant to WTO procedures, Ukraine gained full-fledged membership status on May 16, 2008. As of this date all WTO rights, obligations, and rules apply to Ukraine.

In 2008, after Ukraine's accession to the WTO (already having the status of WTO member state) Ukraine held negotiations with the European Free Trade Association (EFTA) regarding the conclusion of a free trade agreement. The consultations of the government delegation of Ukraine with representatives of the Secretariat and heads of delegations of EFTA member states were held on September 30 – October 1, 2008, in Geneva. During these consultations it was agreed to initiate in the first half of 2009 negotiations on the conclusion of a free trade agreement between Ukraine and EFTA<sup>6</sup>.

After the adoption by the Verkhovna Rada of Ukraine (on June 3, 1992) of the Law of Ukraine «On Ukraine's Accession to the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation, International Development Association, and Multilateral Investment Guarantee Agency», in September 1992 Ukraine became the 167<sup>th</sup> member of the International Bank for Reconstruction and Development (IBRD) and subscribed for 908 shares, or 0.77% of the Bank's share capital. Ukraine also joined the International Finance Corporation (IFC) and the Multilateral

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<sup>6</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

Investment Guarantee Agency (MIGA). The official opening ceremony of the Regional Office of the World Bank in Ukraine, Belarus, and Moldova was held in Kyiv on February 7, 2003.

In 2008, the portfolio of projects of the World Bank in Ukraine included 11 investment projects in progress, as well as 6 investment projects and 1 system project, which are at the stage of preparation. The value of loans for the implementation of projects totals \$ US 1.8 bln. In addition, the World Bank is implementing one guarantee project for the sum of \$ US 100 mln<sup>7</sup>.

At the beginning of 2008, the project «Modernization of State Finance» (totaling \$ US 50 mln) was approved. During the visit of World Bank experts to Ukraine in February – March 2008, negotiations were initiated regarding the extension of the Development Policy Loan – III (DPL – III). Conditions for the extension of this loan include the securing of a reliable and stable macroeconomic environment, and refraining from further increase of fiscal expenses in 2008.

Currently, World Bank funding is allocated to the following sectors: social and humanitarian projects account for 33% of the total funding borrowed by Ukraine; financial sector support – 32%; energy and municipal infrastructure – 14%; agro-industrial complex – 12%; state sector development – 8%<sup>8</sup>.

The last annual revision of World Bank projects' portfolio took place in Kyiv on June 25, 2008 in the office of the World Bank Mission in Ukraine. During the meeting it was stressed that priority areas for Ukraine's cooperation with the World Bank remain as follows:

- strengthening of energy security and improvement of energy efficiency;
- improvement of transport infrastructure;
- strengthening of public finance system.

In addition, a two-level monitoring and assessment system is being implemented jointly with the Bank. This monitoring and assessment system covers both project portfolio level and micro level (project level). Moreover, a monthly blitz-assessment of the status of the project portfolio based on key monitoring indicators agreed with the Bank has been in operation since May 2008.

<sup>7</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

<sup>8</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) have active operations in Ukraine. The number of approved investment projects grows. There is a trend towards transition from technical assistance projects to investment projects, which are implemented in many sectors: financial, agricultural, and in the services sector. As of the end of 2008, the IFC invested in Ukraine about \$ US 700 mln within the framework of 32 projects<sup>9</sup>.

Ukraine views its cooperation with the World Bank not only from the perspective of access to relatively cheap credit resources, but also as the opportunity to access the economic knowledge, experience, and expertise of practically all countries of the world.

Non-credit activity of the World Bank in Ukraine is rather manifold. Over the period of Ukraine-World Bank cooperation, the Bank conducted a series of research studies and completed the development of reports on the following issues: pension reform; reform of inter-budget relations; energy sector development strategies; funding of rural development. Simultaneously, the World Bank prepared a number of updated surveys on the assessment of poverty, state expenses, financial sector, and social sector development strategies.

In 2008, issues related to the implementation of a Partnership Strategy between the World Bank and Ukraine and prospects for further cooperation were also discussed during a series of visits of World Bank representatives to Ukraine, including the working visit of the Managing Director of the World Bank, Ms. Ngozi Okonjo-Iweala.

Aspects of Ukraine's cooperation with the World Bank were considered during the report of the Vice-Prime Minister of Ukraine, G.M. Nemyrya, during the Meeting of the regional group of IMF and World Bank member states in Amsterdam in June 2008.

On October 9–14, 2008, the official delegation of Ukraine took part in the Annual Assembly of Managers of the IMF and the World Bank held in Washington (USA). The main events of the Assembly were the Plenary Meeting of the Annual Assembly, meeting of the International Currency and Finance Committee, meeting of the Development Committee, as well as briefing for the countries of

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<sup>9</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.



Europe and Central Asia. In addition, members of the Ukrainian delegation held a number of bilateral working meetings, specifically with representatives of the International Finance Corporation, Multilateral Investment Guarantee Agency, International Bank for Reconstruction and Development, International Monetary Fund, and the European Bank for Reconstruction and Development.

Topics for discussion during the Annual Assembly were almost entirely dedicated to the issues of international coordination of efforts aimed at overcoming the crisis in global financial markets, as well as the consequences for the countries of the world. The IMF and World Bank experts stated that the Ukrainian economy and its financial and banking system were rather vulnerable due to the further expansion of the global financial crisis, which affected economies throughout the world. In their opinion the main problems of Ukraine are related to the following factors: significant worsening of external funding conditions (inaccessibility of such funding and its high cost) for both state and private sector, and the simultaneous need to make large payments on foreign debts in 2008–2009.

During the meetings of the Ukrainian delegation with IMF and World Bank representatives, agreement was reached to continue joint consultations on the development of comprehensive measures to prevent the expansion of the crisis in the Ukrainian economy and financial and banking system.

Ukraine cooperates effectively with the International Monetary Fund in such areas as acceleration of reforms in the Ukrainian economy, promotion of entrepreneurship and the introduction of new production technologies. Under conditions of an aggravating negative impact of the global financial crisis on financial and real sectors of the Ukrainian economy, in October–November 2008 Ukraine held negotiations with IMF representatives on obtaining funding to stabilize the situation in the Ukrainian financial market. On November 5, 2008, the IMF Board of Directors adopted the decision to allocate a «stand-by» loan to Ukraine totaling \$ US 16.4 bln. As of the end of the year 2008, Ukraine's quota in the IMF totaled \$ US 1.372 bln. Special drawing rights constitute 0.63% of the total IMF portfolio<sup>10</sup>.

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<sup>10</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

On May 18–19, 2008, the 17<sup>th</sup> Annual Meeting of the EBRD was held in Kyiv (for the second time in the last ten years). This Meeting became a momentous event in Ukraine's cooperation with the EBRD. The EBRD declared the allocation of a grant totaling Euro 135 mln aimed at overcoming the consequences of the Chernobyl disaster, specifically to complete the construction of a new safe sarcophagus and temporary storage facility № 2. The investment forum «Ukraine: Investment. Infrastructure. EURO – 2012» was held within the framework of the EBRD Annual Meeting. The forum was conducted to discuss ways for the implementation of investment projects in order to prepare Ukraine for holding the European Football Cup in 2012. About 60 foreign countries took part in this forum.

On July 7, 2008, the Agreement on cooperation and the operations of the EBRD Permanent Mission in Ukraine came into force. This agreement (concluded between the Government of Ukraine and the EBRD) defines major areas of cooperation between Ukraine and the EBRD. On April 7, 2008, in the context of the EBRD active investment activity in eastern and southern regions of Ukraine, the EBRD Regional Office was opened in Dnipropetrovsk. This Regional Office will focus its operations on 5 oblasts/regions: Dnipropetrovsk, Zaporizhzhya, Donetsk, Luhansk, and Kharkiv<sup>11</sup>.

In December 2007 the World Bank approved a new «Partnership Strategy with Ukraine for the Period 2008–2011». This partnership strategy is aimed at promoting sustainable economic growth and strengthening Ukraine's competitiveness, reform of public finance and public administration, as well as improvement of public services in the area of health care and education.

Major programs of the new Strategy envisage a number of mechanisms, including investment lending and loans for structural reform, as well as analytical and advisory assistance within the framework of the program for Government reform. The Partnership Strategy also envisages a transition to the practice of reducing the number of projects but increasing their scale, as well as reduction of investment for complex institutional reforms. Major sectors for implementation of the Partnership Strategy include: municipal infrastructure, energy sector, land reform,

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<sup>11</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

public finance, state sector, management of social insurance, health care, protection of environment, access to high quality secondary education.

Currently the EBRD projects' portfolio is aimed at supporting key areas of economic reform, specifically: structural reconstruction of fundamental sectors of the economy, reform of financial and banking sectors, protection of environment. In addition, EBRD funds are allocated to finance investment projects in the electric power industry, housing and public utility services, and the social sector.

In 2008 Ukraine continued active cooperation with the Organization for Economic Cooperation and Development (OECD). Important results of Ukraine's cooperation with OECD included the following:

1. Conducting on February 21, 2008 (within the framework of the OECD global forum on competition issues held in Paris) of a presentation «Overview of Competition Policy of Ukraine» as a condition for obtaining the status of an observer in the OECD Committee on competition issues.

2. Presentation by the State Committee of Ukraine for Entrepreneurship of the report «Overview of State Policy of Ukraine in the Area of Small and Medium Business» within the framework of the 33<sup>rd</sup> Meeting of the OECD Working Party on SMEs and Entrepreneurship (WPSMEE) held on May 5–8, 2008 in Kansas City (USA). During the 34<sup>th</sup> Meeting of WPSMEE held on October 27–29, 2008 in Paris (France), Ukraine was presented as a new observer of this Working Party. The State Committee of Ukraine for Entrepreneurship reached an agreement with the OECD Center for SMEs, entrepreneurship and regional development regarding the possibility of obtaining the status of observer in the Task Force for the development of small business and entrepreneurship.

3. Within the framework of the 37<sup>th</sup> session of the OECD Committee on public administration held on April 16–19, 2008 in Paris, Ukraine was presented as a new permanent observer of this Committee<sup>12</sup>.

The most realistic prospects for deepening mutual relations in the short-term include: measures aimed at transferring Ukraine to

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<sup>12</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

the fourth group of risks under the official OECD classifier; obtaining the status of observer with the Committee on shipbuilding issues; cooperation with the Committee on taxation issues; cooperation with the Statistics Directorate of OECD's International Energy Agency. Currently, Ukraine is continuing its cooperation with the OECD based on various agreements with Directorates for the protection of the environment; financial and fiscal issues and entrepreneurship; food, agriculture, and fishery; as well as the International Energy Agency and Nuclear Energy Agency.

In 2008 the period of Ukraine's chairmanship of the Organization for Black Sea Economic Cooperation (OBSEC) expired. On April 17, 2008, Kyiv hosted the meeting of the OBSEC Council of Ministers of Foreign Affairs to sum up the results of Ukraine's chairmanship in OBSEC. The six month period of Ukraine's chairmanship in OBSEC was full of events aimed at implementation of statutory priorities specified during the Istanbul Summit back in June 2007.

This period was characterized by increased levels of regional and international interaction in economy and trade, banking sector, energy and transport sectors, protection of the environment, fighting international crime, as well as in humanitarian and other areas. Specifically, during Ukraine's chairmanship in OBSEC the following events took place: the First Banking Forum of OBSEC member-states; the First Container Summit in Odesa; and meetings of the heads of various industry agencies. On March 18, 2008, Kyiv hosted the meeting of the heads of customs administrations of OBSEC member-states. The main topic for discussion was Ukraine's initiative to initiate the mechanism for exchange of preliminary customs statistics among OBSEC member states. Joint statement of the heads of customs administration of OBSEC member states specifies clear prospects for the development of harmonized and unified customs operations in the OBSEC region.

On April 9, 2008, the meeting of Ministers of Energy of OBSEC member states was held in Kyiv. Issues discussed during the meeting included the following: status of implementation of regional energy strategy, status of preparation of large-scale projects and prospects for the development of cooperation in the energy sector in the OBSEC – EU format.

On April 10, 2008 the meeting of Ministers of Transport of OBSEC member states was held in Odesa. Major discussion issues

were related to the implementation of previously reached agreements, specifically: Memorandum on promotion of road haulage in the region, Memorandum on construction of a Black Sea circular highway, Memorandum on the development of maritime arteries, etc.

During the chairmanship of Ukraine significant attention was paid to the humanitarian dimension of cooperation within the framework of OBSEC. On April 2–5, 2008, the Higher Education Forum and Congress of Rectors of Black Sea Region Universities were held in Kyiv. These forums were aimed at assessing the achievements in the area of scientific research, the implementation of the Bologna process in the Black Sea region countries, innovations and nanotechnologies, as well as the role of universities in the formulation of a sustainable development policy and development of strategy for harmonization of educational systems<sup>13</sup>.

An important event during Ukraine's chairmanship became the establishment of partnership relations between OBSEC and the European Union. This format of cooperation between OBSEC and the EU was initiated on February 14, 2008, by holding a meeting of Ministers of Foreign Affairs of OBSEC region states and EU member states.

### **Ukraine in the Global Information Space**

In 2008, the key objectives in implementation of this area of foreign policy of Ukraine included the following: wide international recognition of 1932–1933 Holodomor (Famine) tragedy and formation of a positive international image of Ukraine.

Securing international recognition of the 1932–1933 Holodomor in Ukraine as an act of genocide against the Ukrainian people ranked among the priority tasks of the Ministry of Foreign Affairs of Ukraine in 2008. Major attention was focused on securing the adoption by international organizations of resolutions that commemorate the victims of the 1932–1933 Holodomor in Ukraine. This work was carried out in UNO, the Parliamentary Assembly of the Council of Europe and Parliamentary Assembly of the Organization for Security and Cooperation in Europe.

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<sup>13</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

On December 16, 2008, in New York, the Declaration «On the 75<sup>th</sup> anniversary of 1932–1933 Holodomor in Ukraine» was submitted for signing as a document to the 63<sup>rd</sup> Session of the UNO General Assembly. This Declaration was signed by 33 UN member states.

In the context of promoting the initiative on recognition of Holodomor by the Parliamentary Assembly of the Council of Europe (PACE), the Ministry of Foreign Affairs of Ukraine is working on creating appropriate conditions for PACE spokesman who, during 2009 must prepare the report on Holodomor in Ukraine and mass famine in other regions of the former Soviet Union, which would reflect the position of Ukraine regarding the genocide nature of Holodomor. The initiatives of Ukraine on facilitating the recognition of the 1932–1933 Holodomor by the Parliamentary Assembly of the Council of Europe were aimed at approval by this organization of a resolution condemning the 1932–1933 Holodomor in Ukraine.

On June 3, 2008, commemorative resolution «On the 1932–1933 Holodomor in Ukraine» was adopted at the 17<sup>th</sup> Annual Session of the PACE.

On October 23, 2008, the **European Parliament** (upon submission by 5 political groups that included 690 of the total 785 deputies) adopted the resolution that qualified Holodomor as a horrible crime against Ukrainian people and a crime against humanity. By adopting this resolution, the European Parliament expressly recognized the genocide nature of Holodomor.

During 2008 the decision on recognition of Holodomor as being genocide against Ukrainian people was adopted by the Parliaments of Austria, Mexico, Latvia and the USA.

Thus, by December 2008, Vatican and legislative authorities of 14 countries recognized the 1932–1933 Holodomor to be genocide against Ukrainian people (Australia, USA, Poland, Hungary, Canada, Estonia, Lithuania, Georgia, Peru, Paraguay, Ecuador, Colombia, Mexico, and Latvia), and Parliaments of another five countries (Argentina, Spain, Slovakia, Czech Republic, and Chile) adopted the documents on commemorating Holodomor victims<sup>14</sup>.

On May 29, 2008, Canada became the first country in the world that – in addition to a resolution of the Parliament – adopt-

<sup>14</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

ed the Law on establishing the fourth Saturday of November to be the Memorial Day of Holodomor victims in Ukraine. The law applies throughout Canada.

During 2008, on both regional and municipal level, Holodomor was recognized to be genocide by 10 legislative bodies of 6 countries (Australia, Brazil, Spain, Canada, Mexico, and Portugal). Overall, a similar resolution was adopted by 24 administrative and territorial units of seven countries (Canada, Brazil, Spain, Australia, Argentina, Italy, and Portugal).

During 2008, the Ministry of Foreign Affairs of Ukraine implemented a number of information and image making measures, which for the first time made it possible to systematically, purposefully, and consistently position Ukraine in international information space as a modern, educated, and highly cultured European nation, the history of which is closely related to the development of democratic traditions and struggles against totalitarianism.

### **Expansion of Interaction with Ukrainians Abroad**

In 2008, the implementation of this important area of Ukrainian foreign policy was carried out within the framework of the fulfillment of the State Program for Cooperation with Ukrainians Abroad for the period to 2010. Overall, 53 foreign diplomatic missions and over 300 Ukrainian NGOs in 45 countries of the world were involved in the implementation of this Program. According to preliminary estimates, by the end of 2008 nearly 300 agreements were fulfilled for the total amount of about UAH 6.5 mln, including UAH 4.5 mln. – on consumption expenditures, and UAH 2 mln – development expenditures. The above mentioned program is focused on the fulfillment of measures related to the coverage of Holodomor problematics, satisfaction of the language, education, and cultural needs of Ukrainians abroad, purchase of books, national costumes, musical instruments and computer equipment, subscriptions to periodical publications, and construction of monuments to outstanding Ukrainians abroad<sup>15</sup>.

Upon the proposal of the Ministry of Foreign Affairs, on June 25, 2008, the Cabinet of Ministers of Ukraine adopted the decision

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<sup>15</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

to create the Inter-Agency Coordination Council for securing the development of relations with Ukrainians abroad (hereinafter – Inter-Agency Council). This Inter-Agency Council was created as a permanently acting advisory body under the Cabinet of Ministers of Ukraine. Its activity is aimed at improving the coordination and interaction of state authorities on the implementation of the National Concept for Cooperation with Ukrainians Abroad, the State Program for Cooperation with Ukrainians Abroad for the period until 2010, as well as on issues related to the protection of rights of Ukrainian labor migrants.

The year 2008 was also marked by more intense activity of bilateral commissions on securing the rights of national minorities. To date, Ukraine has created such commissions with Hungary, Slovakia, and Romania and planned to establish similar bilateral commissions with Belarus, Moldova and other states. On April 14, 2008, the Inter-State Agreement between Ukraine and Moldova regarding cooperation on securing the rights of national minorities was initiated.

The Ministry of Foreign Affairs of Ukraine was actively involved in implementation of joint projects with other Ministries and NGOs. For example, in the educational year 2007 – 2008, for the first time in the history of Ukrainian education, 679 pupils of the International Ukrainian School were attested in the territory of countries of their temporary residence. In July 2008, annual assessment of knowledge, final state attestation, and issuance of official attestation documents were successfully carried out in the territory of the Czech Republic, Turkey, Portugal, and Spain.

In addition, the Ministry of Foreign Affairs secured diplomatic support of the procedure for awarding Ukrainians abroad with state and government awards and insignia of distinction. By December 2008, over 100 persons were awarded.

In 2008, foreign diplomatic missions of Ukraine (supported by representatives of the Ukrainian Diaspora) conducted a series of scientific and practical conferences and seminars dedicated to the 90<sup>th</sup> anniversary of the Ukrainian revolution of 1917–1921. The issue of the reinterment in Ukraine of the ashes of S. Petlyura and E. Konovalets in the future Pantheon of Great Ukrainians is currently under consideration.

An international event, the «ever-burning candle» held in 33 countries of the world, became one of the important projects



implemented within the framework of developing the cooperation with Ukrainians abroad and securing international recognition of the 1932–1933 Holodomor in Ukraine.

Having started on April 6, 2008 in Australia, this symbolic candle was handed over like a relay race from country to country. On April 18, 2008 a symbolic candle was handed over to Canada. Over the period of June 3–27, 2008, similar events took place in Colombia, Ecuador, Peru, Brazil, Paraguay, Argentina, and Chile. On June 29, 2008, the above mentioned event started on the European continent. Great Britain became the first European state to receive the symbolic candle. The candle was further handed over to Sweden, on July 9 – to Estonia, on July 11 – to Latvia, on July 15 – to Lithuania, and on July 19 – to Belarus. The Symbolic candle stayed on the European continent until October 2008. On November 21, 2008, the symbolic candle was delivered to Kyiv to conduct the events commemorating Holodomor victims.

### Conclusion

During 2008, Ukraine made significant foreign policy efforts to secure an honorable position in world politics. The most advanced areas of foreign policy activity were as follows: wide recognition of the 1932–1933 Holodomor tragedy; active cooperation with international financial organizations; implementation of Kyoto Protocol requirements; and deepening of relations with the Ukrainian Diaspora.

For the first time in its history Ukraine materialized its quotas for greenhouse gas emission having signed with Japan the memorandum that makes it possible to start the sale of greenhouse gas quotas. According to the agreement the funds received will be used for modernizing Ukrainian enterprises. According to existing estimates, the sale of emission quotas will make it possible to generate from \$ 740 mln to \$ 1.5 bln annually. However, at this stage Ukraine lacks proper legislative framework for such investment projects.

Ukraine remains an important link in supplying the European consumer market with fuel and energy resources. In this context, during 2008 Ukraine took all necessary measures aimed at integration in the European energy community.

The year 2008 was marked by Ukraine's accession to the World Trade Organization and active cooperation with international financial organizations. The IMF Board of Directors adopted the decision on the allocation of a \$ 16.4 bln «stand-by» loan to Ukraine. Projects with the International Bank for Reconstruction and Development are focused on restructuring of fundamental branches of the economy, reform of banking and financial sectors, and protection of the environment. In 2008, Ukraine's chairmanship of the Organization for Black Sea Economic Cooperation expired. This period was characterized by enhanced regional and international cooperation in economy and trade, the banking sector, energy, transport, protection of the environment, fighting international crime, as well as in humanitarian and other areas.

In 2008, major efforts on the international recognition of Holodomor were focused on securing the adoption of resolutions that commemorate the 1932–1933 Holodomor victims by such international organizations as the United Nations Organization, Parliamentary Assembly of the Council of Europe and Parliamentary Assembly of the Organization for Security and Cooperation in Europe.

### § 3. Trends of Ukraine's Foreign Policy in 2008

During 2008, a system conflict between the state and Ukrainian society deepened. State power demonstrated its ineffectiveness. This could not help reflecting on Ukraine's foreign policy. First of all the paradigm of relations between the state and society required changes. A former Prime Minister of Great Britain, William Gladstone, said that «the main principle of his foreign policy is good domestic governance». Ukrainian political practice continuously proved the fairness and importance of this truth. Foreign policy should be based on the national interests and strategic priorities of Ukraine rather than on group or personal interests. As the first Minister of Foreign Affairs of Ukrainian People's Republic, O. Shulgin, said «Foreign policy of Ukraine should not be East or West oriented, it should be Ukraine oriented». In other words, Ukrainian national interests should have been the main priority of Ukrainian foreign policy. The Foreign policy of Ukraine is supposed to support national interests and serve as one of the instruments for self-assertion of the Ukrainian nation.

Foreign policy statements made by the leading Ukrainian politicians during 2008 proved that the ruling Ukrainian elite lacks consensus on the issues of foreign policy priorities. A lot of mistakes were made in the management of Ukraine's foreign policy. Specifically, this is evidenced by the assessment of reasons for and development of the Russian-Georgian war and its consequences. Disputes regarding specific foreign policy actions were inherent not only to the state power, but also to separate parties. With time these disputes transformed into the factor of intense political confrontation. At the beginning of 2008, the letter signed by three leaders of the state regarding Ukraine's accession to NATO Membership Action Plan served as an impulse for intensified confrontation. The

Ukrainian Parliament once again proved unable to articulate a clear and concise national policy with regard to this issue. This of course was predetermined by the fact of «backstage» and not public signing of the above letter by the state leaders. European and Euro-Atlantic integration (as no other area of Ukraine's foreign policy) were, first of all, the issue of domestic rather than foreign policy.

In 2008, the most influential institute for the formation of foreign policy of Ukraine remained the President of Ukraine (87% of experts), as well as the Presidential Secretariat and a narrow non-official circle of persons close to the President of Ukraine (*Table 1.1*)<sup>16</sup>. Compared to 2007, the influence of the Ministry of Foreign Affairs also increased (as stated by 41% of experts, + 15%). The Ministry of Foreign Affairs – despite the well known barriers of both domestic and internal origin – made significant efforts to implement the policy line aimed at the European and Euro-Atlantic integration of Ukraine. The role of Government was three times less than that of the President of Ukraine, and the activity of the Prime Minister of Ukraine was rather sporadic, although Yulia Tymoshenko visited Brussels much more often compared to her predecessors. As viewed by the experts, the Ukrainian Parliament had practically no influence on international events.

In 2008, the formation of the foreign policy of Ukraine was greatly influenced by, first of all, Russia and the USA (*Diagram 1*). At the same time the influence of the EU greatly reduced. In 2007, European institutions expressed their willingness to be actively involved in the processes of political crisis in Ukraine that resulted in early elections and BYT – NUNS government coming to power. In 2008, Ukraine's dialogue with the EU was focused on a new enhanced cooperation agreement, which is supposed to determine the future format of Ukraine-EU relations.

In 2008, as in the previous years, there was a certain inconsistency between the list of states the development of relations with

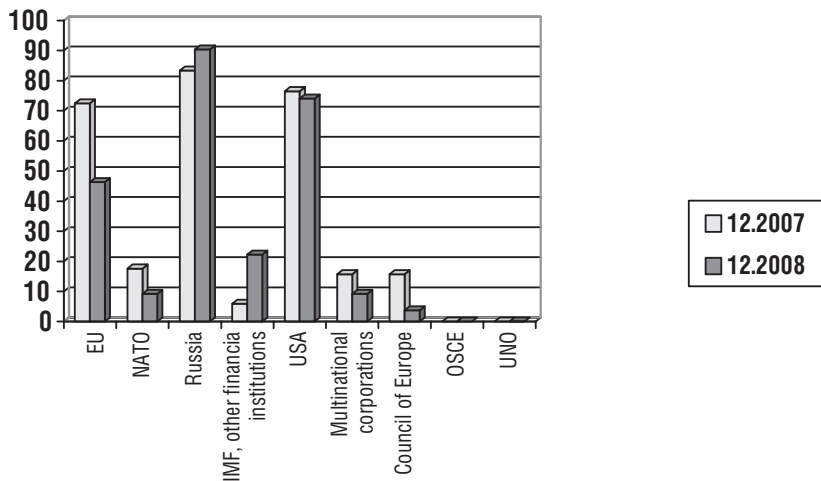
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<sup>16</sup> This analysis is based on the results of experts' survey conducted in December 2007 and December 2008 according to a standard methodology among four groups of persons involved in the analysis, planning, and expertise of foreign and security policy of Ukraine and adoption of political decisions (employees of state authorities and state analytical agencies, military elite, NGO specialists, journalists). More than 50 persons were involved in each survey. Project manager – O. Potekhin, data collection and processing – N. Parkhomenko.

Table 1.1

**What Institutes and Elite Groups Inside Ukraine  
Have the Largest Influence on Foreign Policy of Ukraine?, %**  
*(the total of percentages exceeds 100,  
since experts could select up to three options)*

	December 2007	December 2008	Dynamics
President of Ukraine and Secretariat of the President of Ukraine	88,2	87	-1,2
Narrow informal circle of persons close to the President of Ukraine	33,3	48,1	+14,8
Minister of Foreign Affairs of Ukraine	25,5	40,7	+15,2
Prime Minister of Ukraine	52,9	31,5	- 21,4
Financial and Industrial Groups	35,3	24,1	- 11,2
National Security and Defense Council	5,9	14,8	- 8,9
Ukrainian Parliament	7,8	1,8	- 6
Regional leaders	3,9	0	-3,9
Independent analysts, experts, journalists	3,9	0	-3,9
None of the above	3,9	3,7	-0,2



**Diagram 1. Influence of Foreign Partners on the Adoption of Decisions in Ukraine**

Table 1.2

**Specify Three-Four Participants  
of International Relations (Countries, Unions  
of States, International Organizations etc.),  
which are of Top Priority for Ukraine in Terms  
of Developing Successful Mutual Relations (in %)**

	2007	2008
EU	92,1	81,5
NATO	74,5	70,4
USA	72,5	68,5
Russia	62,7	55,5
Poland	9,8	11,1
Germany	7,4	7,4
GUAM	9,8	5,5
IMF	–	5,5
Great Britain	–	5,5
France	7,4	3,7
China	5,5	3,7
WTO	19,6	3,7
Visegrad Group	–	1,8
Romania	–	1,8
Shanghai Cooperation Organization	1,9	1,8
Turkey	–	1,8
World Bank	–	1,8

which is of top priority for the national interests of Ukraine, and the states with which Ukraine's relations were developed in practice (*Tables 1.2 and 1.3*).

European integration. In 2008, Ukraine held 5 rounds of consultations with the delegation of the **European Commission** regarding a new enhanced agreement with the EU. Ukrainian society did not expect any signals regarding future membership (which was absolutely natural). Ukraine consistently proved the advisability of engaging the general public in monitoring the negotiation process. To some extent it was an example for the European Union. For instance, instructions of the European Commission delegations specified that future agreement may not include the provision on prospects of Ukraine's membership in the EU. This was in direct contradiction to public opinion in the EU

Table 1.3

**Specify Three-Four Participants of International Relations (Countries, Unions of States, International Organizations etc.), with which the Relations of Ukraine Developed Most Successfully**  
(in Percentage)

	2007	2008	Dynamics
Poland	68,6	57,4	-11,2
USA	39,2	55,5	+16,3
Georgia	13,7	31,5	+17,8
EU	44,4	27,8	- 16,6
NATO	43,1	16,7	- 26,4
IMF	-	14,8	-
Lithuania	1,9	14,8	+12,9
GUAM	-	3,7	-
There were no such states or organizations at all	7,8	25,9	18,1

member states (more than 50% of citizens of the EU member states supported Ukraine in its European aspirations) and even resolutions of the European Parliament.

The Joint Statement on Association Agreement (approved during the Ukraine-EU Summit held in September 2008 in Paris) stated that after the approval of the Ukraine-EU Action Plan in 2005, partnership between Ukraine and the EU significantly deepened in all areas that represent common interest: cooperation in the area of foreign policy and crisis resolution, economic and energy related cooperation, cooperation in the area of justice, freedom, and security, including visa policy and many other areas. For the first time it was recognized that Ukraine, as a European state, shares common history and values with EU member states. During the Paris summit it was stated that a new agreement between Ukraine and the EU would be the association agreement which leaves the door open for further progressive development of Ukraine-EU relations. The European Union recognizes the European aspirations of Ukraine and welcomes its European choice. Gradual rapprochement of Ukraine and the EU in political, economic, and legal areas will promote further progress in Ukraine-EU relations. The Association Agreement will renew the Ukraine-EU institutional

framework, facilitate the deepening of Ukraine-EU relations in all areas, and enhance political association and economic integration between Ukraine and EU based on mutual rights and obligations. Creation of an in-depth free trade zone and approximation of regulatory legislation of Ukraine to EU standards will promote gradual integration of Ukraine in the EU internal market. The Association Agreement will also enhance cooperation on a wide spectrum of issues in the area of justice, freedom and security, including migration issues. Taking into account significant progress in the negotiation process and in order to prepare for the fulfillment of the Association Agreement, the leaders were optimistic in stressing the importance of the development of this new practical instrument which will replace the Action Plan in March 2009.

During the 10<sup>th</sup> round of negotiations held in November 2008, the parties finalized most of the Agreement provisions related to the preamble and institutional framework of relations. To achieve the objectives of the Ukraine-EU Association Agreement, the delegations agreed to create joint bodies – the Council on association issues, the Committee on association issues, and the Association's Parliamentary Committee, as well as to hold annual summits. In addition, agreement was reached to create a forum for cooperation between the civil society of Ukraine and the EU. The parties agreed on the need to intensify negotiations on a Free Trade Zone and on sector issues within the framework of respective working groups.

At the same time Ukraine carefully followed the process of discussion in the EU of the so called «East Partnership» concept. This initiative arose from the need for the EU to develop an effective Eastern dimension of its own policy. On the one hand, Ukraine welcomed the efforts aimed at seeking a new framework of relations between the EU and other European states that would meet the actual level of their relations and would take into account these states' strategic vision of the ultimate goal of their integration in the EU. However, it was stated that the «Eastern Partnership» initiative must envisage a clear prospect of membership for Eastern neighbors of the EU who prove the seriousness of their Euro-integration ambitions with concrete actions and real achievements.

Thus (as it was specified in foreign policy foundation documents) European integration policy remains the most important



policy line for Ukraine. Most of the experts affirm that accession to the EU corresponds to the national interests of Ukraine (yes – 72%; rather yes than no – 26%) (*Table 1.4*). The following issues rank among the major objectives of Ukraine's foreign policy (*Table 1.18*): 1) creation of a free trade zone with the EU; 2) accession to the Common Energy Policy of the EU (when and if this policy becomes a reality – *Author*); 3) conclusion of an enhanced agreement with the EU with a prospect of EU membership (provision of such a prospect in 2009 is impossible – *Author*); 4) participation in the Common foreign and security policy of the EU (hopefully, this issue will be covered in a new agreement – *Author*).

However, as viewed by the experts, the EU ranked only fourth among the unions of states and countries with which Ukraine had positive development of mutual relations (*Table 1.3*). It is worth noting that the number of experts who were optimistic about the European prospects of Ukraine significantly reduced compared to the year 2007 (which was marked by high involvement of the EU in the resolution of political crisis in Ukraine, which resulted in early parliamentary elections and BYT-NUNS Government coming to power). At the same time, nearly 50% of experts believe that rapprochement between Ukraine and the EU continued. Every fourth expert believed otherwise (increase in the number of critically oriented experts by 24%) (*Table 1.11*). Nearly the same number of experts responded that there was stagnation in Ukraine-EU relations. The number of experts who believed that Ukraine-EU relations were stable also significantly decreased (–21%). 50% of experts characterize Ukraine-EU partnership as unequal and asymmetric, and every fifth expert views these relations as relations between a client (Ukraine) and a patron (EU).

The main barrier to Ukraine's integration in the European Union is the inability of state leaders to determine and implement strategic priorities (as viewed by 83% of experts; increase of 23% compared to 2007) (*Table 5*). Other key factors specified by 32% – 39% of experts include: a) corruption and organized crime (+10%); b) heritage of Soviet era thinking and social organization; c) indifference of EU ruling authorities to Ukraine (which hamper the integration process); d) unwillingness of the ruling elite to integrate; e) influence of Russian factor (–8%). It is interesting that assessment of factors (b) and (c) remained unchanged

Table 1.4

**Does the Accession to the European Union  
Correspond to National Interests of Ukraine?**  
*(in percentages)*

	<b>2007</b>	<b>2008</b>
Yes	76,5	72,2
Rather yes than no	19,6	25,9
Rather no than yes	3,9	0
No	0	0
Hard to say	0	1,8

Table 1.5

**What are the Main Barriers to Ukraine's  
Integration in the European Union**  
*(in percentages)*  
*(the total of percentages exceeds 100  
since experts could select up to three options)*

	<b>2007</b>	<b>2008</b>
Heritage of Soviet era thinking and social organization	35,3	35,2
Inability of state leaders to determine and implement strategic priorities	60,8	83,3
Corruption and organized crime	29,4	38,9
Influence of left-wing political forces	0	0
Low professionalism of diplomatic service	1,8	0
Influence of «Russian factor»	41,2	33,3
Slow economic reforms	33,3	20,4
Weak civil society institutions	21,6	12,9
Violation of human rights	0	0
Unwillingness of the ruling elite to integrate	25,5	31,5
Indifference of EU ruling authorities to Ukraine (which hamper the integration process)	35,3	35,2
Nothing hampers the integration process	3,9	0
Other: domestic controversies that make reforms impossible		

Table 1.6

**Please Assess the Effectiveness of Securing  
the Implementation of Ukraine's Policy Line  
Towards European Integration by the Following Parameters  
(in percentages)**

	High		Average		Low		Zero		Hard to say	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
Actions of executive power authorities	3,9	1,8	35,3	31,5	49	50	11,8	14,8	0	1,8
Legislative framework	3,9	0	45,1	25,9	37,2	40,7	13,7	33,3	0	0
Personnel	0	0	21,6	25,9	68,6	59,2	9,8	12,9	0	1,8
Funding	0	0	7,8	25,9	78,4	53,7	13,7	14,8	0	5,5
Quality of execution of adopted decisions	0	0	15,7	18,5	58,8	63	25,5	18,5	0	0
Securing of public support	3,9	1,8	29,4	61,1	54,9	16,7	11,8	22,2	0	0
Securing of international support	3,9	3,7	49	59,2	41,2	25,9	5,9	11,1	0	0

in both 2007 and 2008, while factors (c), (d), and (e), in our opinion, are closely related to each other. However, it should be emphasized that it is state power and not external factors which is perceived as the main reason leading to the slow-down of Ukraine's integration in the European Union. This is evidenced by the low estimate of the effectiveness of implementation of Ukraine's Euro-integration policy line. The quality of implementation of adopted decisions ranks first by the number of negative estimates (zero and close to zero effectiveness – more than 80%).

**Completion of the process of Ukraine's accession to the WTO** also opened the way for the initiation of negotiations on creation of an in-depth and comprehensive free trade zone as an important element of a new enhanced agreement with the European Union. However, positive expectations related to WTO membership mostly did not come true. Experts rather skeptically assess the use by

Table 1.7

**Ukraine's Accession  
to the World Trade Organization, %**

	<b>Does the accession to WTO meet national interests of Ukraine? (2007)</b>	<b>Did Ukraine use the opportunities result- ing from WTO mem- bership? (2008)</b>
Yes	80,4	5,5
Rather yes than no	11,8	3,7
Rather no than yes	3,9	55,5
No	3,9	11,1
Hard to say	0	24,1

Ukraine of its opportunities resulting from WTO membership (although every fourth expert believes that it is too early to talk about it as actual consequences are still to show up) (*Table 1.7*).

**Relations with NATO.** Obviously Ukraine has outgrown the existing format of cooperation with NATO. The framework of Intensified Dialogue was too narrow for Ukraine. Ukraine is objectively ready to raise the level of interaction with NATO to the NATO Membership Action Plan. This would be a logical step in line with the actual status and depth of Ukraine's special partnership with the Alliance. For Ukraine, the invitation to the NATO Membership Action Plan is also the issue of the seriousness of the intentions of the Ukrainian powers to reform the state in line with the highest European standards. Ninety percent of the NATO Membership Action Plan (MAP) is a plan for the reform of Ukrainian political, economic and social systems. And only ten percent is related to security, military, resources and legal issues.

However, Ukraine lacked political partnership on a wide spectrum of issues to join MAP. Ukraine's MAP aspirations were buried not only due to the attitude of certain European countries, but also because of Ukrainian politicians who gave preference to their selfish interests. The President and the Prime Minister of Ukraine shared a common vision regarding the NATO Membership Action Plan and the Letter signed by three leaders of the state at the beginning of 2008 provoked active resistance from the opponents of the Western vector of the development of Ukraine, both domestically and on the international scene.

A systematic and consistent public awareness campaign on a wide spectrum of issues related to Ukraine-NATO cooperation remains an important activity area. At the end of May the Cabinet of Ministers of Ukraine approved the State Program for Public Awareness aimed at informing the general public about the issues of Euro-Atlantic integration over the period of 2008–2011. It is worth noting that the concept of this program was signed by the Prime Minister, V. Yanukovich, back in November 2007. Implementation of this program along with allocation of adequate resources improved the perception of NATO by Ukrainian society. In 2008, public awareness activity regarding NATO issues significantly improved. A number of state authorities and other governmental and non-governmental institutions were involved in this information campaign: the Ministry of Foreign Affairs, the Ministry of Education and Science, the Ministry for Family, Youth, and Sports, the State Committee for Television and Radio Broadcasting.

The meeting of the NATO Council (held on December 2–3, 2008) confirmed all elements of decisions regarding Ukraine adopted by the heads of states and governments of NATO member states in Bucharest. It was stated that Ukraine had achieved significant progress but still had a long way to go. Therefore, the decision was made to further assist Ukraine in implementation of required reforms through the fulfillment of annual national programs. However, the issue of NATO's external control over the fulfillment of national programs remained unaddressed.

### **Bilateral Relations**

Priorities of Ukraine-American cooperation. During the last year of his second presidency George Bush visited Ukraine for the first time. As friends and strategic partners, Ukraine and the USA maintain close cooperation on a wide spectrum of issues that represent common interest. This cooperation is based on common values, including expansion of economic freedom and democracy, security guarantees, strengthening of the rule of law, promotion of innovation and technical development, and development of a health care system. In the «Road Map» of bilateral relations signed in spring, the USA promised to intensify energy dialogue, including that in the framework of the bilateral working group on energy security

Table 1.8

**What Areas of Cooperation  
with NATO are Currently the Priority Areas  
for Ukraine?, (%)**  
*(the total of percentages is more than 100,  
since experts could select up to three options)*

	2007	2008
There are no priority areas and Ukraine should not cooperate with NATO	1,9	0
Creation of prerequisites for Ukraine's accession to NATO in the future	17,6	3,7
Creation of prerequisites for Ukraine's accession to NATO in the near future	62,7	55,5
Joint development of conceptual foundations of military policy	13,7	14,8
Direct assistance in implementation of military reform	39,2	44,4
Assistance in establishment of the system of democratic and civil control over law enforcement and defense agencies	21,6	25,9
Provision of additional security guarantees to Ukraine	43,1	57,4
Coordination of military and technical policy and support of military and industrial complex	21,6	21,4
Trade in arms, special equipment, as well as military and technical services	11,8	16,7
Training of personnel	23,5	16,7
Joint military exercises	17,6	12,9
Participation in peace making operations	9,8	22,2

issues. The possibility was considered of initiating a trilateral dialogue on energy issues between Ukraine, the USA, and the EU. On December 19, 2008, the Charter on Strategic Partnership between Ukraine and the USA was signed. This Charter is of principal importance – and not only for bilateral relations between Ukraine and the USA. The Charter stressed the importance of bilateral relations in the area of defense, security, economy, trade, energy security, democracy and cultural exchange. Under conditions of a refusal from the NATO Membership Action Plan this document was designed to give a certain signal to Russia. The idea was to oppose Moscow's ambitions to have the territory along Russian

Table 1.9

**Effectiveness of Implementation of Ukraine's Policy  
Line Aimed at Joining NATO Membership Action Plan  
(according to the following parameters)  
(%):**

	High	Average	Low	Zero	Hard to say
Actions of executive power authorities	3,7	27,8	50	11,1	7,4
Legislative framework	3,7	29,6	44,4	20,4	1,8
Availability of required personnel	0	22,2	55,5	18,5	3,7
Funding	0	29,6	59,2	7,4	3,7
Quality of implementation of adopted decisions	1,8	31,5	53,7	11,1	1,8
Securing of public support	0	27,8	29,6	38,9	3,7
Securing of international support	5,5	31,5	42,6	18,5	1,8

Table 1.10

**What in Your Opinion are the Chances  
of Ukraine Joining NATO Membership Action Plan  
in 2009?, %**

High	3,7
Average	18,5
Low	42,6
Zero	33,3
Hard to say	1,8

borders the area of Russia's influence. Specifically, the USA assumed the obligation to support Ukraine in its aspirations to NATO membership. The USA is willing to assist with the economic development of Crimea in order to reduce the economic impact of a future withdrawal of the Russian Black Sea Fleet.

As viewed by the experts surveyed NATO and the USA rank second and third after the EU in the importance of partner relations for Ukraine. The USA is a unique partner for Ukraine, and despite all 2008 collisions, US-Ukraine bilateral relations developed rather successfully. This is the opinion of 56% of experts (+16%. It is also worth noting that the survey was conducted before the signing of the Charter on Strategic Partnership between Ukraine and the USA in December 2008). More than 50%

of experts characterized Ukraine-USA relations as stable and 1/3 of experts believe that rapprochement between the two states is going on. Nearly the same proportion of experts surveyed described Kyiv-Washington relations as asymmetric and those of «client and patron». And only 10% of experts specified satellite dependence of Ukraine on the USA. None of these experts believed that Ukraine and the USA distance themselves from each other. In 2009, which is going to be a difficult year for Ukraine marked by political instability, the USA will remain the key partner to support Ukraine in preserving its independence. However, in order to obtain such support, the Ukrainian powers must realize the limits and resources that Washington can allocate for these purposes without detriment to US national interests.

Although US military potential is the absolute foundation of NATO power and this situation will remain unchanged over an indefinite period of time, the democratic procedures of the Alliance became the barrier to Washington's efforts to secure Ukraine's engagement in the NATO Membership Action Plan in 2008. There are also no strong arguments to believe that this will happen in 2009 (*Tables 1.9, 1.10*).

The year 2008 was also characterized by further worsening of **Ukraine-Russia relations**. Nevertheless, Russia ranks fourth among the top priority states for Ukraine (*Table 1.2*). This is the opinion of 56% of experts. We dare to assert that this percentage would be much higher if Kyiv and Moscow did not have principally opposite goals and interests. None of the experts surveyed mentioned Russia among the states with which Ukraine had a positive development of relations over the last year (*Table 1.3*). Describing Ukraine-Russia relations (*Table 1.6*) nearly 70% of experts characterized them by the term «tension», and 54% – by the term «hostility» (+36% over the year 2008). Every third expert believes that Ukraine keeps alienating from Russia. Of the experts surveyed 1/4 emphasized the unequal asymmetric partnership between Ukraine and Russia, and 15% of respondents specified the satellite dependence of Ukraine on Russia. None of the experts believed that there was any integration in or rapprochement between Ukraine and Russia, although nearly 10% specified inter-dependence of these two states or «client-patron» relations. There are no grounds to talk about equal partnership. Over the last months respectable independent experts were talking about Russia's great interest in



Table 1.11

**Characteristic of Qualitative Status of Ukraine's Relations  
with its Key Foreign Partners (%)**  
*(the total of percentages exceeds 100 %, since experts could select several characteristics)*

	European Union		Russian Federation		United States of America		Poland	
	2007	2008	2007	2008	2007	2008	2007	2008
Rapprochement	51,0	44,4	1,9	0	35,3	33,3	67,4	37
Alienation	3,9	24,1	27,4	29,6	5,9	0	0	1,9
Stability, preservation of status quo	33,3	12,9	13,7	0	45,1	55,5	37,2	51,8
Integration	23,5	16,7	0	0	1,9	0	11,8	3,7
Stagnation of relations	7,8	25,9	15,7	11,1	14,8	7,8	0	7,4
Satellite dependence of Ukraine	0	0	3,9	14,8	12,9	9,8	0	0
Equal partnership	9,8	3,7	0	0	7,8	7,4	37,2	68,5
Unequal, asymmetric partnership	39,2	50	25,5	25,9	21,6	35,2	5,9	3,7
Competition, antagonism	1,9	3,7	27,4	14,8	0	3,7		1,9
Tension	0	0	58,8	68,5	0	0	0	0
Hostility	0	0	17,6	53,7	0	0	0	0
Mutual dependence	3,9	5,5	23,5	11,1	0	3,7	15,7	22,2
Client-Patron relations	17,6	20,4	5,9	9,2	19,6	35,2	3,9	0

the further destabilization of both the internal and the foreign policy of Ukraine. Russia has a number of influence leverages for this purpose: energy dependence of Ukraine, Russian military presence in Crimea, Russian agents of influence in Ukrainian political forces, the practically unlimited activity of Russian intelligence agencies, control over significant financial and economic assets in the Ukrainian economy, Russia's control over certain Ukrainian oligarchs, as well as the pro-Russian orientation of a significant part of the population of Southern and Eastern Ukraine.

Actually, **Poland** is the only important partner who builds its relations with Ukraine on the basis of equal partnership. Poland ranks fifth by the priority of Ukraine's relations with foreign

states and international organizations (*Tables 1.2, 1.3, 1.11*). Relations with Poland are characterized by such features as «stability, preservation of status quo (52% of experts) and rapprochement (37%, decrease by 30% over 2008). More than every fifth expert described Ukraine and Poland as mutually dependent states.

### **Reaction of Ukraine to Decisive International Events and Threats**

In 2008, one of the significant international historic events for Ukraine was the 75<sup>th</sup> anniversary of Holodomor in Ukraine. The Presidential initiative on conducting an international campaign aimed at recognition of Holodomor as genocide of the Ukrainian people, and conducted, first of all, by the Ukrainian diplomatic service, was in general favorably viewed by the expert community (*Table 1.12*).

*Table 1.12*

#### **Did the Campaign on International Recognition of Holodomor to be the Genocide of Ukrainian People Improve the Image of Ukraine? (%)**

Yes	14,8
Rather yes than no	42,6
Rather no than yes	22,2
No	11,1
Hard to say	9,2

It is also worth mentioning that Ukraine's reaction to the declaration of independence of Kosovo was rather reasonable. Ukraine did not recognize the independence of Kosovo and adopted the attitude supporting Resolution 1244 of the UN Security Council. As with most of the world's countries, Ukraine believed that the situation related to Kosovo should not become a precedent.

In general, the current international status of Ukraine cannot but provoke serious concern about its future. The fact that ? of experts believe that there were no states or institutions with which Ukraine had a positive development of mutual relations in

2008 (Table 3, + 18% compared to 2007) is a very alarming signal, especially given the nature of threats that become ever more real. Nevertheless, experts lay the least blame for it on the Ministry of Foreign Affairs (MFA), although they specified that the MFA is somewhat inclined to report on virtual achievements.

In 2008, the main event that influenced the nature and scale of threat assessment was the five-day Russian-Georgian war. Experts split in half in their assessment of the impact of this war on the international status of Ukraine (Table 13). We presume that those who talk about a positive impact of the Russian-Georgian war on Ukraine actually mean the following: attitude to this conflict (that varied from unconditional support of Georgia and raising of the issue of control over the activity of Russia's Black Sea Fleet based in Sevastopol (V. Yuschenko) to the demands regarding diplomatic recognition of separatist regimes in South Ossetia and Abkhazia (V. Yanukovych) ) served as a test on »who is who« in Ukrainian politics. Well known differences in the attitude of different regions of Ukraine to the foreign policy line of the state remained unchanged (as viewed by 63% of experts – Table 14) or further deepened under crisis conditions (as viewed by 22% of experts). The formula »Now it is Georgia – Ukraine is the next«, which was widely discussed in the international community, drew attention to the uncertain status of Ukraine in the European security system. The Russian-Georgian conflict made it obvious that unintegrated and non-aligned Ukraine lacks even minimal international security guarantees.

Compared to 2007, the certainty of experts that Ukraine faces the following threats significantly increased: a) annexation of part of its territory; b) loss or limitation of national sovereignty. The list of priority threats also includes: the threat of the transformation of Ukraine into a buffer zone (as specified by 76% of experts); involvement of Ukraine in confrontation of international subjects (52% of the experts surveyed; + 26%). The experts are also greatly concerned by the threat of the economic depression of Ukraine (82%) resulting from deprivation or significant complication of access to energy resources (premonition of gas war – Author) and loss of access to international sales markets for Ukrainian products. The positive aspect specified by those surveyed is the decrease of threat related to expansion of international terrorism to the territory of Ukraine (48%, + 17). However, experts were practically

Table 1.13

**What Was the Impact of Russian-Georgian War  
on International Status of Ukraine?, %**

Positive	5,5
Rather positive than negative	38,9
Rather negative than positive	33,3
Negative	22,2
No impact at all	0

Table 1.14

**Ukrainian Regions Differ by their Attitude  
to Foreign Policy Line of the State.  
Do You Believe that Currently these Differences ..., %**

	2007	2008
Deepen	21,6	22,2
Level down	17,6	14,8
Remain unchanged	54,9	63
Hard to say	0	5,9

Table 1.15

**Threats for Ukraine (%)**

Do the stated threats below exist for Ukraine?	Exist		Do not exist and can be prevented		Do not exist but can arise		Hard to say	
	2007	2008	2007	2008	2007	2008	2007	2008
Violation of territorial integrity of the state under the influence of internal factors	29,4	33,3	29,4	14,8	41,2	51,8	0	0
Annexation of part of Ukraine's territory by some other state	13,7	29,6	52,9	22,2	33,3	44,4	0	3,7
Loss or limitation of national sovereignty	35,3	35,2	41,2	18,5	23,5	40,7	0	5,5
Involvement of Ukraine in confrontation between international subjects	25,5	51,8	19,6	11,1	54,9	33,3	0	3,7

Continuation Table 1.15

Threats for national security of Ukraine	Exist		Do not exist and can be prevented		Do not exist but can arise		Hard to say	
	2007	2008	2007	2008	2007	2008	2007	2008
Involvement of Ukraine in military conflicts in the territory of neighboring states	11,8	25,9	37	37	37,2	33,3	3,9	3,7
Expansion of international conflicts to the territory of Ukraine	15,7	22,2	62,7	33,3	19,6	42,6	1,9	0
Worsening of international image of Ukraine	82,3	92,6	5,9	0	11,8	7,4	0	0
Economic depression	56,8	81,5	15,7	0	27,4	18,5	0	0
Depriving Ukraine of access to resources/energy resources (or making such access very complicated)	68,6	70,4	9,8	3,7	21,6	25,9	1,8	0
Depriving Ukraine of access to international sales markets (or making such access very complicated)	43,1	64,8	29,4	11,1	23,5	22,2	3,9	0
Critical dependence of strategic enterprises and/or sectors of industry on foreign capital	52,9	48,1	17,6	5,5	23,5	44,4	5,9	1,8
Transformation of internal contradictions into open conflicts with the use of force	17,6	33,3	51	33,3	31,4	31,5	1,8	0
Transformation of Ukraine into a buffer zone	62,7	75,9	13,8	7,4	23,5	14,8	0	1,8
Expansion of international terrorism to the territory of Ukraine	19,6	12,9	31,4	48,1	49	37	0	1,8
Decreased effectiveness of law enforcement agencies to the level that does not secure reliable protection from existing and potential threats	68,6	77,8	9,8	9,2	21,6	11,1	0	1,8

unanimous about the worsening of Ukraine's international image, which is unlikely to improve in 2009.

Currently Ukraine finds itself under two external pressures – financial crisis and energy dictate. Ukraine can deal with these external threats only by strictly coordinating its domestic and foreign policy. A major condition of such coordination can be the political concord of democratic forces and a reasonable policy of partnership with neighboring states, which can assist Ukraine not only in overcoming the financial crisis but also in diversifying energy supply. Implementation of such policy would increase trust in and respect for Ukraine throughout the world. It is very important that the majority of Ukrainian citizens realizes the need for political consolidation and a consistent foreign policy line and is interested in the actual implementation of such policy.

*Table 1.16*

**What in Your Opinion is the Effectiveness  
of the Activity of Ukrainian Parliament Regarding  
the Issues of Foreign Policy, Defense,  
and National Security? (%)**

	2007	2008
High	0	0
Average	5,9	3,7
Low	37,2	55,5
Zero	45,1	37
Hard to say	11,8	3,7

*Table 1.17*

**Please Assess the Prospects  
for Establishing an Effective System  
of Civil Control over the Activity  
of the Armed Forces of Ukraine? (%)**

	2007	2008
Good	45,1	9,2
Medium	29,4	61,1
Low	15,7	24,1
Zero	5,9	3,7
Hard to say	3,9	1,8

Table 1.18

**What in Your Opinion Should  
be Major Objectives of Foreign Policy of Ukraine?  
Please, specify the importance of each objective  
(1 – top priority, 3 – secondary objective)**

	December 2007	December 2008
Preservation and development of transit potential	1,37	1,44
Conclusion of enhanced agreement with the EU with prospective of EU membership	1,41	1,41
Development of mutually beneficial relations with Russia	1,67	1,73
Promotion of large-scale investment from Western countries	1,38	1,50
Creation of free trade zone with the EU	1,41	1,35
Joining Common Energy Policy of the EU	1,51	1,37
Participation in implementation of Common foreign and defense/security policy of the EU	1,61	1,42
Development of cooperation with the states of Central and Eastern Europe	1,71	1,47
Priority development of relations with the USA	1,63	1,55
Development of relations with China, India, and other leading Asian countries	2,18	2,09
Putting forward of new peace initiatives, support of the policy of disarmament and arms control	2,47	2,51
Active cooperation with Parliamentary Assembly of the Council of Europe, other European agencies	1,76	2,19
Deepening of integration within the framework Common Economic Space	62,7% *	63% *
Progress of Ukraine on the way to the soonest possible NATO membership	1,31	1,63
Establishment of strategic union with the Republic of Belarus (in December 2006 the question was about accession to the Union of Russia and Belarus)	47% *	59,2% *
Development of cooperation within the framework of GUAM	1,98	2,27

\* This runs contrary to the national interests.

Over the period of 2005 through 2008, in the area of foreign policy the Ukrainian Parliament managed to do no better than ruin progress already achieved in the development of a positive foreign policy strategy of Ukraine. Naturally, this resulted in new negative consequences. International circles began to describe Ukraine as a state unable to pursue a consistent foreign policy and to stress the need for seeking (in the first place) an internal consensus.

### Conclusion

Foreign policy activity of the state was aimed at strengthening the status of Ukraine as that of a country which pursues a proactive, reasonable, and effective foreign policy. However, permanent internal disagreements prevented Ukraine from fully implementing this policy. Of course, there were certain achievements:

- Ukraine's accession to the WTO;
- Deepening of partnership relations with the United States of America;
- Consensus with the EU regarding the conclusion of Association Agreement;
- Deepening of Ukraine – NATO dialogue and initiation of annual National Programs;
- Deepening and improving of legislative framework between Ukraine and other countries, specifically G7 states.

Ukraine has no alternative to the policy line aimed at accession to NATO, and geopolitical changes in the region did not change the situation but rather made the importance of this policy ever more vital. Nevertheless, from the axiom of NATO membership as the best international guarantee of sovereignty, Ukraine should move to an understanding of the fact that only a nation which is aware of its interests can really guarantee its national independence.

Major risks to Ukrainian foreign policy included the following:

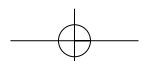
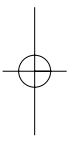
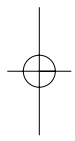
- Excessive expectations regarding quick achievement of accumulated foreign policy tasks and goals, especially those related to European and Euro-Atlantic integration;
- Low efficiency of existing foreign policy model;



- Ineffectiveness of state management of Ukraine's foreign policy;
- Weak coordination of foreign policy measures between different state power authorities;
- Systematic aggravation of Ukraine-Russian relations, which will continue in the future;
- Lack of timely, adequate reaction to the global economic crisis.

Summing up, it is worth noting that in general the foreign policy line of Ukraine remained unchanged and irreversible. The positive trend of qualitative changes in the international perception of Ukraine as that of an equal subject of international relations did not receive any further development. Top priority objectives of Ukraine's foreign policy remained as follows: comprehensive protection of the rights and interests of Ukrainian citizens abroad, consistent implementation of European and Euro-Atlantic aspirations of Ukraine, effective political and diplomatic support of foreign policy interests of the state.

2008 foreign policy results, combined with enhanced cooperation of Ukraine with the USA, the EU, and NATO, still preserve certain historic chances for Ukraine. But it will take extraordinary steps to use these chances and turn them into reality. Time is slipping away.



## § 4. Ukraine in international economic cooperation

In the context of international economic cooperation the year 2008 for Ukraine became the year of changes and challenges. The year of changes: as Ukraine gained membership to the World Trade Organization (WTO) after more than 14 years of negotiations and adaptation of the Ukrainian institutional environment to the requirements of this influential international organization. Obviously, this changed Ukraine's status as a trading partner for most of the countries of the world. For example, in relations with the EU joining the WTO enabled Ukraine to launch official negotiations for the creation of an extended free trade area with the EU, and in relations with the European Economic Area (EEA) this actually crossed quite elusive plans concerning the establishment of the customs union.

It was the year of challenges as the world financial crisis that began in the previous year gained a new meaning and dimension in 2008. There was the real breakdown of part of the current financial system, in particular the disappearance of the five great US investment banks, a wave of bankruptcies, nationalizations and agreements on mergers and acquisitions in the financial sector of developed countries involving financial institutions which were considered the most reliable ones, collapse of stock markets both of developed countries and emerging markets, total loss of confidence in the banking sector and drastic reduction of investors' «appetite» for risk, measures unprecedented in their scope and international coordination aimed at fighting the crisis taken by national governments, central banks and international organizations – these are only the most obvious features of the crisis which became the beginning of a global recession.

Although the first stage of the crisis in 2007 scarcely influenced Ukraine's economy, the second wave of shocks in the global

financial market in September 2008 and drastic reduction of world prices for raw commodities gave an impulse to the drastic collapse of economic activity in the country in the fourth quarter<sup>17</sup>. During the last months of the year the volumes of foreign trade in goods fell, the inflow of long-term foreign capital almost discontinued and the outflow of «other capital» grew, the national currency abruptly devalued, which considerably complicated the fulfillment of external financial obligations. All that fundamentally changed the characteristics of the country's external balance in the last quarter of the year compared to the previous quarters and threw some absolutely new challenges before Ukraine, which the society only began to meet in 2008.

It is obvious that in the context of international economic cooperation in 2008, besides the global challenges, some regional challenges existed, for example, the energy challenge connected with the system of supplying natural gas in Ukraine and via Ukraine, and also the migrational challenge.

### **Gaining WTO membership and current trade regime**

Undoubtedly, the most considerable achievement of Ukraine in the sphere of international cooperation in 2008 is gaining WTO membership. The application for the country's intention to join GATT (later – WTO) was submitted in November 1993 whereas Ukraine became the member of this international organization only on the 16<sup>th</sup> of May 2008.

Such a long negotiation process during which agreements with 52 countries on access to the goods and services markets were reached, and difficult multilateral negotiations on harmonization of Ukrainian legislation in accordance with WTO norms and rules were also carried on, led to the fact that much of the changes fixed in Ukraine's obligations have already been in effect in the country from the moment of officially gaining membership. This also concerns the customs valuation rules, the system of protection of intellectual property rights, the government assistance system

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<sup>17</sup> According to some estimates, real GDP fall in the fourth quarter of the year was equal to about 9% in the ratio one-to-one year compared to 6,9% of growth in the previous quarter.

and even partially the liberalization of entrance duties<sup>18</sup>. Consequently, contrary to society's expectations, accession to the WTO did not actually cause a drastic change of regulatory environment, it is more likely that it provided some guarantees for maintenance of certain conditions of access to the Ukrainian market in the future in exchange for better conditions of access to the markets of the WTO Member States and the possibility of more effectively protecting the current and future interests of Ukrainian producers in these markets.

Regarding the changes that took place in 2008 in consequence of joining the WTO it is necessary to mention several main ideas:

1) *Liberalization and binding of entrance duties*<sup>19</sup>. It should be mentioned that Ukraine's obligations concerning bindings on entrance duties on most industrial goods slightly differed from the level that was in the country at the moment of gaining WTO membership and that was actually established in 2005. For agricultural goods reduction of protectionism was more essential due to reduction of duties, first of all on those goods which make up the relatively bigger part of import (*Table 1.19*).

The other important features of reconsideration of the entrance duty system were (a) almost total transfer to the ad valorem rates which replaced the specific and compound rates, (b) the smoothing out of tariff peaks, i.e. the reduction of the number of very high entrance duty rates, and (c) the reduction of the number of the so-called «nuisance rates», i.e. the entrance duty rates the size of which does not reach 2%, and which create no essential restrictions in trade but require some additional expenses both from the importer and from the country's government for duty administration (*Table 1.20*).

Transition periods are established for only several groups of food industry goods, chemical industry goods, metallurgy and engineering. In general, these are 320 tariff lines which make

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<sup>18</sup> Ukraine's WTO Membership: Overview of Obligations and Comments on them. Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008. – ISBN 966-347-049-6.

<sup>19</sup> The State Customs Service of Ukraine has begun to use the entrance duty rates in accordance with the obligations to WTO since the 16<sup>th</sup> of May 2008, referring to the Article 7 of the Law of Ukraine «On Foreign Economic Activities», although the appropriate changes in the Law of Ukraine «On the Customs Tariff of Ukraine» were made only at the end of December 2008.

Table 1.19

**Comparison of MFN entrance duty rates in Ukraine  
before its accession to the WTO and final bound rates  
according to Ukraine's obligations**

	<b>Agricultural goods</b>	<b>Industrial goods</b>	<b>The whole range of goods</b>
The average MFN rate before the changes of customs tariffs in 2005	19,71	8,29	10,47
The average MFN rate for the moment of gaining WTO membership	13,84	4,40	6,51
The average final bound MFN rate	11,16	4,85	6,28
The average weighted MFN rate before the changes of customs tariffs in 2005	21,10	6,70	7,77
The average weighted MFN rate at the moment of gaining WTO membership	18,19	6,11	7,02
The average weighted final bound MFN rate	10,07	4,77	5,09

*Source:* Ukraine's WTO Membership: Overview of Obligations and Comments on them. Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008. – ISBN 966-347-049-6.

about 3% of the country's general range of products. Maximum duration of transition periods is five years till 2013 but the great majority ends in 2010–2011.

2) *Refraining from quantitative restrictions of trade that do not correspond to the provisions of appropriate WTO Agreements.* In particular, Ukraine committed itself to abolishing the export prohibition of nonferrous scrap and to abolish restrictions on export of grain<sup>20</sup>. Fixing a tariff quota for raw sugar cane was also approved in the amount of 260 thousand tons with an annual increase of its size of 3,9 thousand tons. Within the limits of the tariff quota the entrance duty rate for sugar is 2% compared to 50% rate for import over volume of the quota.

<sup>20</sup> Quotas for export of grain were abolished for corn in March 2008 and for wheat, rye and barley in May.

Table 1.20

**Structure of MFN entrance duty rates in Ukraine**

	Agricultural goods		Industrial goods	
	From the moment of accession to the WTO	Final bound rates	From the moment of accession to the WTO	Final bound rates
Tariff lines with zero rate (% of all tariff lines)	9,6	10,0	35,5	35,2
Tariff lines with ad valorem rates (% of all tariff lines)	62,7	95,5	98,1	100,0
The average entrance duty rate*	13,84	11,16	4,40	4,85
The average weighted entrance duty rate*	18,19	10,07	6,11	4,77
Minimum rate	0	0	0	0
Maximum rate (only for ad valorem rates)	30,0	50,0	25,0	25,0
International tariff peaks (% of all tariff lines)**	44,3	21,4	1,43	0,58
«Nuisance rates» (% of all tariff lines) ***	5,2	2,8	10,6	3,4

\* Calculations of the Ministry of Economy of Ukraine and USAID on the basis of data on trade during 2004–2005.

\*\* International tariff peaks are defined as the rates exceeding 15%.

\*\*\* «Nuisance» rates are import duties size of which ranges from 0% to 2%.

Source: Ukraine's WTO Membership: Overview of Obligations and Comments on them. Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008. – ISBN 966-347-049-6.

3) *Gradual reduction of export duties* which were in effect on oil seeds (sunflower, flax), live cattle, raw hide and also ferrous and nonferrous scrap in 2008.

4) *Reinforcement of the liberal regime of trade in services.* In the frames of agreements concerning 11 from 12 key sectors of services Ukraine mainly committed itself not to limit access to the market and to use the national regime for foreign service providers. Ukraine's additional commitments concern some communication services, sea transport services, pipeline transport services, whereas exceptions from the most favored nation regime were production

and distribution of audio-, video-, film- and television production; internal water, rail, automobile traffic services; and also services related to computer reservation systems in air transport<sup>21</sup>.

WTO membership also gave an additional impulse to some important internal reforms, namely the reforms of technical regulation and sanitary and phytosanitary control. In particular, Ukraine obliged itself to give priority to usage of international standards as the basis for national standards, technical regulations and conformity assessment procedures, and also to use the international standards, recommendations and instructions as the basis for the national system of sanitary and phytosanitary control. By the end of 2011 the country should harmonize all technical regulations with appropriate international standards.

WTO membership improved Ukrainian exporters' access to external markets. Shortly after Ukraine's WTO accession the European Union abolished quantitative restrictions for import of Ukrainian rental goods. In relations with all the WTO Member States transfer to trade based on the most favored nation regime (MFN) also took place. Theoretically, this had to encourage the reduction of entrance duties which were imposed on Ukrainian goods in the WTO Member States if «full» entrance duty rates in relation to Ukrainian goods had been used in these countries before. However, in fact this impact was very insignificant as in most of WTO Member States the MFN rates are maximum ones. Moreover, Ukraine has already signed agreements either on use of the MFN regime or on free trade (CIS countries) with most of its trading partners which neutralized the influence of this factor in the future.

Among the long-term WTO membership advantages it is necessary to mention the new opportunities for protection of the Ukrainian producers' interests in international markets, in particular access to the mechanism for settling commercial disputes between WTO Member States, participation in negotiations on other countries' WTO accession, for example Russia, and also in negotiations on future international trade regulations within the WTO framework.

At the same time WTO accession did not lead to the change of entrance duties which are faced by Ukrainian exporters in the

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<sup>21</sup> Ukraine's WTO Membership: Overview of Obligations and Comments on them. Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008. – ISBN 966-347-049-6.



countries that are the biggest trading partners of Ukraine. Ukraine also continues to use the general regime provided by the Generalized System of Preferences (GSP) of the European Union<sup>22</sup>.

An important component of the trade regime was anti-dumping and special investigations and measures which are implemented in Ukraine with regard to the import of certain categories of goods, and also investigations and measures which are in effect against Ukrainian products in the world. At the end of 2008 three anti-dumping investigations were carried out in Ukraine concerning import of syringes, pile fabric and lactic acid, and also a special investigation concerning import of matches. The results of investigations will be announced in 2009. Seven special measures irrespective of the country of origin of the goods are also in effect in Ukraine and 14 anti-dumping measures most of which are directed at EU member states, China and Russia (*Table 1.21*).

In 2008, two new anti-dumping investigations were initiated in the world in relation to Ukrainian products (the EU's concerned welded pipes and India's concerned hot-rolled products), and also two special investigations were launched (Russia's concerned flatware and rolled steel). In general, for the end of 2008 six investigations against Ukrainian products were in effect, and the Russian Federation was an initiator in four of them. Thirty-two restrictive measures in relation to Ukrainian products were also in effect, mainly in the form of anti-dumping duties (*Table 1.22*). The lion's share of restrictions concerned metals and metal products. The geography of the countries which established restrictive measures is quite wide, including not only the EU and Russia, but also the USA and many South American countries.

So, the serious liberalization of the trade regime took place in Ukraine in 2008 which became an additional incentive for growth of import. WTO membership advantages for the Ukrainian exporters, except for abolition of quantitative restrictions for rental goods supplies to the EU will be more obvious in the long-term, as mainly they are related to the changes of non-tariff restrictions and additional opportunities for protection of national interests in external markets.

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<sup>22</sup> *Movchan, V., Kobylyanska, A., Polyetayeva, Y., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2007 // Monitoring of Ukraine-EU relations: results of the first half-year. – International Review. – No. 2. – 2007. – № 2.

Table 1.21

**Anti-dumping and special investigations  
and effective measures concerning import of goods to Ukraine**

	<b>Commodity</b>	<b>Country of origin</b>	<b>Dates</b>	<b>Effective measures</b>
Anti-dumping investigations	Syringes	China, Spain, Germany, United Kingdom	Investigation was launched in 2008	
Anti-dumping investigations	Pile fabric and terry-loop goods	China, Korea	Investigation was launched in 2008	
Anti-dumping investigations	Lactic acid	China	Investigation was launched in 2008	
Special investigations	Matches	Irrespective of the country of origin	Investigation was launched in 2008	
Anti-dumping measures	Fiber boards	Poland	2004–2009	duty
Anti-dumping measures	Lemon acid	China	2004–2009	minimum price
Anti-dumping measures	Fiber boards	Russia	2006–2009	duty
Anti-dumping measures	Laminated wood particle boards (WPB)	Poland, Slovakia	2005–2010	duty
Anti-dumping measures	Screw compressor plants	Belarus, Italy, Belgium, Finland	2005–2010	duty
Anti-dumping measures	Fur fabric, pile fabric	Belarus	2007–2012 (prolonged from 2001–2006)	duty
Anti-dumping measures	Asbestos-cement wallboards, goffered	Russia	2007–2012	duty
Anti-dumping measures	Fiber boards	Belarus	2007–2012 (prolonged from 2002–2007)	duty
Anti-dumping measures	Incandescent electric lamps	China	2007–2012 (prolonged from 2006–2007)	duty

*Continuation Table 1.21*

	<b>Commodity</b>	<b>Country of origin</b>	<b>Dates</b>	<b>Effective measures</b>
Anti-dumping measures	Household refrigerating and freezing appliances	China, Turkey	2008–2013	duty
Anti-dumping measures	Abrasive tools	Russia	2008–2013	duty
Anti-dumping measures	Nitrate ammonia	Russia	2008–2013	duty
Anti-dumping measures	Products made of ferrous metals, without electrical isolation (except for products made of corrosion resistant (stainless) steel and products for civil aviation)	China	2008–2013	duty
Anti-dumping measures	Turnout switch	Russia	2008–2013	duty
Special measures	Abrasive tools	Irrespective of the country of origin	2008–2013	duty
Special measures	Ruberoid	Irrespective of the country of origin	2005–2009	duty
Special measures	Ball bearing	Irrespective of the country of origin	2005–2009	duty
Special measures	Textile fabrics	Irrespective of the country of origin	2007–2010	duty
Special measures	Cotton fabrics	Irrespective of the country of origin	2007–2010	duty
Special measures	Gas discharge lamps	Irrespective of the country of origin	2007–2010	duty
Special measures	Steel seamless pipes, casing and tubing	Irrespective of the country of origin	2008–2011	quota

*Source:* Ministry of Economy of Ukraine, [www.me.gov.ua](http://www.me.gov.ua).

Table 1.22

**Anti-dumping and special investigations  
and effective measures in relation to Ukrainian goods**

	<b>Commodity</b>	<b>Country of importation</b>	<b>Dates</b>	<b>Effective measures</b>
Anti-dumping investigations	nylon industrial thread	Russia	Investigation was launched in 2007	
Anti-dumping investigations	welded pipes, tubes and square or rectangular section cross profiles made of iron (but not cast iron) or steel (the other one than alloy steel) except for those types of products which are used in oil or gas production or transportation	EU	Investigation was launched in 2008	
Anti-dumping investigations	hot-rolled products	India	Investigation was launched in 2008	
Special investigations	stainless pipes	Russia	Investigation was launched in 2007	
Special investigations	flatware	Russia	Investigation was launched in 2008	
Special investigations	rolled steel	Philippines	Investigation was launched in 2008	
Anti-dumping measures	welded pipes	EU	2001–2013	duty
Anti-dumping measures	cold-rolled flat mill products	Argentina	2001–2009	duty
Anti-dumping measures	manganese ferrosilicon	Mexico	2002–2009	duty
Anti-dumping measures	carbonic hot-rolled products	USA	1996–2009	duty
Anti-dumping measures	hot-rolled products in coils and not in coils	Thailand	2002–2009	duty
Anti-dumping measures	nitrate ammonia	EU	1999–2009	duty
Anti-dumping measures	dry carbamide	USA	1986–2010	duty

*Continuation Table 1.22*

	<b>Commodity</b>	<b>Country of importation</b>	<b>Dates</b>	<b>Effective measures</b>
Anti-dumping measures	wire bundles, ropes, iron cables	EU	1998–2010	duty
Anti-dumping measures	hot-rolled flat mill products not in coils	Argentina	1998–2010	duty
Anti-dumping measures	hot-rolled flat mill products not in coils	Venezuela	1998–2010	duty
Anti-dumping measures	cold-rolled flat mill products	Venezuela	1998–2010	duty
Anti-dumping measures	armature	Mexico	1999–2010	duty
Anti-dumping measures	hot-rolled products	Mexico	2003–2010	duty
Anti-dumping measures	manganese ferrosilicon	USA	1993–2011	duty
Anti-dumping measures	hot-rolled flat mill products in coils	Canada	2001–2011	duty
Anti-dumping measures	copper wire	Turkey	2006–2011	duty
Anti-dumping measures	small-diameter and mean diameter pipes	Russia	2004–2011	duty
Anti-dumping measures	seamless pipes	EU	2006–2011	duty
Anti-dumping measures	mixture of nitrate ammonia and carbamide	EU	1999–2011	duty
Anti-dumping measures	hot-rolled flat mill products in coils	Mexico	1999–2011	duty
Anti-dumping measures	hot-rolled flat mill products	USA	2000–2012	duty
Anti-dumping measures	armature	USA	2000–2012	duty
Anti-dumping measures	nitrate ammonia	USA	2000–2012	duty
Anti-dumping measures	engineering fixture	Russia	2005–2012	duty
Anti-dumping measures	ironing boards	EU	2006–2012	duty
Anti-dumping measures	rod and wire made of carbonic and some grades of alloy steel	USA	2001–2013	duty
Anti-dumping measures	hot-rolled and cold-rolled flat mill products in coils and not in coils	Peru	1999–2008	duty

Continuation Table 1.22

	Commodity	Country of importation	Dates	Effective measures
Anti-dumping measures	caramel	Belarus	2006–2011	duty
Special measures	electric lamps	Russia	2004–2009	quotas
Special measures	glass	Turkey	2002–2009	duty
Special measures	large-diameter pipes	Russia	2005–2010	duty
Special measures	fibreglass mesh for production of abrasive tools	Russia	2006–2010	duty

Source: Ministry of Economy of Ukraine, www.me.gov.ua.

Table 1.23

## Ukraine's foreign trade in services in 2008

	Structure, % of total			Growth rate, % year to year	
	Export	Import	Total	Export	Import
Transport services	65,18	24,79	50,54	24,7	47,3
<i>Including pipeline transport</i>	<i>21,89</i>	<i>0,07</i>	<i>13,98</i>	<i>6,2</i>	<i>52,2</i>
Different business, professional and technical services	13,05	16,69	14,37	30,7	37,2
Financial services	4,16	22,04	10,64	50,9	65,1
Trips	4,21	6,36	4,99	44	29,3
Government services that are not related to the other ones	0,04	10,26	3,74	24,8	-1,9
Computer services	2,30	3,56	2,76	70,4	47,9
Communication services	2,83	2,15	2,58	39,5	60,2
Repair services	3,64	0,53	2,51	30,3	-5,1
Insurance services	1,61	2,72	2,02	119,1	30,3
Royalty and licence services	0,34	4,19	1,73	115,6	19,8
Other business services	1,19	2,41	1,63	42,6	27
Services for private persons and services	0,43	2,75	1,27	-28,2	-27,4
Construction services	1,02	1,56	1,22	21,4	-5

Source: State Statistics Committee of Ukraine.

Table 1.24

**Geographic structure of Ukraine's foreign trade  
in goods in 2008**

	Structure, % of total			Growth rates, % year to year	
	Export	Import*	Total	Export	Import*
Total	100,0	100,0	100,0	35,9	41,1
<i>Regional section</i>					
CIS countries	35,5	39,2	37,6	28,0	31,3
Europe	29,5	35,6	32,9	33,6	32,2
Asia	22,8	17,9	20,0	47,4	71,2
America	6,2	4,9	5,5	54,3	85,8
Africa	5,8	1,8	3,6	39,8	131,6
Pacific basin countries and Australia	0,1	0,5	0,3	307,3	236,1
Others	0,1	0,0	0,0	19,0	92,0
In addition: EU-27	27,1	33,7	30,8	30,3	29,9
<i>Section by different countries</i>					
Russian Federation	23,5	22,7	23,0	24,2	15,3
Germany	2,7	8,4	5,9	11,7	22,9
Poland	3,5	5,0	4,3	42,8	46,6
Turkey	6,9	2,3	4,3	27,1	100,6
China	0,8	6,5	4,0	26,8	69,4
Turkmenistan	0,6	6,6	3,9	91,7	19,6
Italy	4,3	2,8	3,5	8,8	36,0
Kazakhstan	2,7	3,6	3,2	27,8	84,9
Belarus	3,1	3,3	3,2	34,8	94,4
United States of America	2,9	3,3	3,1	84,2	99,9
Japan	0,2	3,3	1,9	27,1	98,8
Uzbekistan	0,9	2,5	1,8	71,6	288,0
Republic of Korea	0,9	2,4	1,8	253,0	30,8
Hungary	2,0	1,5	1,7	10,7	3,4
Netherlands	1,7	1,5	1,6	46,0	45,7
France	0,8	2,0	1,4	5,7	26,5
Czech Republic	1,0	1,6	1,3	56,4	19,2
United Kingdom	1,0	1,6	1,3	97,2	55,2
Switzerland	1,2	1,4	1,3	761,3	172,6
Romania	1,0	1,4	1,2	6,7	50,4
India	1,5	0,8	1,1	35,1	39,8
Slovakia	1,4	0,9	1,1	41,1	41,8

Continuation Table 1.24

	Structure, % of total			Growth rates, % year to year	
	Export	Import*	Total	Export	Import*
Egypt	2,3	0,1	1,1	77,3	17,2
Austria	0,9	1,2	1,1	38,2	28,7
Spain	1,3	0,8	1,0	56,1	53,8
Moldova	1,8	0,2	0,9	29,3	0,8
Bulgaria	1,7	0,3	0,9	99,6	41,2
Lithuania	0,6	0,8	0,8	19,0	90,3
Syrian Arab Republic	1,5	0,1	0,7	22,5	185,9
Belgium	0,5	0,8	0,7	92,0	29,1
Brazil	0,7	0,7	0,7	27,9	30,5
Jordan	1,5	0,0	0,7	131,7	61,8
United Arab Emirates	1,4	0,1	0,7	49,3	142,9
Azerbaijan	1,4	0,1	0,6	44,3	143,4
Saudi Arabia	1,4	0,0	0,6	82,7	209,6
Islamic Republic of Iran	1,3	0,1	0,6	69,6	48,3
Indonesia	0,7	0,5	0,6	10,1	16,0
Virgin Islands	1,3	0,0	0,6	41,1	29,9
Georgia	1,0	0,2	0,6	24,3	91,3
Sweden	0,2	0,8	0,5	62,0	14,1
Finland	0,1	0,8	0,5	27,4	26,0
Serbia	0,8	0,1	0,4	–	–
Israel	0,7	0,2	0,4	43,0	72,4
Ghana	0,1	0,6	0,4	1,5	148,5
Denmark	0,3	0,4	0,4	–1,3	18,3
Cyprus	0,7	0,1	0,3	158,8	243,8
Greece	0,5	0,2	0,3	53,4	46,5
Thailand	0,4	0,3	0,3	158,3	104,5
Singapore	0,7	0,0	0,3	29,6	87,2
Tunisia	0,7	0,0	0,3	101,0	74,2
Australia	0,1	0,5	0,3	340,2	241,0
Norway	0,2	0,3	0,3	21,4	16,4
Canada	0,2	0,3	0,3	51,0	96,9
Nigeria	0,6	0,0	0,3	46,6	21,6
Latvia	0,4	0,1	0,3	8,5	–4,6
South Africa	0,1	0,4	0,2	176,5	489,6
Malaysia	0,0	0,4	0,2	–67,8	147,2
Algeria	0,5	0,0	0,2	–21,6	62,7



Continuation Table 1.24

	Structure, % of total			Growth rates, % year to year	
	Export	Import*	Total	Export	Import*
Estonia	0,3	0,2	0,2	-20,2	16,3
Lebanon	0,5	0,0	0,2	149,5	51,2
Vietnam	0,3	0,2	0,2	150,8	106,9
Gabon	0,0	0,4	0,2	1,5	189,5
Armenia	0,4	0,0	0,2	22,6	-28,9
Iraq	0,2	0,1	0,2	387,2	55861,6
Morocco	0,4	0,0	0,2	44,5	65,9
Slovenia	0,0	0,3	0,2	-35,3	-57,5
Taiwan, Province of China	0,0	0,2	0,2	-76,2	66,3
Mexico	0,2	0,1	0,1	-15,6	267,3
Pakistan	0,3	0,0	0,1	-8,0	104,4
Croatia	0,2	0,1	0,1	29,8	7,8
Oman	0,3	0,0	0,1	109,8	265,7
Ecuador	0,1	0,2	0,1	87,1	76,1
Macedonia, former Yugoslav Republic	0,3	0,0	0,1	89,6	-12,2
Argentine	0,1	0,2	0,1	-57,3	97,6
Ireland	0,0	0,1	0,1	110,8	43,6
Chile	0,1	0,1	0,1	165,4	123,9
Philippines	0,2	0,0	0,1	69,8	106,3
Cote d'Ivoire	0,0	0,1	0,1	0,4	27,3
Libyan Arab Jamahiriya	0,2	0,0	0,1	-30,8	-55,5
Portugal	0,1	0,1	0,1	-21,8	65,5
Dominican Republic	0,2	0,0	0,1	16958,3	199,3
Bosnia and Herzegovina	0,2	0,0	0,1	29,5	63,8
Guinea	0,0	0,1	0,1	70,1	16,5
Kyrgyzstan	0,1	0,0	0,1	17,1	44,1
Hong-Kong	0,1	0,0	0,1	175,7	41,4
Kenya	0,1	0,0	0,1	30,4	65,8
Tajikistan	0,1	0,0	0,1	51,8	23,0
Albania	0,1	0,0	0,1	-22,7	191,4
Colombia	0,1	0,0	0,1	17,5	426,9
Chad	0,1	0,0	0,1	530,1	-

\* Import of goods in CIF prices that differs from statistics of the National Bank of Ukraine where import is represented in FOB prices.

Source: State Statistics Committee of Ukraine.

### **Drastic change of trends in trade in goods**

The history of trade in goods in 2008 is the history of sudden rises and not less sudden falls. According to the National Bank of Ukraine, in July 2008 for the first time in the history of the compilation of the balance of payments, nominal growth rates of export of goods reached +79,0% compared to the corresponding month of the previous year. The peak of growth rates of import of goods was reached in September: +67,5% compared to September 2007. Consequently, the cumulative indices of trade in goods were also extremely high according to the results of the first three quarters of the year. For this period nominal export of goods grew by half and reached USD 54,1 billion, whereas import increased by 57,2% and reached USD 66,3 billion. Consequently, the deficit of trade in goods accounted for USD 12,3 billion.

Among the factors that encouraged the sudden growth of export of goods during the first nine months of the year it is necessary to mention the following ones:

- High prices for metallurgical products in the world, which reached their peak in the middle of the year. According to the National Bank of Ukraine, the weighted average price of export of iron industry products in August exceeded USD 1000 per ton, which is almost twice as much in comparison with the price at the beginning of the year. This caused growth of value volumes of export of ferrous metals of 62,6% for January – September. The overall export of metallurgical products grew by 53,4%;
- abolition of quantitative restrictions for export of grain and, in the second half of the year in consequence of record grain harvest that provided growth of export of agricultural products of 1,7 times for the first three quarters;
- high consumer and investment demand for engineering products, mainly in the CIS countries, in consequence of which export of mechanical and electrical machines and equipment, according to the National Bank of Ukraine, grew by 40,9%, while export of rail wagons and repair parts for them – by 1,7 times;
- record-breaking high prices for oil and other mineral products due to which export of this category of goods grew by 75,0%.

Growth of export in these four groups of goods – metals, agricultural products and food industry products, cars and equipment,

mineral products – explains almost 90% of the total growth of export of goods in January – September 2008.

As in the case of export, high growth rates of import during the first three quarters of the year were reached due to the combination of record-breaking world prices and sudden growth of demand, in this case the internal one, which was fed by accessible credit and rather high rates of increase of household incomes, particularly through social transfers. The additional factor that encouraged the growth of import was gaining WTO membership in May 2008, which led to the reduction of entrance duties and revaluation of the hryvnya in the middle of the year. More than three-quarters of growth of the total volume of import in January – September are explained by high growth rates in several categories of goods:

- import of engineering products grew by 57,9% for the first nine months of the year, and particularly high growth rates were observed in the import of cars and spare parts for them. The share of these goods in the overall import reached 8,5% with rates of growth of import at the level of about 80%. For comparison, import of mechanical and electrical machines increased by 1,4 times for this period;
- value volumes of import of mineral products, including oil and gas, increased by 67,7% for January – September in consequence of record-breaking high prices for oil in the world, and also increase of prices for imported gas on average by 38,5%;
- import of chemical industry products grew by 51,7% for three quarters due to increase in internal demand.

However, the situation abruptly changed both in external markets and in Ukraine in the fourth quarter. The new phase of the world financial crisis that began in autumn not only provoked the outflow of foreign capital from Ukraine's financial system, but also gave an impulse to a sudden decline in demand and prices in the world goods markets, including prices for oil, metals and agricultural products. Drastic devaluation of the hryvnya, credit crisis and decline in internal demand both on the part of households and on the part of producers became the additional factors of the change of trends in the development of trade in goods. So, according to the National Bank of Ukraine, in November – December the value volumes of export reduced by 15,4% compared to the corresponding

period of 2007, as a result of the decline in exports of metallurgical products, chemical industry and agricultural products. In particular, in December 2008 the weighted average price of exports of iron industry products (HS 72) reduced to slightly less than USD 600 per ton, i.e. in fact by 40% in comparison with the peak reached in August.

If devaluation of the hryvnya supported export to some extent in the last month of the year (according to the National Bank of Ukraine, the value volumes of export grew by 9,2% in December compared to November), then the influence of devaluation on import was directly opposite, having strengthened the negative impact of such factors as limited access to credits, growth of unemployment, reduction of salaries and bigger level of uncertainty concerning future incomes. Consequently, if in November import reduced by 10,7% compared to the corresponding period of the previous year, then in December the decline in imports was already equal to 29%.

Due to the extremely high growth rates both of export and import during the first three quarters of the year the change of trends in trade development in the last quarter did not lead to decline in value volumes of trade in general for the year. According to the National Bank of Ukraine's preliminary assessments, in 2008 the export of goods was more by 35,9% than in the previous year, while growth of import was equal to 38,4%. Consequently, according to the results of the year, the deficit of trade in goods remained high at the level of USD 16,1 billion that preconditioned the forming of negative balance of current account at the level of USD 11,9 billion or 6,7% of GDP which became the record for Ukraine.

The economic crisis influenced Ukraine's trade in goods in different ways with different countries of the world, although, according to the results for the year, it did not lead to any significant changes in the hierarchy of Ukraine's trading partners. According to the results for the year, the EU-27 was the largest partner of Ukraine in trade in goods the share of which was equal to 30,8% of the overall turnover of goods. This share even increased to some extent in comparison with the results of the first three quarters of the year due to a lesser reduction of trade with the EU compared to other countries. In particular, a sudden reduction of trade volumes took place in relations with the

Russian Federation in consequence of which its share in Ukraine's overall turnover of goods reduced even more and accounted for only 23% according to the results for 2008.

Trade in services was also negatively affected by the world crisis and the drastic deterioration of the economic situation in the country. According to the National Bank of Ukraine's preliminary assessments, in 2008 the balance added of trade in services was equal to USD 2,1 billion. In fact it did not change in comparison with the appraisal for nine months<sup>23</sup>. The slowdown took place both in export and in import of services. According to the National Bank of Ukraine, the export of services grew by 26,9% in 2008, whereas, according to the results of nine months, this index was equal to 35,3%. For import the appropriate growth rates account for 34,8% for the year versus 43,2% by results of the first three quarters. Despite the slowdown, the results of trade in services in 2008 turned out to be better than in the previous year when the growth of export was equal to 25,4%, and import – 28,1%.

High growth rates both of export and import of services in 2008 were caused first of all by high demand for transport services in consequence of extremely high growth rates of trade in goods for this period. Consequently, according to the results of the year, transport services remained the healing component in trade in services in Ukraine (Table 3).

In 2008, the significance of the import of financial services also continued to grow swiftly, the share of which in import of services, beginning from 2007, exceeded the share of import of different business, professional and technical services and reached 22%. This enabled the trade in financial services to become the third one by significance in circulation of Ukraine's services.

In the geographical aspect, the EU-27 and Russia as Ukraine's main partners continued to dominate trade in services. In particular, according to the State Statistics Committee, export of services to the EU-27 was equal to 34,6% of the overall volume of

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<sup>23</sup> It should be emphasized that in consequence of some differences in the methodology of statistical recording of services sectors the information concerning trade in services provided by the National Bank of Ukraine and the State Statistics Committee of Ukraine is rather different. So, according to the State Statistics Committee, in 2008 the positive balance of trade in services reached USD 5 billion compared to USD 4,1 billion of the previous year.

export, to the Russian Federation – 32,9%. In import of services those services provided by the European Union countries (57,4% of the overall import) were prevailing.

Thus, in 2008 the abrupt change of trends in the dynamics of trade both in goods and in services took place: from rapid development in the first quarters of the year to decline in the last quarter. The descending trend will probably also be dominant in 2009.

### Capital flows: high sensitivity to external shocks

The world financial crisis entirely changed the directions of capital flows in the world and that also affected Ukraine. As was expected, portfolio investors turned out to be the most sensitive ones to problems in the financial market and they gradually transferred their assets to the less risky countries and securities. If for the nine months of 2008 almost USD 4 billion of portfolio investments were obtained by Ukraine, then for the corresponding period of 2008 the outflow of capital was observed in this position which accounted for USD 0,4 billion. Gradual withdrawal of foreign capital from the Ukrainian stock market caused the decline of PFTS index by about 75% per year.

The inflow of direct investments continued to remain at a very high level during the first three quarters of the year, and only in the last quarter when the financial world was greatly affected was the inflow almost discontinued. According to the National Bank of Ukraine, for the last quarter the inflow accounted for only USD 1,2 billion, while during January – September 2008 the clear inflow of foreign direct investment (FDI) accounted for USD 8,8 billion. In particular, the agreements were finalized for the purchase of Praveks-Bank by Italian bank Intesa Sanpaolo S.p.A, the bank Forum by German Commerzbank and UkrSotsbank by French Paribas<sup>24</sup> which enabled the banking system to preserve its leadership by volumes of foreign investments in the financial sector. The National Bank of Ukraine estimates the share of this sector as 42,7% of the total sum of FDI inflow, and even in conditions of

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<sup>24</sup> *Movchan, V., Kobylyanska, A., Kutsenko K., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2008 // Ukraine – EU relations: results of the first half-year. – International Review. –No. 3 (7). – October 2008.

the crisis the FDI inflow in banks was in progress, but mainly in consequence of the necessity for recapitalization of banks with foreign capital.

In general, for 2008 the clear inflow of FDI accounted for USD 9,9 billion which even exceeded the level of inflow in the previous year by 7,5%. However, prospects of getting the equivalent level of FDI inflow in 2009 are very elusive, even considering the necessity for further recapitalization of banks with foreign capital and devaluation of internal assets which may make them more attractive for international investors.

Proceeds of the middle- and long-term credits and Euro issue of the banking and real sectors also abruptly decreased in consequence of the deterioration of the situation in the global financial markets. Borrowings became almost inaccessible even for the countries which traditionally were considered as those ones with a low risk. For Ukraine the risk valuation of borrowings, which grew hugely during 2008 (for example, spread EMBI+ Ukraine grew from about 300 points at the beginning of the year to nearly 2700 points at the end of the year), the situation was very difficult in the new phase of financial crisis. According to the National Bank of Ukraine, in general for 2008 the volume of clear attractions of long-term credits and Eurobonds of the private sector, including banks, accounted for USD 14,8 billion in general for the year, from which only USD 2,0 billion was received in the last quarter.

At the same time the rapid outflow of capital was observed in the article «other capital», and it should be mentioned that for the last quarter of the year the outflow accounted for USD 8,8 billion, while for the three previous quarters the outflow was equal to USD 6,4 billion. In the last months of the year two key directions of outflow of foreign capital from the financial system were observed. Firstly, this was the outflow of currency from banks and formation of considerable currency reserves outside the banking system. According to the National Bank of Ukraine, USD 5,3 billion was converted into cash only in the last quarter. Secondly, this was the reimbursement of short-term credits obtained earlier from non-residents which it was impossible to repay and which were reimbursed. Here the outflow for October – December accounted for USD 2,8 billion.

As a result, the financial account balance was negative at the level of USD 5,7 billion in the fourth quarter. This meant the

reduction of the annual positive financial account balance to USD 8,8 billion which was insufficient for deficiency payment of current account and actually caused the drastic devaluation of the hryvnya.

One of the key risks of an abrupt reduction of foreign capital inflow into the country in the situation of a current account deficit is the problem of repayment of accumulated foreign debts. This problem has also become worse in Ukraine lately in that between 2004–2008 Ukraine's gross foreign debt increased almost fivefold and had reached USD 105,4 billion by October 1, 2008. This amounts to nearly 55% of GDP or 120% of export that is usually considered by the IMF as the «moderate» debt level. The lion's share of this debt is the private, mainly long-term, debt of the banks and other sectors of the economy, whereas the external debt of the state management sector accounted for nearly 13,4% of the total sum of the debt for the beginning of October which is not considered a high-risk situation in more standard economic conditions either. However, the global crisis changed the situation in financial markets that makes the problem of the possibility of reimbursement or repaying the debts both of the private and real sectors extremely painful for Ukraine in 2009 and may be even for the longer period of time.

### **New credit from IMF**

The year before full repayment of previous borrowings from the International Monetary Fund (IMF) Ukraine was obliged to apply for a new credit, considering the drastic deterioration of the economic situation in the country and the double deficit of its balance of payments. In October 2008, Ukraine and the IMF signed the Memorandum on Economic and Financial Policies which became the basis for granting of credit to Ukraine on «stand-by» terms in the amount of SDR 11 billion that accounts for 802% of the Ukrainian quota for the period from November 2008 till October 2010. The first tranche of the credit in the amount of SDR 3 billion or USD 4,5 billion was obtained by Ukraine in November after approval of the agreement.

Ukraine's main obligations in the sphere of economic and financial policies contained in the Memorandum include:



A. *Efforts on stabilization of the banking system*, namely (a) conditions of provision of financial support to the banking system, (b) creation of the appropriate regulatory system which would allow the National Bank of Ukraine to reorganize the banks, including their sales, (c) audit of the banking system, recapitalization of healthy banks and liquidation of the rest, (d) improvement of the banking supervision system, improvement of public access to information concerning activities of the banks, (e) strengthening of the National Bank of Ukraine's independence, and (f) increase in the guarantee amount for personal deposits.

B. *Changes in exchange rate policy*, namely (a) implementation of flexible currency rate formation, (b) abolition of currency rate limits, (c) establishment of the official rate of exchange on the basis of the interbank foreign exchange market rate, and (d) fulfillment of transparent and public strategy of interventions on the foreign exchange market through holding of regular currency auctions.

C. *Obligations concerning public finances*, namely the establishment of a zero cash deficit for the public sector in 2009. To achieve this objective it was suggested in the Memorandum that a number of steps should be taken, particularly to limit minimum-wage increases, average wage increases in the public sector, pensions and other social payments according to the expected level of inflation in 2009; and to ensure financial stability of «Naftogaz», particularly through equation of prices for gas of domestic production and imported gas and reduction of subsidies for heat producing companies which consume the imported gas.

D. *Obligations concerning trade policy*, namely not introducing new or increasing existing import restrictions for the purpose of improving the balance of payments.

Quantitative criteria of fulfillment by Ukraine of its obligations to IMF, adherence to which is one of the criteria for obtaining the next tranches of the credit, are represented in Table 4. It is obvious that the most difficult criterion to meet in the Memorandum in conditions of the crisis will be the maintenance of a zero cash deficit in the public sector that actually stipulates a zero deficit of state budget. Ukraine's budget is overloaded by social obligations which have a permanent character and to which a significant number of promises to support different sectors of

Table 1.25

**Quantitative criteria forecast  
in the Memorandum between Ukraine and IMF**

	September 2008 (fact)	December 2008 (prognosis)	March 2009 (prognosis)	June 2009 (prognosis)	September 2009 (prognosis)	December 2009 (prognosis)
Upper bound of cash deficit of the public sector, <i>UAH bln</i>	-4,994	9,930	0	-2,0	-5,0	0
Lower bound of IMF clear international reserves, <i>USD bln</i>	37,5	26,7	21,8	18,7	16,6	14,9
Upper bound of monetary base, <i>UAH bln</i>	170,8	190,0	192,0	197,5	203,0	211,0

Source: www.imf.org.

economy<sup>25</sup>, and measures directed to protect the population from the consequences of the crisis<sup>26</sup> were added in the last months of the year. At the same time it is obvious that relative fiscal profits in 2009 will be lower in comparison with previous years, and the sources of funding of the deficit are limited mainly by internal borrowings. So, despite the limitations on minimum-wage levels and on increases in social standards in 2008, in the Law on the State Budget for the Year 2009<sup>27</sup>, which was adopted after significant delay only on 26<sup>th</sup> December 2008, the deficit was forecast at the level of UAH 31,1 billion or 3,0% of GDP, which does not correspond to the Memorandum provisions.

<sup>25</sup> For example, the Law of Ukraine «On prevention of influence of world's financial crisis on the development of building sector and house building» № 800-VI of 25.12.2008, the Law of Ukraine «On alterations to some laws of Ukraine about minimization of influence of financial crisis on the development of home industry» № 694-VI of 18.12.2008.

<sup>26</sup> For example, the Law of Ukraine «On alterations to some laws of Ukraine about minimization of influence of world's financial crisis on the sector of employment of population» № 799-VI of 25.12.2008 and the Law of Ukraine «On alterations to the Law of Ukraine «On state social assistance to families with low income» № 796-VI of 24.12.2008.

<sup>27</sup> The Law of Ukraine «On the State Budget for the Year 2009», № 835-VI of the 26<sup>th</sup> of December 2008.

At the same time some changes in the sphere of exchange rate policy and banking supervision set out in the Memorandum began to take place. In particular, the rate of exchange became much more flexible, the National Bank of Ukraine introduced currency auctions, a timetable of which is announced in advance. Stress test of 17 banks of the first group was also carried out, demand of which for recapitalization was evaluated at the level of UAH 25 billion, and the guarantee amount for personal deposits was raised to UAH 150 thousand.

Undoubtedly, obtaining IMF credit was important for the stabilization of the situation in the country's foreign exchange market and a slowdown of a devaluation of the national currency. By the end of 2008 the hryvnya had devalued twice in relation to the US dollar compared to December 2007, although during the last quarter of the year the National Bank of Ukraine spent more than USD 9 billion to satisfy demand for foreign exchange<sup>28</sup>.

However, an impulse for reforms created by the agreements with the IMF is more important. This also concerns the issues of more responsible policy in the sphere of public finances, reforming of the banking supervision system, strengthening of the National Bank of Ukraine's independence, rejection of protectionism and reforming of price mechanisms in the gas sector. Effectiveness of these reforms will depend on Ukraine.

### **Regional challenges: energy dimension**

Energy security issues in the context of international cooperation were extremely important for Ukraine during 2008, as the country remains the net – importer of energy products with a particularly high level of energy consumption. The issue concerning import of gas was the most problematic one. Although the country has consumed mainly Central Asian gas lately, it was supplied by Russian «Gazprom» which was de facto the monopoly supplier of gas to Ukraine.

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<sup>28</sup> In 2008 gross international reserves of the National Bank of Ukraine grew by USD 1 billion to USD 31,5 billion, considering USD 4,5 billion of IMF credit. For the first three quarters the National Bank of Ukraine accumulated about USD 5,8 billion.

During the year Ukraine was carrying on difficult negotiations with «Gazprom» on the price of natural gas supplies to the country in 2008 (the problem emerged because of the temporary problem in the coordinated gas supply chain that obliged «Gazprom» to substitute the Central Asian gas with more expensive Russian gas without any preliminary mutual approval), and also on the price of future supplies. In October significant progress in gas negotiations was achieved when «Naftogaz» and «Gazprom» signed the Memorandum on the principles of long-term cooperation in the gas sector<sup>29</sup>. According to the Memorandum, in 2009 the adoption of market pricing for natural gas and for services for transit of Russian gas during the three-year transition period was stipulated. Ukraine also was to receive gas directly from «Gazprom», while the company «RosUkrEnergo» which supplied natural gas to Ukraine as an intermediary was to be eliminated, and the debt of «Naftogaz» to «RosUkrEnergo» for supplied gas would be transferred to «Gazprom».

However, the agreements achieved were actually cancelled by the problems which emerged in connection with the payment for gas already supplied. For September – November 2008 «Naftogaz» accumulated debt that reached USD 2.6 billion of which USD 1.95 billion of the principal, without considering the penal sanctions, was paid only on 30<sup>th</sup> December mainly at the expense of state credits. It caused disruption of gas negotiations and cessation of gas supplies to Ukraine and Europe for several weeks at the beginning of January 2009.

In the issues concerning cooperation with the EU in the energy sphere one of the most important events of 2008 was the beginning of negotiations between the EU and Ukraine on Ukraine joining the Energy Community. The European Union also continued to provide assistance directed at supporting the development of the Ukrainian power industry. This support concerned the development of the coal sector, solid radioactive waste management, reform of the regulatory environment, etc.

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<sup>29</sup> IER (2009) «2008: Economic Results for Ukraine». – Institute for Economic Research and Policy Consulting. – [www.ier.kiev.ua](http://www.ier.kiev.ua).

### Regional challenges: migrational dimension

In 2008, the State Statistics Committee supported by a number of international organizations managed to carry out the unique investigation of Ukrainian labour migration on the basis of an investigation of the population's economic activity<sup>30</sup>. According to the results of the investigation, during the calendar year (May 2007 – May 2008) about 1,3 million persons worked abroad, and at the time of investigation about 0,9 million persons were abroad. A considerable number of Ukrainian migrant workers have long-term work experience abroad. Almost half of them left the country before 2005. Most of the migrants worked in Russia (42,2% of the total number of migrants who stayed abroad at the time of the investigation). A large number of the Ukrainian citizens were also observed in Italy (18,7%) and the Czech Republic (13,5%), far fewer in Portugal (3,6%) and Poland (3,0%).

If migration flows to Russia are not limited by the problems related to the visa regime, then in relations with the EU the visa question is really vital. That is why Ukraine attached great importance to the ratification of two Agreements with the European Union which took place at the beginning of 2008. These Agreements concern facilitated visa regime and readmission. Moreover, procedures for the issuance of visas and for border crossing were simplified for all categories of citizens of Ukraine<sup>31</sup>. However, in consequence of the economic crisis, the countries in which a significant number of Ukrainian migrants have been staying began to reconsider their migration policy. For example, Russia declared its plans concerning reduction of quotas for legal migrants and deportation of illegal ones in order to increase the job opportunities for its own citizens<sup>32</sup>. Italy declared its decision to impose

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<sup>30</sup> Investigation of labor migration of Ukraine's population. – State Statistics Committee, 2008. Quoted by the report «Social and economic portrait of the Ukrainian migrant» // Analytical review of the Institute for Economic Research and Policy Consulting prepared on the order of the Foundation «Open Ukraine» in the framework of the project «Ukraine in international migration processes: realizing the challenges and forming the adequate response». – Kyiv, 2008.

<sup>31</sup> IIER (2009) «2008: Economic Results for Ukraine». – Institute for Economic Research and Policy Consulting. – [www.ier.kiev.ua](http://www.ier.kiev.ua).

<sup>32</sup> Ibid.

a moratorium on the entrance of migrants, in particular those who work in industry and the building sector, as well as nurses<sup>33</sup>.

Therefore, the policy of liberalization of labor movement inherited from the previous years was actually replaced by the policy of protection against the migrants at the end of 2008 that considerably complicates future regional cooperation in this sphere.

### Conclusions

2008 was really eventful. On the one hand, Ukraine finally gained WTO membership, launched negotiations on creation of the extended free trade area with the EU and on joining the Energy Community. On the other hand, this was the year of abrupt changes in the business environment in external markets. The world price for oil reached USD 145 per barrel in the middle of the year and reduced to nearly USD 40 at the end of the year. Prices on the ferrous metals market abruptly increased. This defined the dynamics of trade in Ukrainian goods to a great extent.

The new wave of the financial crisis undermined the investors' expectations of a decoupling of emerging economies from perturbations in the economy of the developed world that would allow them to maintain quite high rates of growth and protect them from the global recession. Consequently, the outflow of foreign capital from Ukraine abruptly increased while the inflow of new capital decreased, which became one of the reasons for the drastic devaluation of the hryvnya at the end of the year.

A year before completing full repayment of previous obligations Ukraine applied to the IMF again for a credit, becoming one of the first countries to receive the Fund's assistance during this crisis. However, Ukraine's capability of fulfilling the obligations undertaken remains quite doubtful, particularly in the maintenance of a zero cash deficit in the public sector.

The economic situation in the world at the beginning of 2009 is still very difficult. According to the International Monetary Fund, the world will face the worst year since 1945. The global GDP growth is estimated at the level of 0,5%, whereas just in November 2,2% of growth was stipulated. Therefore, the forecast of development of Ukraine's international cooperation this year is quite uncertain.

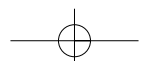
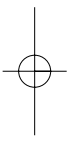
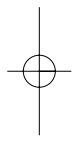
<sup>33</sup> <http://www.niknews.mk.ua/2008/11/25/ukrainskix-gubernantok-i-side-lok-v-italii-tozhe-sokraschajut-ne-prodlevajut-legalizatsiju-i-otpravljajut-domoj/>.

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## **CHAPTER II**

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# **SECURITY DIMENSIONS OF UKRAINE'S FOREIGN POLICY**





## § 1. Ukraine and new challenges of security

2008 proved to be a year of dynamic transformations of the global order, which definitely have not only opened huge opportunities, but also brought about global threats to international security. Worldwide sociological surveys found out that the list of global threats in 2008 included: greater dependence on energy resources, global financial crisis, international terrorism, Iran's nuclear program, Islamic fundamentalism, global warming and climate change and challenges generated by the policy of Russia.

### Global Threats

In opinion of the international community, energy dependence and global financial crisis were the biggest global threats of 2008. American respondents tend to rank both energy dependence and financial crisis as the top threats in the list. This was cited by 87% of the surveyed Americans. European citizen recognize gravest threats to be energy dependence and global warming (82% of the surveyed). Global financial crisis was rated by Europeans as the second worst threat after energy dependence and global warming. This was the opinion of 78% of respondents in Europe. In 2007 perceptions by Americans of the threats hardly differed from today's beliefs. The only difference is that in 2008 they have moved financial crisis from the second to the first rank, alongside with energy dependence. In 2007, Europeans tended to perceive global warming as the largest threat. These days, it has been joined by energy dependence. International terrorism, which as recently as in 2006, was thought of as the most dangerous global

threat, in 2008 has stepped down in perceptions of Europeans (62%) and Americans (69%) alike to the fourth rank<sup>1</sup>.

The threat of illegal migration has become less important for the international community. Moreover, both Americans and Europeans are now less concerned about Iran's intentions to produce nuclear weapons. Apparently, this change in priorities of global threats in 2008 was caused by the fact that key trends in the sphere of international security have varying power of influence.

**First two trends** lie in the field of global transformation of the global economic system and the system of international relations towards multi-polarity. It was these two trends that brought about the main global threat of 2008 – the imminence of the global financial and economic downturn. This transformation leads to destruction of the global financial and economic system, built around USA leadership. So it is no surprise, that Americans perceived the global financial crisis as the largest global threat. Beginnings of this financial crisis are hidden in the USA, particularly, in the state of their financial system. The critical condition of the financial system was caused by the exorbitant growth of imbalance between consumption and production, incomes and expenses of Americans.

Annual growth of consumption and spending in USA stimulated cheap loans and speculative operations in the market of sellable mortgage-backed securities. As a result, consumer spending began contributing a lion's share (2/3) of the United States' GDP. Outcome of such financial policy was growth of loan considerably exceeding growth of Americans' incomes and of the national GDP. This is how the enormous debt gap was created in the US financial system. As of late 2008, American mortgage debt mounted to 12-13 trillion USD<sup>2</sup>.

Aggregate financial liabilities of American citizens exceeded 140% of their annual incomes. This huge debt lead to restrained consumption, which in its turn lowered demand for consumer and industrial goods and eventually slowed down the production. This

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<sup>1</sup> Transatlantic Trends: key findings 2008. – P. 9 / A project of the Marshall Fund of the United States and Compagnia di San Paolo. – [www.transatlantictrends.org](http://www.transatlantictrends.org).

<sup>2</sup> *Fesenko M., Yali M.* Global economic crisis: causes and effects // Foreign Affairs, 2008. – December. – P. 32.

is why ratings of most securities at the American stock market plummeted. Another cause of financial crisis, as experts believe, was the American banks focused on servicing international speculative flows. According to some estimates, only 5 to 7% of the overall resources were connected to the real sector of the economy, while the rest of them were used in speculative transactions<sup>3</sup>.

Since USA is the core of the global financial system, American financial crisis rapidly spread throughout all other stock markets worldwide. Collapse of stock markets around the world resulted in the global economic crisis. Drop in demand led to dramatic contraction of output. Initially, it affected producers of end-use products, particularly, in such sectors of the economy, as automotive, aircraft construction, shipbuilding and other. This curbed demand for metal and other types of raw material. Thus, in August 2008, economic crisis hit raw material markets. Shortly after, in September, global prices for metal dropped by 18.3%, while oil prices nose-dived between August and November from 140 to 45 USD per barrel<sup>4</sup>.

This global trend of the world economy had negatively impacted Ukraine in a number of ways. There are a number of explanations to that: extreme openness of the Ukrainian economy and low level of protection of the domestic market; export-oriented nature of Ukrainian production, raw material or semi-raw material nature of the Ukrainian export. Meanwhile, import-oriented nature of the Ukrainian consumer market led to rapid growth of the negative balance in the foreign trade, which in the first half year alone reached 7202 million USD (compare to 2343 million USD in the first half year of 2007). Export to import ratio went down to 0.84 (in 2007 it was 0.92)<sup>5</sup>. In general, for 2008, the negative balance in the foreign trade amounted to 11.9 million USD or 6.7% of GDP.

The negative balance in foreign trade and import-oriented consumer market in Ukraine led to the deficit of foreign currency, devaluation of local currency and drastic increase of foreign debt. In October 2008, foreign debt mounted to the critical 60% of GDP

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<sup>3</sup> *Fesenko M., Yali M.* Global economic crisis: causes and effects.

<sup>4</sup> *Ibid.* – P. 33.

<sup>5</sup> *Poroshenko P.* Ukrainian Economy on the Eve of the Global Recession // *Ekonomichna pravda*, 2008. – September 11.

and totaled nearly 109 billion USD<sup>6</sup>. Of note, almost 85% of this debt falls on the private sector of the economy.

Slowdown of industrial production in the leading countries of the world and sliding prices for metal and chemical products resulted in a slump in production in these export-generating sectors of Ukraine's economy. In chemical sector, volume of output in the current year shrank by 9.1%. In November alone output of the steel-making sector dropped by 48.8%, and in machine-building sector – by 38.8%. Decrease of industrial production for 2008 reached nearly 26.6%<sup>7</sup>. All this caused a collapse of the stock market in Ukraine. Thus, in the course of 2008, PFTS index sank from 1177 to 499, i.e. more than by half<sup>8</sup>.

Contraction of production resulted in greater unemployment in Ukraine, which by the end of 2008 reached one million people. This trend is viewed as a serious challenge both to the economic and social security of Ukraine.

A substantial negative balance between sale and purchase by the population of foreign currency in the size of 1321 million USD faced by the cash currency market eventually crumbled local currency in the fourth quarter of 2008<sup>9</sup>. Devaluation of Hryvnia seriously undermined trust of depositors in the national banking system. As a result, according to the NBU's estimates only in October 2008 volume of local currency deposits decreased by 9.2 billion UAH. Overall, in the period between October 2008 and January 2009, domestic banking system became poorer by 62.5 billion UAH<sup>10</sup>.

To rescue the situation, National Bank of Ukraine began currency interventions in the internal market, as a result of which its currency reserves in November 2009 dried up by 9 billion USD<sup>11</sup>.

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<sup>6</sup> Problems of Ukrainian economy: Internal contradictions or results of the global financial crisis? Materials of an expert discussion. October 17, 2008 / Under chief editorship of V.Y.Vorotin, Y.A. Zhelin. – K.: НІСД, 2008. – P. 46. – C. 46.

<sup>7</sup> Falling of GDP in Ukraine in December 2008 slowed down to 9,9% 22.01.2009. – 10:25. – <http://www.agroconf.org/uk/node/7621>.

<sup>8</sup> *Poroshenko P.* Ukrainian Economy on the Eve of the Global Recession.

<sup>9</sup> *Fesenko M., Yali M.* Global economic crisis: causes and effects. – P. 33.

<sup>10</sup> For the last four months banking system has slimmed by 62.5 billion UAH. – 08:37. – February 5. – proUA. – <http://proua.com/news/2009/02/05/083723.htm>.

<sup>11</sup> *Fesenko M., Yali M.* Global economic crisis: causes and effects. – P. 32.

So, Ukraine, as a drop of water, mirrored the whole potency of devastating power of the global financial crisis. However, negative effects of this global tendency for Ukraine appeared much stronger compared to other countries of the world, and it was so because its currency crisis coincided in time with the banking, securities, economic and political crises. This happened in circumstances of the overall worsening of internal and external macro-economic situation.

As a result, stock market of Ukraine suffered the severest losses, after 80% collapse, second only to Iceland, whose stock markets plunged by 95%. For comparison, Russian stock market dropped by 76%, Irish – by 68% and US's – by 38%<sup>12</sup>.

Growing energy dependence perceived by Europeans and Americans as the biggest threat in 2008 apparently was caused, primarily, by the pricing factor. Thus, in the first six months of 2008, oil prices were uncontrollably going up and reached a record level of 140 USD per barrel in June. Such skyrocketing of prices for energy resources jeopardized growth of the global economy and posed global inflation risks.

In the second six months of 2008 we all observed the reverse. Economic recession in Europe and USA, as well as slowing down of growth of Indian and Chinese economies resulted in lower volumes of energy consumption worldwide, which entailed almost three times drop in oil prices in late 2008 compared to the first six months of that year. Notwithstanding, Europeans kept believing that energy dependence is a bigger threat than the financial and economic crisis. This purely European perception may be most probably explained by two reasons. First, downturn of economies of the leading European countries was not as bad as in the US. Thus, in December 2008, industrial production in Euro zone countries dropped by 2.6% compared to November 2008, and in EU-27 – by 2.3%. Compared to December 2007, industrial production in the Euro zone in December 2008 decreased by 12.0% and in EU-27 – by 11.5%<sup>13</sup>.

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<sup>12</sup> Year 2008: From Crisis to Recession // [Forum.intv-inter.net/viewtopic.php?+=759](http://Forum.intv-inter.net/viewtopic.php?+=759).

<sup>13</sup> Brussels. February 12. UNIAN. In December industrial production in EU continued declining. – <http://eunews.unian.net/ukr/detail/190304>.

Second, perception of energy threat for Europeans has geopolitical dimension, which is determined by their energy dependence from Russia, especially in natural gas supplies. Therefore, this energy dependence is most probably perceived by Europeans as dependence on the monopolist supplier.

In Ukraine, energy dependence is also understood as dependence on Russian gas supplies to meet industrial needs of Ukraine. In this context, year 2008 was marked with two outbursts of gas war between Ukraine and Russia. At the end of quarter one of 2008, «Gazprom» decided to halve volumes of gas supplies for Ukrainian consumers, using this step as a means of pressure on the Ukrainian side during negotiations of a new Agreement with «Naftogaz Ukrainy» on purchase and transit of Russian gas in 2008. In late 2008, the conflict between two parties arose from the delayed payment by NAK «Naftogaz Ukrainy» for the consumed gas to Russian Gazprom. The delay was caused by inflation processes in Ukraine.

**Third tendency.** Global warming is a sustainable and long-term tendency, which may lead to catastrophic and irreversible change in climate and natural environment on the planet to the extent that existence of the humanity will be no longer possible. Recognition of such unacceptable prospect scares Europeans and makes them rank global warming beside energy efficiency as the top threats in the list of worst global threats.

According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), warming of climate on the planet is evidenced by: faster melting of Arctic glaciers in the last decade with the speed 7.4% in summer and 2.7% in winter; more severe long-term droughts in tropical and subtropical zones; increase of quantity and intensity of floods caused by greater evaporation and more rain; greater intensity of tropical cyclones in northern Atlantic ocean; rising World ocean level in the last 5 years by 17 cm and heating of its waters at the depth of 3 km. Warming and rising levels of the World ocean is explained by the fact that it absorbs nearly 80% of excessive heat in the climatic system.

Change of climatic zones resulting from the global warming may cause dramatic increase of flows of illegal migration. By estimates, in 2008 over 430 million people suffered from shortage of potable water. If the tendency towards warmer climate persists, over 300 million people residing in the coastal zones will become environmental refugees. With that rapid climate changes, both

flora and fauna of the natural ecosystem fail to adjust to new conditions. Moreover, these changes cause colossal losses to the world economy.

Due to losses in farming sector caused by droughts and floods, overcoming of natural disasters, addressing shortage of drinkable water and flooding of settlements, humankind loses from 5 to 20% of GDP annually<sup>14</sup>. Meanwhile, reduction of greenhouse gas emissions will require only 1% of the global GDP.

Like European countries, Ukraine is susceptible to climate change. Just as them, Ukraine faces a threat of having more natural disasters, more floods in the Carpathians, degradation of steppe zone in the South to deserts, flooding of coastal areas and acute shortage of drinkable water in Central and Eastern parts of the country. Each year Ukraine's economy suffers huge losses from natural disasters, and therefore needs to coordinate its efforts with European countries and international community in order to mitigate and adapt to effects of climate change. Influence of global warming gradually leads of change of farming zones and shift in winter crops sowing time.

Having signed the UN Framework Convention on Climate Change and having ratified the Kyoto protocol, Ukraine undertook to reduce greenhouse gas emissions. Fulfillment of these commitments must be achieved through the implementation of energy efficient technologies and development of alternative sources of energy. These conditions fully accord with Ukraine's policy of national security, as they not only help to reduce volume of harmful air emissions, but also ease the country's dependence on imported energy.

Ukraine supports EU position related to main obligations stipulated for the following period of implementation of the Kyoto protocol. These obligations particularly include: reinforcement of the developed countries' unconditional obligations to reduce GHG emissions; more efficient contributions of other countries through implementation of new and flexible responsibilities to reduce GHG emission, that arise as their economies develop; reinvigoration of efforts in adaptation to climate change, including risk management, and application of financial mechanisms and adaptation technologies.

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<sup>14</sup> Questions and answers on climate change and Kyoto protocol. Climate change working group . – [http://climategroup.org.ua/?page\\_id=75](http://climategroup.org.ua/?page_id=75).

Ukraine support coordinated efforts in shaping a global climate change adaptation strategy, and in finding new arrangements to finance the adaptation measures. The idea of selling a percentage of the national quota of the Parties through auction to replenish the Adaptation fund requires in-depth research in order to determine principles of participation of emerging economies in this arrangement. Ukraine stands on the position that prolongation of flexible mechanisms under the Kyoto protocol for the next reporting period and development of carbon markets would contribute to modernization of economies of the countries in transition and emerging markets alike.

**The fourth tendency** that became clearly discernable in 2008 is about civilization differences, primarily, between the Western Euroatlantic civilization and the Muslim world. Under this tendency, cultural differences add up to political contradictions, thus straining relations between these two civilization communities and making them conflict. Conflictogen potential of the relations between these civilizations is that each of them tries to preserve its own identity and secure integrity of its own information space, while rejecting elements of the other culture which might ruin this integrity. Meanwhile, each of the civilizations attempts to impose its own values onto the other civilization community.

Irreconcilability of cultural differences and desire to export own system of values by all means, lies in the center of the modern intercivilization conflict. As notes Volodymyr Slutsker, «West tries to maintain and spread its own system of values, including by means of military force, and so does the East, so does the Islamic world, by running its military campaign through the so-called terrorist methods<sup>15</sup>. These actions are pointed at USA, as the nucleus of the Western civilization. Europe tries to avoid these confrontations with the Islamic world; however, its being a part of the Western civilization rules out this possibility.

Factors, that exacerbated these civilization differences in 2008 were, first of all, strengthening of globalization processes. If earlier civilizations were developing isolated lying in a significant distance from each other, nowadays these distances disappeared. Rapprochement of the civilizations ruined the space that once

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<sup>15</sup> Value-based conflict between civilizations. Lecture by Vladimir Slutsker. – <http://www.polit.ru/lectures/2006/11/23/slutsker.html>.



divided them. Close co-existence of these civilizations created conditions for conflicts, which are nourished, primarily, by differing values.

Second, inter-civilization differences became deeper as a result of unevenness of their economic development. Western civilization has focused on the production of research-intensive and high-tech products, which brought about radical changes in technological and geographical framework of the industrial production. This enabled them to accumulate a lion's share of material and financial resources. Oriental civilization is still represented by the prevailing majority of poor countries with backward economies, obsolete technological base, cheap labor and low environmental standards. These countries, play the role of raw material addenda to the leading Western countries, and are not able to feed their population and withstand natural catastrophes and epidemics.

Third, greater disproportion in the number of population. In countries of the Western civilization, birth rates go down and life expectancy goes up. In countries of the Eastern civilization it's the reverse, number of population grows but life expectancy shortens. These disproportions generate greater flows of illegal migration from countries of the Eastern civilization into the Western countries, which creates social tension for the latter perceived by them as a global threat.

In 2008, these intercivilization differences were exacerbated by the first two threats – aggravation of energy dependence and the financial crisis. Western countries felt their dependence on energy resources, located in Eastern countries (the Middle East and Russia). Global financial and economic crisis only deepens the gap between wealthy West and poor East. So it is no surprise, that both Europeans and Americans attribute worsening in 2008 of such global threats, as international terrorism, Islamic fundamentalism and production of nuclear weapons by Iran to deeper intercivilization contradictions with the Muslim East. Islamic fundamentalism was recognized the largest global threat by 53% of the surveyed Americans and 47% of Europeans. Americans rated equally the threats of Iran's Nuclear Weapon production program and international terrorism (69% of responses on each). Europeans are less worried about the threat of international terrorism (62% of respondents), than Americans, but are more

concerned about the threat of production of nuclear weapons by Iran (52% of the surveyed)<sup>16</sup>.

How did the aggravation of this clash of civilization manifest itself in 2008 and how will it impact Ukraine in the future? According to S.Huntington, Ukraine lies on the line of breakup between civilizations. «This line», writes S.Huntington, «runs along the borderline between Russia and Finland and Baltic countries, and cuts Belarus and Ukraine with predominantly catholic population from Eastern Ukraine, populated by Orthodox Christians». Peoples to the North and West of this line are protestant and catholic. Their unity is based on the common historical heritage. In general, level of their economic wellbeing is higher than that of peoples living to the East of the borderline. Today they seem to be relying on stronger involvement into the economy of united Europe. «As for the peoples living to the East and South of the borderline, they are Orthodox Christians and Muslims. In their history they were part of Ottoman and Russian Empires. Overall, they are less developed economically. Establishment of stable democratic systems here looks less likely».

What did year 2008 highlight in this Huntington's statement?

First, Ukraine felt the impact of the civilization processes going on in relationship between Western European and Oriental civilizations. They revealed themselves in a bigger number of illegal migrants to the territory of Ukraine that arrive predominantly from the Near and Middle East. On the other hand, Ukraine technologically lags far behind EU countries and this gap is increasing. In its economic development, Ukraine is more and more treated as a peripheral European country with raw-material-based economy. And, similar to better developed Western countries, Ukraine is suffering from drastic drop of birth rates and decrease of ethnic Ukrainian population.

Second, its intercivilizational position as a frontier country has become more complicated. Ukraine found itself in an unstable and uncertain civilization situation. It can be viewed simultaneously as a periphery of the West, i.e. of the European civilization,

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<sup>16</sup> Transatlantic Trends: key findings 2008. – P. 9 / A project of the Marshall Fund of the United States and Compagnia di San Paolo. – [www.transatlantictrends.org](http://www.transatlantictrends.org).

and as a periphery of the Eastern civilization, i.e. Eurasia. This dual periphery generates challenges faced by any periphery country. Attempts to integrate into either civilization evokes strong resistance of the other civilization community. Peripheral condition dooms the country to economic backwardness and political instability.

In parallel with exacerbation of intercivilization conflict, such peripheral countries turn either into buffer zones or place of arms for the civilization advance or, to the contrary, defense, and become the first victims of intercivilization wars. Ukraine has been in this situation a few times before and suffered a lot during the WWI and WWII.

Therefore, and third, exacerbation of the inter-civilization conflict leads to greater pressure on Ukraine from both civilization formations. Stronger inter-civilization pressure on Ukraine generates both internal and external threats to its national security.

On the one hand, Russia tries to preserve its ruling position in the cultural space of Ukraine, by destroying Ukrainian cultural identity and trying to integrate it into the Russian cultural and civilization space. On the other hand, attempts of Ukrainians to preserve their national identity and integrate into the Western civilization bump into a big barrier and find no support from the west. Explaining this lack of support the West refers to Ukraine's inter-civilization position.

Efforts of the West to instill democratic and liberal values, and promote its economic interests in Ukraine, face counter reaction on the part of Russia. Russia has put an end to these liberal and democratic values on its territory and fights violently to squeeze these values and European business interests from Ukraine's territory.

Russia stepped forward resolutely against NATO's expansion to the East, particularly, as for giving Ukraine and Georgia a prospective membership in NATO. And, although NATO did not deny such prospects to these countries, the process of the Alliance's expansion to the post-Soviet area has been suspended for an indefinite period of time.

European Union, as a representative of Western civilization, has turned down Ukraine's aspirations for EU membership altogether, explaining this refusal by Ukraine's failure to meet

membership criteria and inability to share European identity<sup>17</sup>. Overall, events of 2008 highlighted the limits of EU possible expansion, and, therefore, possibility to extend democratic liberal values and EU's own economic interests to the East. The true reasons for refusal in EU membership prospects to Ukraine were exhaustion of its internal potential and fear of Russia, and EU's readiness to give Russia the post-Soviet space unconquered by the Western civilization.

Obviously, having stopped its civilization advancement to the East, the West will switch to the closed defense, by viewing Ukraine in prospect as a safe borderline strip for EU. It is with this philosophy was filled the policy of «neighborhood», and now is the policy of «Eastern Partnership».

As was proved by decisions of the NATO Summit in Bucharest in 2008, Russian-Georgian war and gas conflict in early 2009, Russia, to the contrary, shifted from the long-term retreat and defense to the civilization attack on the West.

Ukraine's position between civilizations generates its internal split both inside the national elite, and among its societal groups formed by regional and civilization attribute. Aggravation of this global conflict of civilizations leads to even deeper opening between East and West of Ukraine, dividing Ukrainian people into Ukrainian and Little Russian identities. Development of internal political situation and public opinion polls among the population of Eastern and Western Ukraine in 2008 has just confirmed existence of this menacing trend for Ukraine.

Through its own example, Ukraine demonstrate accuracy of S. Huntington's statement that «elites of some civilizationally split countries, will attempt to turn them into part of the West, however, in most cases, will run into hindrances that they will have a hard time to overcome»<sup>18</sup>. Aspirations of Ukrainian democratically-oriented elite to realize European and Euroatlantic course, aimed at integrating Ukraine into European civilization space through membership in NATO and EU, run into violent resistance of the left and pro-Russian political forces which lean upon constituencies of Eastern and Southern regions of Ukraine.

<sup>17</sup> EU has no intention to give Ukraine membership prospect. – 02.02.2009. – 11:11. – <http://minprom.com.ua/page8/news8414.html>.

<sup>18</sup> [http://azps.ru/polpsy/lib/konflikt\\_hantington.html](http://azps.ru/polpsy/lib/konflikt_hantington.html); Huntington Samuel P. The Clash of Civilizations? – Foreign Affairs. – 1993. – Summer.

Exacerbation of Ukraine's international position in 2008 was caused by geopolitical confrontation lapping on the civilization conflict. This confrontation is generated by the global tendency pertinent to 2008, which implies further transformation of international relations towards multipolarity. Key indication of such transformation is, first of all, weakening of US's dominant role in the world. USA is increasingly feeling the shortage of its foreign political resource to realize its global geopolitical interests. USA is losing its allies in the international arena. Iraqi war did not yield expected gains for USA. Moreover, it ruins the country's international image as a global leader and unique superpower, exhausts its economic, military and social and political potential. In this sense, war in Iraq played a destructive role for USA, similar to the war in Afghanistan, which ruined the Soviet Union as the superpower.

In 2008, number of American servicemen perished in Afghanistan exceeded the number of losses in Iraq having totaled 258<sup>19</sup>. Situation in Afghanistan in the second half of 2008 worsened so much, that US military forces began hitting Pakistani territories, where Talebans set up new military bases. This extremely strained relations between USA and Pakistan. Taking advantage of the situation, India reinforced its influence on Afghani government. NATO mission on stabilization of the situation in Afghanistan appeared on the verge of failure.

Influence of USA on Iran to force it abandon the program of nuclear weapons production appeared also futile. Moreover, USA appeared unable to react to the war unleashed by Russia against Georgia. Except for stern declarations by the US State Secretary Condoleezza Rice addressed to Russia and not very big batches of humanitarian aid to looted Georgia, USA did nothing else.

Global financial crisis has considerably weakened economic potency of the USA, which yet to a larger extent undermined this super nation's ability to influence global processes, and confidence and hopes on it on the part of other countries. Loss by the USA of its might in its turn even more slacks Euro-Atlantic ties between Europe and North America. This slackening may be considered another material indication of the world's transformation

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<sup>19</sup> *Karbiivnichiy V.* Americans to give Afghanistan to neighbors // *Commentarii*, 2008. – December 12. – P. 26.

into a multi-polar formation. EU begins paying increasingly less attention to US interests and fails to sustain American's global leadership. Thus, according to international surveys, in 2008, only 38% of the surveyed Europeans welcomed US's global leadership and 59% opposed it, while in 2002 the respective shares were 64% and 31%<sup>20</sup>. Of all EU countries, Germany, Slovak Republic and Portugal (36% of support) appeared to be least supportive of restored close relations with USA, while Romania and Poland (52% and 45%) were most supportive<sup>21</sup>.

Moreover, nearly 25% of the surveyed Europeans view US foreign policy as the biggest threat to the global stability. They also ranked China second (21%) and Russia -third (18%) in the list of threats<sup>22</sup>. In opinion of Americans though, the biggest threat to global stability in 2008 is policy of China and Iran (20%), while Russia and USA were ranked second most dangerous actors (14%)<sup>23</sup>. Meanwhile, such negative perception of USA by Europeans and slackening of transatlantic ties contributes to stronger geopolitical ambitions of EU and its leading countries. According to international studies, over 75% Europeans support EU's pretensions for the world's leadership. The largest number of the backers live in Germany (86%), Italy (83%) and Netherlands (81%). The UK and Poland appear to be more skeptical about such EU's role in the world. For 2008, the portions of adherents of these EU's ambitions fell in UK from 71% to 60%, and in Poland from 76% to 69%<sup>24</sup>.

Weaker transatlantic links and stronger geopolitical ambitions of the EU pose a serious challenge to the all-European security in general, and to the national security of Ukraine, in particular. Weaker transatlantic links lead to the loss by the North Atlantic Alliance of ability to secure the highest level of security and defense in Europe. This will also likely undermine security of the EU, since it does not have its own defense structure and adequate defense resources, and therefore is unable to protect its members. Menacing nature of such situation, primarily for EU

<sup>20</sup> Transatlantic Trends: key findings 2008. – P. 6.

<sup>21</sup> Ibid. – P. 7.

<sup>22</sup> Europeans see Moscow as threat to security // Financial Times, 2008, September 23. – P. 5.

<sup>23</sup> Ibid.

<sup>24</sup> Transatlantic Trends: key findings 2008. – P. 8.

countries is proven by results of sociological surveys. Thus, answering the question «Are you ready to send your troops to protect Baltic countries from Russian aggression», only French, British and Italians to a large extent expressed such readiness. In the meantime, 55% of Germans said they did not, and only 22% said they did support the idea<sup>25</sup>.

Moreover, aspiring for the global leadership, EU tries to get rid of the excessive guardianship of USA, relying in this respect on support from Russia. In this situation, Ukraine cannot be assured in guarantees of its national security achieved through such effective mechanisms as NATO membership. Evidence to that became, particularly, the NATO Bucharest Summit (2008), where such countries as Germany and France, apparently to please Russia, ignored US proposal to give Ukraine and Georgia the NATO Membership Action Plans.

Therefore, should these negative trends in USA-EU relations persist Ukraine is likely to lose its chances of accession both EU and NATO. Another evidence of EU intentions to gain support of Russia was France's permission to Russian nuclear missile cruiser «Peter the Great» to visit its major military marine base in Toulon on the eve of large-scale military maneuvers of Russian Federation's Military Ships to Venezuela, which were distinctly anti-American and anti-NATO in nature. Of note, this visit took place from November 5 to 8, 2008, after the end of the Russian-Georgian war.

This policy of dalliance with Russian with intentions to throw USA out of Europe, is dangerous first of all for the European Union. The thing is that transformation of the unipolar world into multipolar opens for Russia a window of opportunities, specifically, to revisit the world order that came into existence after the end of the Cold war, and to revise the outcomes of the collapse of the Soviet Union, i.e. to put under doubt the national sovereignty of new independent states.

In this way, by weakening USA's influence on Europe, discrediting NATO and cleaving the European Union, Russia will be in the position to restore its dominating influence on the European continent. Main directions of such geostrategical attack on the West were discerned in 2008. First of them was aimed at the weakening of the American dominance. It is achieved by backing up such EU

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<sup>25</sup> Financial Times. – 23.09.08. – P. 5.

countries as Germany and France in their opposition to USA policy; fuelling a large-scale anti-American hysteria both inside and outside Russia; intentions to form an anti-American alliance from such countries as China and Iran, and India; pushing economic, political and military presence of USA out of Central Asia and whole post-Soviet space. The most successful strokes dealt by Russia to US interests in this respect were Russia's victory in its war with Georgia, severe policy towards CIS countries which attempt to develop close relationship with the United States of America, decision made by Kyrgyzstan under Russia's pressure to close American air base in Manas, and closing of a Russia-Tajik agreement on transfer under control of the RF Ministry of Defense of a military air field Gissar together with the space surveillance station.

By forcing out American presence from the Post-Soviet space and weakening Washington's influence on Europe, Russia tries to build parity relations with USA on the basis of force balance as an equally strong geopolitical power. V.Putin believes that preconditions for such parity attitude to USA must be refusal to place elements of American Antimissile defense systems in Europe, turning down Ukraine's aspirations for NATO membership, and recognition by the USA and EU that they erroneously supported colored revolutions in Ukraine and Georgia<sup>26</sup>.

Obviously, for Ukraine, the above requirements of Russia in the context of relationship with USA mean that Ukraine may abandon prospects for NATO membership, and refuse from its relations with USA on the level of strategic partnership. As for Ukraine, then in this context, Russia's policy is aimed at Ukraine's isolation and convincing of the American party to stop supporting sovereignty of the Ukrainian state and a democratic way of its development.

The second direction of Russia's strategic advances to the West was aimed against NATO. With help from Germany and France, Russia managed to block provision of the NATO Membership Action Plans to Ukraine and Georgia at the NATO Bucharest summit in April and at a summit of foreign affairs ministers of NATO in December 2008. Having reinstated control over

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<sup>26</sup> Putin happy that Obama does not care for Ukraine // TCH. – ua.2009. – January 26. – 12:37.



the Caucasus as a result of Russian-Georgian war, set up a military base in Tajikistan and a military formation ODKB in Central Asia, and got rid of an American air base in Manas (Kyrgyzstan), Russia threatens to close a corridor of logistic support of NATO mission in Afghanistan. In this way, Russia received a possibility to directly press on the Alliance's painful point, putting it on the verge of defeat in the war with Talebs in Afghanistan. As declared Dmytro Rogozin, the permanent representative of the Russian Federation in NATO, according to the current official position (of Moscow), American presence in Afghanistan contributes to greater instability in the region<sup>27</sup>.

Russian unfolded a third direction of its geostrategical advance in the direction of the EU. Major striking force in Russia's offensive on the European Union was its growing geopolitical ambitions, energy resources and demonstration of military force, which manifested in 2008 in the breaking of war against Georgia and its occupation, and in the intentions to place in Kaliningrad oblast of missiles pointed at European countries. Russia's President D. Medvedev, has repeatedly demonstrated to Europe its readiness to reverse to the relations of the cold war<sup>28</sup>. However, confrontation with Russia in no way responds to interests of the leading European states, first of all, such as Germany, France and Italy. Not in the interests of these countries would be the military confrontation between Russia and United States of America, which could ruin the whole landscape of security in Europe on which the EU is relying. That's why, return to the cold war relations scares the EU even more, than Russia itself.

On the other hand, the integration concept whereby the European Union tried to integrate Russia into the Great Europe, has finally failed. Therefore, EU no longer requires from Russia democratic values and is ready to recognize Russia's right to determine the fate of post-Soviet countries. Russia's strategy aimed at the split of European Union, has succeeded. In this strategy Russia prefers bilateral relations with the EU leading countries, such as

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<sup>27</sup> *Kucera Ioshua*. Kyrgyzstan shows US the door // Guardian. – 2009. – 5 February. – 15:00. – [www.guardian.co.uk/2009/Feb.Ioh](http://www.guardian.co.uk/2009/Feb/Ioh).

<sup>28</sup> Dmitry Medvedev: Russia not scared with prospect of cold war // RBK. – 2008. – August 27. – 10:15. – [http://www.e1.ru/news/print/news\\_id-292043.html](http://www.e1.ru/news/print/news_id-292043.html).

Italy, Germany and France, while neglecting interests of other EU countries. Thus, Russian policy towards EU countries results in uncoordinated policy of the European countries towards Russia.

Lack of the common consolidated position vis-à-vis Russia makes EU weak and unable to endure Russia's geopolitical offensive. Year 2008 may be considered the beginning of the European Union's geopolitical capitulation before Russia. Existence of two principally different approaches indicate that EU has a not-concerted and uncertain policy with respect to Russia. In line with one of the approaches, Russia is a threat which needs to be softly restrained. This approach is followed by mainly countries of Central and Eastern Europe, the new country-members. Whereas older country-members – Western European countries – recognize in Russia a potential partner which should be integrated into the European system.

Although all EU countries tend to believe that the main form of relations should be cooperation, the nature and essence of these relations is understood differently. Thus, Germany, France and Italy are building their strategic partnership with Russia contrary to principles of the EU common foreign policy, relying on Russia as on potential collaborator in contesting US policy. Greece and Cyprus are viewed as Trojan horses by the EU for their most consistent support of Russia. Austria, Belgium, Finland, Slovak Republic and Portugal are considered friendly pragmatists, whose relations with Russia, although not as close as the former two groups' of EU countries, however, are aimed at deepening of the economic cooperation. Another nine countries, specifically, Czech Republic, Latvia, Denmark, Sweden and UK are very reserved in their attitude to Russia, while adequately assess its foreign policy and those threats which it generates for the European security. Finally, Poland, Lithuania and Estonia attempt to openly resist Russia's geopolitical offence on Europe.

Therefore, intercivilization conflict added up on the exacerbation of geopolitical confrontation between Russia and West make situation of Ukraine, which finds itself in the buffer zone, all the worse. Aggravation of this geopolitical and inter-civilization confrontation, in the middle of which Ukraine appears now, raises even greater challenges and external and internal threats to its national security. Surrendering to Russia for the sake of securing cooperation with Russia, European Union is ready to accept all

geopolitical requirements it puts forward to the West. Not only European Union killed all Ukraine's prospects for EU membership and political integration into the European commonwealth, it prompts the new US President Barack Obama through EU's political experts to give up supporting Ukraine's and Georgia's aspirations for NATO membership<sup>29</sup>.

Suspension of NATO expansion and putting off the decision on the Ukraine's and Georgia's membership prospects for an indefinite term, strips these countries of a possibility to defend their security through joining the collective defense system available to democratic countries. Losing the level of strategic partnership with USA to please Russia's interests, deprives Ukraine of the international mechanisms to sustain its sovereignty, national independence, security and possibility to exit the buffer zone and integrate into the European civilization space.

Other global threats which directly impacted Ukraine's security in 2008 include rampant piracy in the international shipping areas. August 25, 2008 in the Indian Ocean, Somali pirates seized vessel «Faina» with Ukrainian crew, carrying 33 T-72 tanks, ammunition and grenade launchers produced in Ukraine. Ukrainian sailors and the weaponry were held captives for 133 days. This is the longest term of imprisonment for the whole history of modern piracy. Only after pirates received 3.2 million of ransom, they released the ship<sup>30</sup>. As noted Gennady Moskal, a member of Ukrainian Parliament, «Situation around the capturing of 17 Ukrainians and the weaponry from «Faina» ship which we were supplying under a closed contract, demonstrated that Ukraine's special services were totally unprepared to withstand serious challenges arising in the modern world»<sup>31</sup>. In 2008, Somali pirates captured a total of over 50 ships as a result of nearly 100 armed attacks<sup>32</sup>.

Direct threats to Ukraine's national security in 2008 also included the global spread of HIV-infection. In 2008, Ukraine has

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<sup>29</sup> *Karpenko T.* European experts do not recommend Obama to insist on rapid accession of Ukraine and Georgia to NATO // *Politics and Society*. – 2009. – January 21.

<sup>30</sup> *Shvedun L.* Faina liberated. – <http://h.ua/stary/1372591>.

<sup>31</sup> Moskal asks Bohatyryova for urgent meeting of CNSD on «Faina» issue // *Newspaper*. – 2008. – October 15. – *The Ukrainians*. – 16:45.

<sup>32</sup> More than 300 sailors will see the New Year in pirate captivity, there are members of «Faina» crew among them // *newsua.2008*. – December 31. – 15:27.

become one of the top ranking countries in the world by the speed of growth of the epidemic. Officially, there are 50,000 HIV-infected people registered in Ukraine. However, in reality their number may reach at least 400,000. It means that 1% of Ukraine's population may be infected with HIV. 74% of these are injection drug-users<sup>33</sup>.

### Regional Threats

Notwithstanding the widespread influence of the global threats, the national security of Ukraine is most susceptible to regional threats. After all, the existence and development of a state depend on its security and extent of stability in external environment. Building of the regional security and neutralization of regional threats are two key priorities of the foreign policy of Ukraine in the sphere of security. Besides, transition to the multi-polar world is connected to an aggressive fight of each geopolitical pole for spheres of influence and dominance in a specific region. Capture of such spheres of influence will lead to the conflict of interests among different geopolitical poles in regions, and thus to the outbreak of a number of regional and local conflicts. Such a multi-polar world will bring more instability and conflicts into the international world system than a unipolar one. Now this instability will move from the global to regional level creating a major challenge to the regional security.

The range of regional threats to the national security of Ukraine, which has been highlighted during 2008, can be demonstrated by means of several methodological approaches. If we are to note them in chronological order, the first quarter of 2008 would have been marked by escalation of a new «gas» war with Russia that put the status of Ukraine's energy security under a real threat. Notwithstanding high level agreements between Ukraine and Russia in gas and energy spheres that had been reached in Moscow on February 12, 2008, «Gasprom» RF warned about the second reduction of gas supply to Ukraine on March 4, 2008. The volume of gas supply reduction was about 50% of Ukraine's energy demand. In response, «Naftogas» of Ukraine declared that they

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<sup>33</sup> International HIV/AIDS Alliance in Ukraine. – <http://www.aidsalliance.org.ua/cgi-bin/index.cgi?url>.

«could reduce the volume of Russian gas that was pumped through Ukrainian territory to Europe in case «Gasprom» would continue reducing gas supplies to Ukrainian consumers»<sup>34</sup>. As a result of a brief but critical conflict, Ukrainian and Russian sides reached an Agreement on the development of relations between their respective economic management entities in the gas sphere on March 12, 2008. Due to this Agreement Ukraine managed to meet its own gas demand for 2008 fully and to save the price of 179.5 US dollars per 1000 m<sup>3</sup>, which was stipulated in the state budget for the current year. Although the price for transit of Russian gas to Europe via Ukraine remained unchanged – 1.7 US dollars per 1000 m<sup>3</sup> per 100 km<sup>35</sup> of transport distance. The removal of the «Ukrgas-Energo» commercial intermediate party could be referred to the other advantages of Ukraine's signed Agreement, and, due to this, the state got back about 2/3 of its local market gas distribution for industrial consumption through NAK «Naftogas».

However, the presence of the «RosukrEnerge» commercial intermediate party's gas in the Ukrainian market remained a rather serious threat to the energy security of Ukraine in the gas sector. Due to its presence, «Gasprom» RF had direct access to the home market of Ukraine and an opportunity to take under its control a part of the internal networks of gas distribution and supply in its territory. Another challenge was concluded in the fact that basic principles for signing long-term contracts on Russian gas supply to Ukraine had not been determined. This was a precursor for the escalation of new, more widespread «gas» war with Russia at the beginning of 2009. By this time European Union was also involved.

In the third quarter of 2008 Ukraine suffered from a massive natural disaster. On July 23–27, as a result of heavy showers, 784 inhabited localities were flooded in six regions of Western Ukraine. Nine thousand houses suffered from water damage, 360 highway bridges and 560 foot-bridges were destroyed. The disaster claimed 36 lives<sup>36</sup>. More than 25 thousand people were evacuated.

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<sup>34</sup> *Knyazhynsky V.* «Gas attack» can lead to paradoxical results // Day. – 2008. – March 5. – P. 11.

<sup>35</sup> Ukraine in 2008: annual valuation of public-political and social and economic development: Monograph / Edited by U.G. Ruban. – K.: NICD, 2008. – P. 402–403.

<sup>36</sup> Ukraine: Conclusions of 2008 of Korrespondent.net. – December 23, 2008. – <http://ua.korrespondent.net/ukraine/688316/print>.

The government estimated losses of this disaster at 4 billion hryvnias, and UNO experts estimated them at 650–870 million US dollars<sup>37</sup>. According to specialists' an intensive deforestation in the Carpathian Mountains was the *causa proxima*, worsened by global warming.

In addition to distress, which had been caused by this massive flooding to the ecological and social security of Ukraine, the real threat of war arose in the third quarter. It was caused by a war started by Russia against Georgia, which came at the beginning of August, 2008. The plans of this war might have been concluded in the military occupation of Georgia: overthrowing its national sovereignty, M. Saakashvili's removal and establishment of pro-Kremlin regime in the country, which had to be supported by means of Russian occupation forces'. Russian aggression had obviously been directed from the separatist districts of Georgia: Abkhazia or South Ossetia. Actions of Russian troops and Abkhazian or Ossetia paramilitary units would not look like open aggression in such a case.

This operation by itself provided for launching an offensive from two sides: South Ossetia and Abkhazia, along with the possible creation of an additional beach-head in the Poti city region in order to attack from the South, with a simultaneous blockade of maritime and land boundaries of Georgia. Just to accomplish these two last missions in Poti region, the RF Black Sea Fleet's naval shock troops were sent. On August 9, 2008 Russian air forces started attacking Georgian cities. On August 10 Russian land forces of about 15 thousand soldiers dislodged Georgian troops from Tshinvali city and on the next day they launched an offensive against the Gori city, which was occupied on August 12. Then Russian troop columns went towards the direction of Tbilisi<sup>38</sup>. Another tank column went towards Poti. On August 11 Russian air forces started attacking Tbilisi. Tbilisi was under the real threat of being stormed by Russian troops.

On August 12, 2008 Russian troops, together with Abkhazian military units supported by Russian air forces in Abkhazia territory, started attacking in the Kodori Gorge district, totally occupied

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<sup>37</sup> Ukraine: Conclusions of 2008 of Korrespondent.net.

<sup>38</sup> AFP: Russian tanks go to Tbilisi / Correspondent, August 13, 2008 15:42. – <http://correspondent.net/world/552882>.

it and conquered the whole Upper Abkhazia<sup>39</sup>. The local population had to leave this district.

During several days Georgia faced the real threat of losing its sovereignty. Ukraine, as well as the entire international community, saw the salvation of this situation in immediate armistice and prompt reconciliation of the Russian and Georgian conflict.

The principle tasks of achieving these were:

- prohibition of attacking Tbilisi by Russian troops;
- an immediate cease-fire between Russian and Georgian sides and concluding the armistice;
- withdrawal of Russian troops from Georgian territory and lifting the military occupation;
- dismantling the blockade from Georgia;
- reintegration of Georgian territory.

Were Ukraine's actions adequate in that situation, which had arisen during the period of armed escalation of the conflict, and what role did they play in its settlement? First of all, Ukraine's efforts were directed to saving Georgian sovereignty and territorial integrity and to reestablish peace in the region.

In this regard Ukraine took the respective military and political-diplomatic measures to reach these purposes. Within the military technical cooperation measures, Ukraine provided Georgia with defense technology and arms with the purpose of strengthening Georgian defensive capability. These arming systems were mostly defensive in nature. The land forces antiaircraft defense «Buk» complexes were especially in this category. They were meant to defend strategic targets against massive attacks of enemy's air forces. Because of the mountainous landscape of most of its territory the aggressor would principally rely on using its air forces in the war against Georgia.

Ukraine warned the Russian side about the right to close its territorial waters for the Black Sea Fleet's ships, which were supposed to participate in the war against Georgia and were based in Ukrainian territory. This was Ukraine's another important step. Russia involved Ukraine into this conflict by means of using these ships against Georgia, as long as they started attacking Georgia and its armed forces from Ukrainian territory. These actions by Russia were especially unacceptable because Georgia was a GUAM

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<sup>39</sup> Russia does its favorite job – resettles people // Obzor. – 12.08. – 15:14.

member, and within the bilateral agreements Ukraine was responsible for its security. So Ukraine helped Georgia preserve its sovereignty and independence by means of true military, political and diplomatic support.

In the fourth quarter of 2008 the economic security of Ukraine suffered from a destructive impact, which had been caused by the world finance and economic crisis. This world crisis led to the rapid reduction of foreign investments into Ukraine and the slump of Ukrainian exports. As a result, declines in production were followed by the fall of national currency – hryvnia. From October 1, 2008 the currency exchange rate fell from 5.11 per 1 US dollar to 9.6. The hryvnia exchange rate caused panic demand for currency within the population and companies. The National Bank tried to stop hryvnia's falling by means of massive interventions. In October it provided the exchange with 4.1 billion US dollars, and with 3 billion US dollars in November. However, such intervention did not change the negative trend in the banking sector. The panic was provoked by the forcible takeover of «Prominvestbank», which later was resold to Russian «Vnesheconombank».

On October-November, 2008 alone the volumes of hryvnia deposits were reduced by 13.4% to 109.7 billion hryvnias in Ukrainian banks<sup>40</sup>. At the end of the year Ukraine was among the countries, which were hit hardest by the world financial crisis. If during January-September, 2008 Ukraine's GDP rose by 6.9%, then in October with the beginning of the financial and economic crisis it reduced by 2.1%, and in November it fell by 14%<sup>41</sup>. On December, 2008 GDP fall was slowed coming to only 10%. On November, 2008 the reduction in industrial production came to 28.6%, and in December – 26.6%<sup>42</sup>. Ukraine has not suffered from such a massive financial and economic crisis since its way out of the downturn of 90s.

We can get more complete view of the complex of threats to Ukraine's national security, which came from the international

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<sup>40</sup> Ukraine: Conclusions of 2008 of Korrespondent.net. – 2008. – December 23.

<sup>41</sup> Ibid.

<sup>42</sup> Ukraine's GDP fall was slowed down to 9,9% on December. – 22.01.2009 – 10:25. – <http://www.agroconf.org/uk/node/7621>.



environment in 2008, by means of the expert evaluation method. In accordance with this method: Ukraine's transforming into a buffer zone; worsening its international image; economic recession; restriction of Ukraine's access to energy resources, foreign markets and investments; involving Ukraine in foreign subjects' confrontation, annexation of the part of its territory by another state; and, spreading international conflicts over Ukrainian territory were among the most real external threats to Ukraine's national security. According to the above-mentioned threats we can see them all being concluded in three spheres of the national security – military, economic and foreign-policy (geopolitical) ones. By the results of expert evaluation we also can see that first of all the principal threats are determined by such factors as the «gas» war with Russia, war between Russia and Georgia on the Caucasus, and the world financial and economic crisis. In this context, expert evaluation of the threats coincided with the threats' chronological analysis given above.

The Russian-Georgian conflict, in which Ukraine had tried to take an active part for its settlement and the defense of the territorial integrity principle and the state sovereignty, made the following threats actual for its national security: involving Ukraine into the confrontation of international subjects; spreading international conflicts over the territory of Ukraine; and, involving Ukraine in the armed conflicts on the territory of its neighbor countries. By expert evaluation the reality of these threats increased significantly in 2008 in comparison with 2007 (*Table 1.15*). Thus, there is the threat of involving Ukraine into the confrontation of international subjects according to 51.8% of expert's questioned in comparison with 26.3% in 2007. The amount of those who considered involving Ukraine into the armed conflicts on the territory of its neighbor countries being a real threat, increased from 14% to 26%. First of all, such an increase was determined by participation of the RF Black Sea Fleet's ships, which were located on the territory of Ukraine, at the military operations against Georgia and by the active political and diplomatic measures on Georgian sovereignty defense, which had been taken by Ukraine. Under the influence of these factors the amount of those who are convinced in spreading the international conflicts over the territory of Ukraine has increased by 7% to 22%, and also we can see the increase of the threat of annexation of

a part of Ukrainian territory by 16% to 29.6%. First of all, this threat was obviously conditioned by Russian troops' occupation of Georgia, and annexation of South Ossetia and Abkhazia by means of recognition of their independence by Russia.

As the experts mention the decrease of security agencies' effectiveness, which do not provide safe defense from the existing and potential threats, belong to the other military threats of 2008. Ukraine's inability to release its crew from the pirate captive on «Faina» ship, unprecedented lack of financing for the Armed Forces for the last several years, fire and explosions in the 61<sup>st</sup> arsenal of the land troops of the Armed Forces of Ukraine near Lozova station in Kharkiv oblast, which had caused evacuation of 900 local people, and, also inability of the Naval Forces and other security agencies to actively and adequately fulfill the President's Decree on closing the territorial waters for the RF Black Sea Fleet's ships if needed, which participated at the military operations against Georgia were factors and events, which caused such threats.

The restriction of Ukraine's access to energy suppliers was principally caused by the «gas» war with Russia. And at the same time this threat keeps growing from year to year. If in 2007, 64.8% questioned experts had stated this threat, their numbers increased to 70.4% in 2008.

The economic recession threat, which has increased from 56.8% to 81.5% of experts questioned and Ukraine's access to the foreign markets and investments, which also has increased by 21.7% to 64.8% in 2008, are mainly conditioned by the financial and economic crisis.

The other real and potential threats are determined by further immersion of Ukraine into a buffer zone. This threat's effect has systematic character and trend to strengthening. In 2007 62.7% questioned experts had stated this threat as real, and their amount increased to 75.9% in 2008. The international relations transformation from unipolar to multi-pole system considerably complicates position of the countries, which fell in a buffer zone state. As the fight between centers of force for capturing spheres of influence and controlling specific geographical space keeps growing, buffer zones become the first objects of such fight. The year 2008 showed that Ukraine as well as Georgia was in a focus of this geopolitical confrontation when leading geopolitical players

had used them as a base for strengthening their own influence in the region.

Such geopolitical confrontation puts pressure upon Ukraine from the sides of competing centers of force and leads to loss of Ukraine's personality. Therefore, the survey of experts in 2008 not occasionally has shown growing threat of Ukraine's involvement in confrontation between international subjects of 25.5% in comparison with 2007.

Escalation of confrontation between competing geopolitical players where Ukraine has been involved, and its further immersion into a buffer zone, leads to the strengthening of external influences on the internal political situation in the country, intensifying internal political instability and sharpening internal political contradictions between its leading political authorities. Such influence intensifies the internal political crisis in Ukraine, which has endured for more than one year. The President of Ukraine, V. Yuschenko's Decree on termination of the authority of the Verkhovna Rada of VI convocation and declaring the pre-term parliamentary elections was a peak of 2008. However, the BYT faction blocked the elections by means of refusal to vote at the expenses of the state budget money, which had been provided for the elections. In his turn the President stopped implementing the Decree because of the world financial and economic crisis.

In the permanent political crisis situation and under the conditions of strong external influence, each political center tries to use the influence of external geopolitical players to strengthen its own positions in this critical and uncompromising fight for the political authority in the country. The fighting centers' different geopolitical orientation just intensifies the regional contradictions between South-Eastern, South-Western and Central parts of Ukraine.

The availability of such external influences of the permanent political crisis and intensification of the regional contradictions intensifies a trend to dividing Ukrainian society into Ukrainian and Russian cultural tradition. Such division is considered to be an evidence of the civilization break of Ukraine. This trend is also being intensified by the massive information influence on Ukraine from the Russian side. By means of information influence, Russia tries to capture Ukraine as a buffer zone in its opposition to the Western world. Russian information and cultural influence is directed to creating, in the consciousness of Ukrainians as well as

Russians, the impression that Ukraine is a state which has not actualized itself, having appeared by mistake in the world map and which cannot have a prospective in the future. In that way the thought is instilled that this historical mistake has to be corrected by means of returning Ukraine to Russia.

Such ideological cliché met an especially favorable perception in the environment of the Russian-speaking populations in the Eastern and South-Eastern regions of Ukraine. So by the results of Razumkov's center questioning, the number of those who consider Ukraine as being a mother land keeps permanently reducing among the Crimea citizens. If in 2006 the overwhelming majority of 74% Crimean citizens had perceived Ukraine as their mother land so in 2008 their amount reduced to 40%. Those who, on the contrary, do not accept Ukraine as their own country increased from 22.2% to 32.9% in comparison with 2006. In 2006 the proportion of those Crimean citizens, who would choose Ukraine being their motherland if they had a choice, was 57%, and declined to only 31% in 2008. Just 28.6% Crimean citizens recognized themselves being Ukrainian patriots and 49.3% of them did not<sup>43</sup>. The increase of the negative impression of Ukraine among its Eastern and South-Eastern regions population created a base for the separatist trends revival. In 2008, 32.4% of the citizens of the Crimean Autonomy had separatist moods. Such amount of population who have separatist mood promotes the creation of radical political organizations, which choose separatism being their slogan. So in 2008 the Security Service of Ukraine accused in encroachment on the territorial integrity of Ukraine the leaders of the «People's front «Sevastopol-Crimea-Russia» and the leaders of the «National Assembly of the Carpatho-Ruthenians»<sup>44</sup>. The Donetsk Republic movement becomes more active, and it is aimed to create «Donetsk Federative Republic» in the Eastern region of Ukraine, to proclaim its state sovereignty, and join Russia<sup>45</sup>. Recently about 33.3% of the questioned experts, in comparison

<sup>43</sup> A Crimean citizen's political portrait by view of sociologists. – UNIAN. – 20.12.2008. – 21:00. – <http://crimea.unian.net/ukr/detail/8169>.

<sup>44</sup> The main work results of the Security Service of Ukraine in 2008. – <http://www.ssu.gov.ua/sbu/doccatalog/document;jsessionid=41AF8AAB250ADFB4F814938625008CA?id=84238>.

<sup>45</sup> Donetsk started separating from Ukraine. – <http://obozrevatel.com/news/2009/2/9/284945.ht>.

with 29% of 2007, confirmed the existence of the threat of the state territorial integrity violation under the influence of the internal factors. Such separatist organizations quite often attract to themselves the international special services' attention. Being in a buffer zone position promotes active work of foreign secret services on the territory of Ukraine. In 2008, the Security Service of Ukraine took preventive measures to restrict the activities of foreign secret services, which were harmful to the interests of Ukraine, while 12 other demarches were made by the official representatives of foreign secret services . Conducting information-psychological campaigns with the help of the international states' special services in Ukraine also contributes to the separatist trends' revival. On March 21, 2008 in a speech at the meeting of the National Security and Defense Council of Ukraine, which was especially dedicated to the state's information security issue, V. Yuschenko, the President of Ukraine, had noted that «the foreign states' information expansion» was the principal threat to the national security of the state. The President emphasized attention on the wide presence of the international television companies, radio stations, printed Mass Media and internet editions in the home information space<sup>47</sup>. The amount of foreign television programs are 66% of cable networks' content which is seen by more than 20 million citizens of Ukraine, the Ukrainian product part comes to 50% in the radio air. The amount of programming, which is broadcast in the state language, is less than 30%<sup>48</sup>.

In economic and technological terms, perception of Ukraine as a buffer zone leads to a slow loss of its transportation potential. Its partners in the East as well as in the West try to avoid this buffer zone while building transport communications and dividing traffic. The financial and economic crisis complicated the transport field condition in the economy of Ukraine even more. This period is characterized by fall of the demand for freight and passenger traffic, multiple growths of prices for the material resources, and a low ability of Ukrainian carriers to compete in internal and international markets. As a result of such conditions,

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<sup>46</sup> The main work results of the Security Service of Ukraine in 2008.

<sup>47</sup> The information expansion is the principle threat to the national security of the state. – <http://zik.com.ua/ua/news/2008/10/06/152337>.

<sup>48</sup> Ibid.

the reduction of the rail way transportation reached 40% , of bus passenger traffic came to 30% , while freight motor transportations fell by 70%<sup>49</sup>. Almost a third part of water access is under unsatisfactory technical condition that restricts the potential capability of the state ports.

The systematic political, financial and economic crisis of Ukraine, along with the negative external factors, led to a worsening of Ukraine's international image in comparison with 2007. If in 2007 this threat had been recognized by 82.3% of questioned experts, 92.6% recognized it in 2008. As a result, loss of the positive international image of Ukraine remains one of the principal challenges to the state in the foreign-policy sphere.

Therefore, the year 2008 was marked by a whole range of global and regional threats to Ukraine.

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<sup>49</sup> Today at 15.00 in ZIK press-conference of the freight-carriers. – <http://ZIK.com.ua/news/2009/02/02>.

## § 2. Energy security of Ukraine: running on the spot

In 2008, Ukraine's energy security agenda included the same unresolved problems that emerged back in 1991 – the need for reducing energy dependence on the external monopolist supplier and enhancing energy efficiency of the national economy. Ukraine managed to take certain measures aimed at improving energy efficiency, but technological modernization of the energy-generation facilities is going very slow. Inefficiencies that stimulate energy waste instead of energy savings are still in place. Successful achievements include transition of the State Statistics Committee of Ukraine to Eurostat record keeping system. This transition is of the fundamental importance for compatibility of statistical systems of Ukraine and EU member states, as well as for the creation of a common methodological platform for benchmarking in the economy in general.

### Year Results

The priorities of the security policy in Ukraine's energy sector include diversification of sources and enhancing reliability of energy supplies, nuclear security, reform of the energy market, development and modernization of energy industry, securing of effective use of energy resources and renewable sources of energy. Little has been done in this area of achieving energy security of Ukraine. Ukraine's efforts were focused on the transition of oil pipeline Odesa-Brody to the averse mode of operation (upon request of Ukrainian oil processing enterprises). However, non-transparent scheme of oil pipeline operation in the averse mode proposed by the state-owned company «UkrTransNafta» and inadequate cooperation on this issue between the President of Ukraine

and Ukrainian Government did not make it possible to achieve expected results. Two oil processing plants in Drohobych and Nadvirny (Western Ukraine) did not get the chance to import oil from sources other than Russian (although the plants were anticipating it and oil supply was envisaged by the respective memorandum signed between Ukrainian companies «UkrNafta», «UkrTransNafta» and the state oil company of Azerbaijan back on June 7, 2006). Measures on preparation to switching Odesa-Brody oil line to averse mode have never been implemented.

A certain diplomatic success – achieved as a result of 5 year efforts of Ukraine – was the reaching an agreement with Slovak oil transmission operator «Transpetrol» on test transmission of a batch of light low-sulfur oil along the route Brody – Budkovce (Slovakia) – Kralupy nad Vltavou (Czech Republic) to the oil processing plant «Czeska Rafinerska» owned by the Polish oil concern «Orlen». Implementation of this test operation was supposed to symbolize technological readiness for the transition of the Ukrainian oil transportation system to operation under the European batching technology (successive pumping-over of different types of oil). However, despite the agreement reached in June 2008 in Bratislava, Ukraine failed to take this opportunity and complete the test delivery.

Ukraine's policy pertaining to the strategic issue of increasing the production of energy carriers from Black Sea shelf through the attraction of foreign investments and technologies proved ineffective. Investors do not position Ukraine as the country rich in hydrocarbon resources, however Ukraine's deposits of such resources elicit real interest of foreign oil-and-gas production companies. Investors also believe that Ukrainian domestic market is quite promising, especially given the general growth trend in energy prices. In addition to scarce investments, Ukrainian companies lack modern technologies that would make it possible to extract hydrocarbon resources in the shelf area and bottom zone at depths ranging from over 100 to 1000 meters.

Although Ukrainian gas-and-oil industry requires significant investment, one can hardly expect a big inflow of FDI in the next few years. And the problem is not just the inadequate legislation of Ukraine. In their country strategies investors take into account both the country legislative framework and the entry risks. Politically driven actions of the Ukrainian Government on termi-



nating operations of a foreign investor in Ukrainian Black Sea shelf were qualified by experts and investors' community as inadequate and such that postpone the entry of world's leading companies into Ukrainian market. This may translated in the stagnation of the offshore gas production at the current level of 1 bln. cubic meters annually. These actions of Ukrainian Government and the resulting disputes between Presidential and Governmental structures significantly damaged both investment climate in Ukraine and Ukraine's image in the global hydrocarbon community. *Foreign investors perceive the precedent with an American company «Vanco» as the indicator of maximization of risks.* It is not incidental that it was exactly «Vanco» that entered Ukrainian market (i.e. a company with experience of operations in the third world countries). World-class oil-and-gas producing companies rank Ukraine's investment climate on the level of West African states, such as Ghana, Nigeria, and Equatorial Guinea. So, **the above mentioned conflict only aggravated the perception of Ukraine as an «Africa-level» country.**

In nuclear power sector Ukraine preserved orientation towards Russian technological basis during the construction of new power generation units at Khmelnytsky nuclear power plant. Russian company «AtomStroyEksport» won the tender. Ukraine also intends to continue its cooperation with Russia in the area of prospective production of fuel assemblies from the Ukrainian uranium. This is envisaged by the proposed draft «Concept of State Special Program «Nuclear Fuel of Ukraine». At the same time national nuclear power generation company «EnerhoAtom» reached an agreement with company «Westinghouse» on supply of American fuel assemblies over the period of 2011–2015. This positive aspect will make it possible to diversify the sources of nuclear fuel supplies to Ukraine. Also worth noting is the positive dynamics of Ukraine's cooperation with Canadian partners on the issues related to the development of uranium deposits.

Since 1991, non-transparent way in which Ukraine's energy transmission infrastructure operates has facilitated undercover redistribution of financial flows, which has negatively affected inflow of revenues to the budget, generated opaque business management practices in the power sector, boosted corruption and contributed to the general instability. Ukrainian Government took certain measures in the politically sensitive and economically

significant gas sector. *Internal gas market was returned to the national joint stock company «NaftoGaz Ukrayny» and activity of non-transparent intermediary entities in the domestic market was restricted. However, incoherent (although persistent) actions of the Government aimed at the reorganization of gas market failed to bring about significant results.* Moreover, transnational by its nature and non-transparent scheme of gas supply and transit mobilized strong resistance potential, which undermined chances of the Government for success.

Gas trade through an intermediary has conflict-provoking potential, which during 2008 twice resulted in serious strain of relations with Russia and the Russian monopolist Open JSC «GazProm» over the issues of Ukraine's overdue payments and gas prices. Due to the conflict between different branches of Ukrainian authorities Russian gas monopoly strengthened its positions in Ukrainian domestic gas market by receiving 11% quota for its subsidiary with further possible increase of this quota if the situation evolves favorably. As for the gas supplies diversification prospects, Ukraine completely lost the chances to join «Nabucco» project and was rather passive in its attitude towards the «White Stream» project proposed by the international engineering consortium «White Stream Pipeline Co».

No progress was made and opportunities were lost in implementation of the projects offered by EBRD and European Investment Bank, on equipping main oil lines with metering devices and gas mains with gas metering stations at the Eastern border of Ukraine. Implementation of the project on installation of gas metering stations would create the prerequisites for gas transfer from GazProm to European consumers at the Russian-Ukrainian border, and not at the Ukraine-EU border as is the case now. This would also put an end to accusations of Ukraine in the so-called «gas thefts».

Certain progress in cooperation with the EU in the area of modernization of Ukraine's gas transit system was the development of a respective draft concept, which, however, has not been finalized and approved by the parties. The draft concept stipulates inviolability of Ukraine's ownership title to its gas transmission system. In its turn, Ukraine must secure transparency, openness, and free access of European donors to financial and technical documents, as well as ensure proper control over the use of funds.

Cooperation in the integration of the unified energy system of Ukraine into the trans-European system was carried out with the use of cooperation mechanism with European structures within the framework of a Memorandum of Understanding on the Cooperation in Energy Sector, signed between Ukraine and European Union on December 1, 2005. However, no serious progress has been achieved in this issue. On November 25, 2008, in Vienna, Ukraine started negotiations with the European Commission regarding accession to the Agreement on Energy Community, where Ukraine had the status of observer since 2006. This can be considered as moderate success.

### **Ukraine-Russia Relations in Gas Sphere**

The key to understanding of processes in both Ukraine-Russia gas relations and those that influence the security of gas supply to the EU lies in several events that took place in 2003–2004 and caused some latent processes, which reached their climax in the cold winter of 2006 when Russia reduced its exports of gas. The EU responded to the challenge of gas supply security by an attempt to elaborate a common energy policy of the European Community. One can say that this attempt failed and latent processes in Ukraine-Russia gas relations continued in winter-spring 2008 as a new relapse of price-debt related conflict.

The Russian «gush» to Turkmenistan in 2003 was largely pre-determined by the threats of future shortage of resources and inability to regularly replenish gas supplies by the Russian monopoly. Conclusion of the respective agreement between Russia and Turkmenistan made it practically impossible for Ukraine to sign a long-term agreement with Turkmenistan. Turkmenistan refused to extend the contract for gas supply to Ukraine after the end of 2006. The meeting between the President of Ukraine and Turkmenbashi (postponed many times since May 2004) has never happened. This became the precursor of 2004 Yalta events.

For Ukraine, Yalta-2004 meant reformatting of gas relations resulting from the loss of direct agreements with Turkmenistan. Non-transparent intermediary «Eural Trans Gaz» was replaced by a new and no less non-transparent intermediary «RosUkrEnergo» (RUE). Company registration in a Swiss canton of Zug meant that

RUE operations were not subject to control by any competent authorities in Ukraine, Russia, or the EU. This opened ample opportunities for non-transparent circulation of company shares in favor of actual owners and laid the foundation for corruption. Moreover, by creation of a joint venture called «UkrGazEnergo», RUE practically deprived the state owned operator National Joint Stock Company «NaftoGaz Ukrayny» (NGU) of a lion's share of the domestic market, which resulted in a significant decrease of NGU revenues. Practically, this tandem scheme became the instrument for seizure of Ukraine's domestic gas market in accordance with objectives outlined in Russia's Energy Strategy. RUE also entered EU markets by selling gas to the countries of Central Europe.

Arrangements similar to RUE are not endemic exclusively to Ukraine-Russia gas relations as it is often believed in the EU. On the contrary, they are universalized by the Russian monopoly. RUE arrangement was replicated in other projects, of both production and transit nature, which were initiated by Russia and EU monopoly. Developer companies for Nord Stream, South Stream, and Shtokman field projects were registered in the same Swiss canton of Zug. Inadequate transparency is the ideal environment for price manipulations, as well as for inducing threats and risks to gas supply security. Opaqueness of the Russian gas monopoly and its relations with the monopoly-partners in Europe, as well as a wide network of subsidiaries and off-shore companies increase the probability of the GazProm «Enronization» – on the analogy with the collapse of the US leading energy concern «Enron» back in 2001. This does not contribute towards strengthening of the atmosphere of trust in gas relations on the European continent.

Price and debt related issues in Ukraine-Russia gas relations remained on the agenda because they had been instilled in the bilateral relations with the objective to *exercise influence on foreign policy of Ukraine*. Since gas prices are not market-based (which does not exist for pipeline deliveries), the consumer will always suspect overpricing by the supplier, and the supplier will always demand higher prices. Opaque contractual relations and use of intermediary structures facilitated the generation of debts that do not always relate to NGU activity. Possibility of the establishment of direct and more transparent relations in gas sector was envisaged by a Memorandum signed on October 2, 2008 by Prime Ministers of Ukraine and Russia. The above Memorandum

Table 2.1

**Dynamics of Prices for Imported Natural Gas in the US  
and EU Markets as Compared to the Dynamics of Oil Prices**

Years	Oil price * in the US/EU markets, WTI/Brent, \$/barr	Dynamics, in % to the previous year US/EU	Equivalent price** for natural gas imported by USA, \$/1000 cubic meters	Dynamics in the US market, In % to the previous year	Price for Russian natural gas imported by the EU, \$/1000 cubic meters	Dynamics in the EU market, In % to the previous year
2004	41,51	-	205,2	-	135,7	-
2005	56,64 / 54,57	36,4 / 42,6	286,7	+ 39,7	190,0	+40,0
2006	66,05 / 65,16	16,6 / 19,4	243,0	- 15,2	260,7	+37,2
2007	72,34 / 72,44	9,5 / 11,2	242,6	- 0,15	272,8	+ 4,6

\* Oil prices: U.S. Energy Information Administration.

\*\* Recalculated from the price of cubic foot: (conversion factor)  
1 cubic foot = 0.0283168 cubic meter.

also stipulates the transfer of pricing and tariffs to market principles. However, the practice of export prices' formation by the monopolist gives the ground to presume that in reality quasi-market approaches (disguised to look as market-driven) will be used in Ukraine-Russia gas relations.

As a rule, the monopolist argues that gas prices for EU consumers reflect the fluctuations of oil prices. However, the analysis of price dynamics does not always evidence in favor of such arguments.

Therefore, it is possible to conclude that in 2008 «GazProm» continued the implementation of systemic multi-level strategy aimed at unwinding price hyperdynamics under conditions of insufficiently liberalized gaz market in the continental Europe. This indirectly bears evidence of market inefficiencies and testifies to insufficient effectiveness of market regulators in the EU. In its turn Ukraine, being dependant on monopolistic supply from the East and on increase of prices for gas exported to the EU, appeared the hostage of this process. Ukraine is unable to endure both the dominance of European market and pressure of the monopolist.

### **Ukraine's Potential for Cooperation with the EU in the Area of Energy Security**

«Memorandum of Understanding between the EU and Ukraine Regarding Cooperation in Energy Sector» dated December 1, 2005 specifies that energy policy of the EU and Ukraine has common objectives that include diversification and security of energy resources supply. Completion of the projects on creation of East European Metrological Center in Boyarka and equipping of the Eastern and Northern sections of the state border of Ukraine with gas metering stations and oil metering units will be of indicative importance for both Ukraine and EU. Without it the creation of full-fledged free trade zone between Ukraine and EU will be impossible.

It would be advisable to implement the project on establishing transcontinental transparency of the chain «extraction – transmission – consumption». This is extremely important given the fact that energy resources ever more often serve as an instrument of political influence and a sort of energy weapon.

The above mentioned Memorandum between Ukraine and the EU stipulates that Ukraine is a key transit country in supplying hydrocarbon resources to the EU member states, where 40% of natural gas imported by the EU is delivered through Ukrainian gas transmission network. In this context, guarantee of security, transparency, and operational reliability of transit network is of vital importance for both Ukraine and the EU. Lack of transparency in the functioning of oil and gas sector in Ukraine results in shadow redistribution of financial flows. The initiative of the European Commission on the establishment of a special fund for modernization of Ukrainian gas transit network is expected to mitigate this threat. An International conference on this issue was supposed to take place in 2008 but was rescheduled for 2009. The US position to support Ukraine in both modernization of its gas transmission network and in the nuclear energy sector was fixed in the «Ukraine-US Charter on Strategic Partnership» signed at the end of 2008.

### **§ 3. Dialogue with NATO: what is in store after Bucharest summit?**

2008 became a landmark year in the practical implementation of Ukraine's policy line towards Euro-Atlantic Integration and was characterized by significant intensification of relations with NATO in all areas. This process started with a joint letter of the President of Ukraine, V. Yuschenko, the Prime Minister of Ukraine, Y. Tymoshenko, and the Speaker of Ukrainian Parliament, A. Yatsenyuk, which was sent to NATO Secretary General, Jaap de Hoop Scheffer, to acknowledge Ukraine's aspiration to join NATO Membership Action Plan.

#### **Problems of Ukraine's Accession to NATO Membership Action Plan and Reasons for Ukraine's Non-Accession**

NATO Membership Action Plan is a NATO program, which envisages provision of assistance and practical support to the states that aspire to join NATO. Most of NATO member states from Eastern Europe joined NATO after the fulfillment of the Membership Action Plan. Poland, Czech Republic, and Hungary were the exceptions since they joined NATO back in 1999 before the Membership Action Plan mechanism has been approved. This is why, with regard to Ukraine, the prospects for joining NATO Membership Action Plan were perceived as the beginning of the process on direct accession to NATO. At the same time, accession to NATO Membership Action Plan and its fulfillment does not automatically mean and does not guarantee actual accession to NATO. And finally, last but not the least – direct security guarantees provided by NATO, specifically stipulated by Article 5 of the Washington Treaty, come into force only upon actual accession to NATO and not on date of accession to NATO Membership Action

Plan. All these aspects made the discussion around Ukraine's accession to NATO Membership Action Plan rather political than substantive.

The letter of Ukraine's leaders to NATO Secretary General specified that «policy line towards Euro-Atlantic integration is stipulated by current legislation, is not aimed against the third states, and is called to secure future membership of Ukraine in the North Atlantic Treaty Organization, depending on the will and opinion of Ukrainian people». The letter also stressed the following: «Fully sharing European democratic values, Ukraine perceives itself as part of the Euro-Atlantic security space and is ready jointly and on equal grounds with NATO and partners of the Alliance, to stand against common threats to security ... Currently Ukraine is interested in accession to NATO Membership Action Plan». This joint letter, sent by Ukraine's leaders to NATO, provoked protests of the Parliamentary opposition, which was not interested in the provision of security guarantees to Ukraine, followed by intensive discussion in Ukrainian mass media.

At the same time, Russia made it sharp and clear to its partners in Europe – specifically, Germany, France, Italy, and some other states – that Ukraine should not get the Membership Action Plan. Lack of consensus in Ukrainian society regarding the accession to NATO, as well as certain political instability generally inherent to parliamentary republics (which Ukraine became in 2006), served as a formal excuse for certain European states to yield to the pressure of Russia and object Ukraine's accession to NATO Membership Action Plan during NATO Summit in Bucharest. In the meantime, there were no actual grounds to deny the Membership Action Plan (MAP) to Ukraine, since previously many European states joined MAP having much lower political and economic indicators and level of preparedness of the army and society.

Moreover, the issue was about MAP and not accession to NATO. No matter how hard those NATO members who denied MAP to Ukraine, tried to disguise this fact, but the only actual reason for refusal was Russia's pressure. At the same time, leaders of NATO member states who attended Bucharest Summit made the following statement: «*NATO welcomes the aspiration of Ukraine and Georgia to join NATO. We agreed today that these countries will become NATO members.* Both Ukraine and Georgia made a significant contribution to NATO operations. We welcome democratic



reforms in Ukraine and Georgia and expect free and fair parliamentary elections in Georgia in May. MAP is the next step for Ukraine and Georgia on their way to NATO membership. Today we would like to stress that we support the application of these countries on accession to MAP. Therefore, we will initiate active cooperation with each of these states on a high political level to resolve some unaddressed issues related to their application on accession to MAP. We asked the Ministers of foreign affairs to provide the first assessment of the achieved progress during their meeting in December 2008. Ministers of foreign affairs are entitled to make decisions regarding the application of Ukraine and Georgia on accession to MAP». Thus, NATO made an unambiguous statement regarding its consent to accept Ukraine as a member. NATO did not specify the final deadline of Ukraine's accession to the Alliance, but in general determined the steps that Ukraine needs to take in this direction. It is important to understand that NATO, as organization, could not adopt other decision regarding Ukraine, but express its support on Ukraine's accession to the Alliance. And this is an extremely important result for Ukraine, because refusal from the expansion of NATO would mean demonstration of Alliance's inability to adopt independent decisions in its own interests and use those obvious chances for long-term security of Europe that can be offered by Ukraine. In case of refusal from further expansion, NATO's capacity to adopt and implement decisions for protection of its allies would be put to doubt (i.e. the main objective of NATO existence would be brought to nothing).

Denial to Ukraine in accession to NATO would demonstrate that NATO principles, which envisage that any democratic European state can become its member, are no longer at work. This would also undermine ideological foundation of NATO and, specifically, that of the USA which considers the expansion of democracy to be its important mission that strengthens the legitimacy of its actions in the international arena. And, most importantly, denial to Ukraine in accession to NATO would demonstrate the critical level of NATO dependence on the country which is not its member. This would definitely put to doubt the capacity of the Alliance to perform its major functions.

However, uncertainty around political crisis in Ukraine and around the composition of the Government gave a formal pretext to the states that had blocked Ukraine's accession to MAP in April

to do the same thing in December 2008, even despite the fact that during the Russian-Georgian war French and German officials were making statements on possibility for Ukraine to quickly get the approval for MAP. Major outcome of the meeting of NATO Council at the level of the Ministers of foreign affairs (held in Brussels on December 2–3, 2008 and during which the meeting of Ukraine-NATO Commission was conducted) was, again, denial of MAP to Ukraine. However, NATO member states simultaneously reiterated all decisions regarding Ukraine adopted during the Bucharest Summit.

The Alliance expressed its readiness to promote reforms required to achieve NATO membership, first of all by strengthening the role of Ukraine-NATO Commission. The above mentioned meeting of NATO Council resolved that a practical mechanism for implementation of reforms will be the Annual National Programs the fulfillment of which will be annually assessed by the allies. De facto, it was decided to postpone politically overcharged issue of MAP and focus of implementation of practical measures that would approximate Ukraine to the Alliance in order not to waste time and complete the procedure of Ukraine's accession to NATO once international conditions become more favorable. It was by far not the optimal option for Ukraine because MAP would significantly strengthen Ukraine's position. However, given the existing external conditions, as well as considering certain political instability in Ukraine resulting from the low level of responsibility of certain Ukrainian politicians, this option proved relatively acceptable for Ukraine.

For practical accession to NATO, Ukraine needs to use the time left before the next presidential elections at the end of 2009 or at the beginning of 2010. Annual national program has been established as an official mechanism of preparation for the accession to NATO.

Practical cooperation between Ukraine and NATO in 2008 was rather intensive. Over that period legal framework of Ukraine's cooperation with NATO added 6 new agreements (as, for example, preparation of Ukraine-NATO Agreement on the Transit Movement of NATO Forces in the Territory of Ukraine). NATO renewed its lease contract with Ukraine and Russia for «Ruslan» aircrafts till December 31, 2010. Aircrafts AN-124-100 «Ruslan», manufactured by the companies «Antonova Airlines» and «Volga-

Dnipro», are used within the framework of NATO SALIS program and perform air-freight shipments for 18 countries.

On June 1, 2008, the flagship of Ukrainian Navy, frigate «Hetman Sahaydachny» sailed to the Mediterranean Sea to patrol within the framework of NATO anti-terrorist operation «Active Efforts». Ukrainian flagship successfully passed certification by NATO experts, became part of operational forces under the command of commander-in-chief for the Navy component of Joint NATO Forces «South» (Naples, Italy) and was involved in practical performance of missions on detection and prevention of terrorist actions in the Mediterranean. Ukraine became second, after Russia, country among NATO partners states to join «Active Efforts» operation. With NATO assistance, funding totaling more than Euro 25 mln. will be attracted over the period of 12 years to liquidate excessive weapons and outdated ammunition.

On June 13, 2008, during the meeting of Ukraine-NATO Commission on the level of Ministers of Defense, which was held in Brussels, Ukraine signed a Memorandum on exchange of data regarding air situation (EDAS) and joined EDAS program. This step is important in the context of Ukraine's interaction with NATO in fighting terrorism. In August 2008, the President of Ukraine approved the proposal regarding the expansion of Ukraine-NATO cooperation format in the area of cybernetic protection, including interaction with respective authorities of the Alliance. The first consultations on this issue took place in October 2008 in NATO headquarters.

Ukraine expressed its readiness to participate in NATO operations on fighting piracy. Ukraine and NATO are seeking specific forms of cooperation. The issue on Ukraine's involvement in a French-British helicopter initiative is being finalized.

Over the year 2008, political dialogue with NATO significantly intensified. The Prime Minister of Ukraine, Vice Prime Minister, Secretary of the Council for National Security and Defense, Minister of Defense, Minister of Justice, Minister of Economy, Minister of Emergencies, Minister of Internal Affairs, Minister of Industrial Policy, and Minister of Education and Science visited NATO headquarters. The meeting of Ukraine-NATO Commission on the level of ambassadors was held on August 27, 2008. This meeting was dedicated to the situation in Georgia and was attended by special representative of the President of

Ukraine in Caucasus, K.P. Eliseev. On September 18–19, 2008, in London, the Minister of Defense of Ukraine, Y.I. Ekhanurov, took part in the meeting of the Ministers of Defense of NATO member states, and on October 9, 2008, he also attended the meeting in Budapest of NATO Council with the states-contributors of NATO operation in Afghanistan<sup>50</sup>.

At the same time, the situation in domestic policy of Ukraine as of the end of 2008, made it possible to preserve the focus on Euro-Atlantic integration. The new coalition agreement confirmed Ukraine's policy line towards Euro-Atlantic integration. Coalition agreement between BYT, NU-NS, and Lytvyn's Block includes reference to the current legislation, which stipulates that accession to NATO is a strategic objective of Ukraine.

### **Is Ukraine's Accession to NATO possible without the Membership Action Plan?**

In theory it is quite possible to avoid the procedure of NATO's Membership Action Plan (MAP). NATO is an international, not a supra-national organization. By members consent, any decision can be reached there. Besides, Poland, Czech Republic and Hungary have historical experience of joining NATO without following MAP procedures. Sometimes, however, it's not so easy to coordinate positions of the Alliance states. Some NATO member-states, which are under the influence of Russia in the issue of Ukraine's joining NATO, can continue referring to the «established membership procedures». That is why, the firm consensus among NATO members-countries is needed for Ukraine «to bypass» MAP.

### **Role of the USA position in Ukraine's integration in NATO**

So far the United States of America have played a key role in international support of the Euro-Atlantic integration of Ukraine. Ukraine's independence and territorial integrity correspond with the USA national interests. Ukraine is a principal geopolitical part of the region. Its independence and territorial integrity significantly decrease the possibilities of restored confrontation in

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<sup>50</sup> Based on the materials of the Ministry of Foreign Affairs of Ukraine.

Europe and threats to the European allies of USA and their interests. The political elite of the United States has formed rather parochial view of maintaining Ukraine's independence, sovereignty and territorial integrity, and, also its democratic development.

Before and after the Bucharest NATO Summit the USA supported providing Ukraine with MAP. On April 28, 2008, the USA Senate confirmed by a solid vote resolution # 523 in support of Ukraine and Georgia joining MAP at the next meeting of the Ministers of Foreign Affairs on NATO issues. John McCane, Barack Obama and Hillary Clinton, all three former candidates for a president position, initiated the resolution. In particular, this resolution says that the USA Senate: «1) supports the Bucharest Summit declaration, which confirms that Ukraine and Georgia will become NATO members; and, 2) confirms its support to further NATO expansion into any democratic state which is prepared and aimed at taking responsibility regarding membership».

On December 20, 2008, Ukraine and the USA signed the «Ukraine-USA Charter on Strategic Partnership». This charter, in particular, emphasizes that «Cooperation between two democratic states is based on the shared values and interests. It includes spreading of the democracy and economic freedom, security and territorial integrity defense... Deepening of Ukraine's integration to the Euro-Atlantic organizations is a mutual priority. We plan to implement a program of intensified cooperation in security, which provides for increasing Ukrainian opportunities and making Ukraine a stronger candidate for NATO membership».

Several times USA demonstrated its readiness to support Ukraine in complex international situations. Besides, the United States of America is a country of the Euro-Atlantic space, which has the greatest economic and technical opportunities for foreign activities. That is why, the partnership relations with the USA can be an important driver not only for the Euro-Atlantic integration of Ukraine, but also an important factor for improving Ukraine's security and territorial integrity, even while our state remains temporarily outside of NATO.

At the same time, joining NATO remains a vital interest of Ukraine. After the Russian-Georgian war and escalation of international conflicts in Europe, including disputes regarding energy transportation and sales, Ukraine became a state which now has the most immediate threats to its security, in comparison with

other European states. It can exist not being a member of the EU. However, without NATO membership, it could be rather complicated to ensure effective and long-term defense of the key purposes of Ukraine's national security.

### **Influence of the Russian-Georgian war on the Euro-Atlantic integration of Ukraine**

The resolution of the April, 2008 NATO Summit in Bucharest did not give Ukraine and Georgia a chance to immediately join the Alliance Membership Action Plan, but it gave Russia an opportunity to carry out a more aggressive policy in the region. Georgia's attempt to restore control over a part of its territory, Russian troops' intervention in its territory and attacking Georgian territory provoked a global international crisis. Ukraine drew the international community's attention to the violation of Georgia's territorial integrity by Russia. On August 27, 2008 a meeting of the Ukraine-NATO Commission was held at ambassador level in Brussels, NATO headquarters. Ukraine condemned the Russian Federation's actions on recognition of the independence of South Ossetia and Abkhazia and expressed its deepest concern over possible effects of such decision on security and stability of the Caucasus Region and the Euro-Atlantic area. Ukraine further expressed its solidarity with NATO statements on the situation in Georgia, dated August 19 and August 27, 2008, which, in particular, emphasized the necessity of peaceful settlement of the Georgian conflict, which should be based on absolute adherence to principles of independence, sovereignty and territorial integrity for Georgia, which had been recognized in respective UN resolutions.

During and immediately after the Russian-Georgian war, leadership of such countries as Germany and France, which had blocked Ukraine's joining MAP at the Bucharest Summit, voiced assurances they would reconsider their views with regard to Ukraine. However, with time these countries returned to their previous views. All these precluded Ukraine from using in 2008 that «window of opportunities» in relations with NATO, which appeared because of the Georgian-Russian war.

### **Possibilities for the transformation public opinion on Ukraine's Euro-Atlantic integration**

Public support of Ukraine's integration into NATO is an important factor of success of such integration, because it provides for stability of Ukraine as a reliable partner in the Alliance. At the same time, the advantages of being NATO member are obvious for Ukrainian experts. According to various studies, from 70 to over 90% of Ukrainian experts in international relations and security support Ukraine's NATO membership.

Today, the relations with NATO guarantee Ukraine a favorable security climate at its Western borders. It strengthens Ukraine's positions in resistance to its security threats. NATO expansion eastwards into countries of Central and Eastern Europe region create a favorable climate for geopolitical pluralism, which could satisfy the interests of Ukraine as an international policy subject much more fully, than they would be in the case of Russian domination.

Ukraine now has enough arguments in favor of NATO membership. During 2008, number of supporters of Ukraine's membership in NATO grew to 30–32%, or by 10%, according to various sociological data. This growth was driven by arguments in favor of joining NATO by Ukraine and outcomes of the Russian-Georgian war. From results of the All-Ukrainian sociological study of the Ukrainian citizens' attitude towards the Euro-Atlantic integration, which was held by the Institute of Public Transformation and the Center of Social Examinations and Sociological Consortium to order of the Ministry of Foreign Affairs of Ukraine and the State Committee on Television and Radio Broadcasting in December 15, 2008, 30.1% of citizens would vote for the «joining NATO by Ukraine», 50.6% would object and 10.2% were of the opinion that the question was too «complicated to answer».

In 2008, in general, the amount of information materials about NATO increased significantly in Ukrainian media space in comparison with the previous year. Political parties (namely NUNS) started their own information campaigns regarding NATO and Ukraine's membership in the Alliance. Last time that widespread debates regarding Euro-Atlantic integration have been started in Ukraine, they mobilized an intellectual and political potential of the country, and, also stimulated the political elite to create a mutual base for the foreign policy of the state. Ukraine's

NATO membership is considered to be a stage for realization of the Western direction in the state development, which is the real purpose in the short term<sup>51</sup>.

At the same time, the true information campaign commensurate in scale and aggressiveness with an average party's election campaign has not yet been mobilized. Leading Ukrainian politicians were reluctant to talk about NATO when they had sustainable public support. Currently, when this support has considerably decreased, the effectiveness and confidence in the information, which they produced, were also diminished. Meanwhile, we continue to have a lack of information about NATO in Ukraine. Although in May, 2008 the government of Ukraine approved an important and high-quality document – the State Target Program of Public Awareness about the Euro-Atlantic Integration for 2008–2011, practical public awareness activity about the Euro-Atlantic integration was local and fragmented in nature and did not reach out to the majority of Ukrainian population.

Other barriers to effective implementation of the public awareness campaign included: the absence of consensus for joining NATO among the ruling elite, the absence of consistent recognition and implementation of the ideas of the Euro-Atlantic integration by Ukrainian political parties, and, the absence of the native political leaders among the supporters of the idea of Euro integration (with a strong public confidence). Further, the absence of an effective mechanism for coordination of the resources and cooperation of various organizations, or, even experts in Euro-Atlantic integration, is a critical issue. This situation may be explained by the absence of an information strategy and inadequate organizational planning of the Program-2008 realization, as well as insufficient and delayed funding<sup>52</sup>.

Notwithstanding, overcoming the simple fact of a lack of information about NATO and spreading this information among the population should be able to significantly boost support for Euro-Atlantic integration of Ukraine until the supporting majority will be created in society.

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<sup>51</sup> See the Report of working group «Public Information». International seminar «Expert evaluation of the Policy reforms in Ukraine: current state and prospects» (in the context of fulfillment of objectives of «Ukraine-NATO» Membership Action Plan).

<sup>52</sup> Ibid.



### **Prospects of the Euro-Atlantic integration of Ukraine**

The success of Euro-Atlantic integration of Ukraine depends on external and internal factors alike. The principal internal factors affecting this process are: lack of common view of the political elite, the elite's insufficiently responsible attitude towards security issues, in particular, to financing the security sector; considerable reduction of the financial capabilities of the state; aggravation of social problems in the country due to economic crisis; heavy external pressure on the part of Russia on some political forces of Ukraine; ineffective political system of Ukraine, which gives plenty of room for internal conflicts in the government; and, the forthcoming presidential elections in 2009.

The internal instability of Ukraine and low likelihood of its resolution in the visible future strengthen external factors that pull back Ukraine's Euro-Atlantic integration aspirations. Internal problems of Ukraine are often used by such countries as Germany and France as excuses of their pro-Russian orientations. Meanwhile, governments of Western countries reasonably advise Ukraine «to help itself» in salvation of its own problems.

However, after the beginning of the global financial and economic crisis, the change in USA administration, and the Russian-Georgian war, external factors exerted further influences on the process of the Euro-Atlantic integration and general positioning of Ukraine in Europe. The EU and the USA appeared involved in their own economic problems. During a financial crisis economic space gets fragmented, national economics and regions begin to gradually «close and focus on themselves», and it certainly produces political consequences. The United States are engaged in the process of negotiations of the Middle East conflict settlements, regime of non-proliferation of weapons of mass destructions, and continued Afghanistan operation, both with their potential allies and with Russia, which is aggressively against Ukraine's accession to NATO.

All above mentioned factors pose a threat of refusal by the US and NATO of the idea of supporting Ukraine on its way to the North-Atlantic Alliance; and this may considerably worsen threats to Ukraine's external security. Such development of the situation is less likely, however, than preservation by the United States and NATO of the opportunities of rapid regaining of the

speed of approaching of Ukraine's NATO membership. NATO is too important an organization for the USA and Europe to ignore the opportunity of its strengthening as a result of Ukraine's joining. That is why it is more likely that in the nearest future the US and NATO will continue backing Ukraine's Euro-Atlantic aspirations pending political changes in Ukraine after the presidential elections.

## § 4. Ukraine In The International Arms Control Regimes

During 2008 Ukraine was actively involved in bilateral efforts, which were aimed at strengthening of international security and stability. It was improving its export control systems and fulfilling its obligations of a member of the international arms control regime.

### Ukraine and non-proliferation of weapons of mass destruction

In the area of non-proliferation of weapons of mass destruction Ukraine has got a track record of one of the most active participants in the realization of the **Proliferation Security Initiative (PSI)**. This Initiative is known in the international community as the «Krakow Initiative». It was launched jointly by the US and Poland as an element of George Bush's Administration strategy to prevent proliferation of weapons of mass destruction (WMD). After proclamation by President Bush of the Initiative during his visit to Krakow, Poland in May 2003, USA launched a proactive campaign to extend the circle of participants, as PSI required partnership of the states, which needed to design and implement a number of economic, legal, diplomatic, military, intelligence and other measures, called to prevent trafficking of WMD, delivery systems and their components to the «pariah countries» (the North Korea and Iran in the first place), and to the non-government formations, which raise concerns with regard to WMD proliferation.

As of August, 2008, 91 states were members of the Initiative. The Initiative was implemented as a complement to the existing national and international facilities in the sphere of WMD non-proliferation. Its goal is to support and reinforce them following

the participants' political obligations. These obligations were outlined in the Statement on the principles of interdiction of suspect suppliers, who pose a threat of WMD proliferation, which was approved by participants of the Initiative at a Paris conference in September 2003.

The interdiction principles are a list of the specific measures, which the PSI-adherent countries commit to take to prevent transporting of cargos with WMD. Participant countries have to consider providing consent to other states to the boarding and searching of its own flag vessels that are reasonably suspected of carrying cargos of WMD and to seizure of any such cargos that are identified. The participants cover the expenses for a practical participation in PSI by themselves.

On July 1, 2008, in Batumi during the summit of the Organization for democracy and economic development – GUAM, Ukraine put forward an Initiative regarding support by GUAM of PSI goals. In particular, the Initiative mentioned creation within the GUAM framework of a regional mechanism, which would accord with PSI goals and ensure on-going organization of events, directed at prevention of WMD proliferation, delivery means and respective materials. This issue is now under review by GUAM member countries.

Apart from the new initiatives, the **Nuclear Weapons Non-proliferation Treaty (NNPT)** remains a corner stone in the sphere of nuclear non-proliferation. To-date only a small group of countries have not joined the NNPT, and are not covered by the non-proliferation regime. This group includes four de facto nuclear states, namely India, Pakistan, Israel, and North Korea.

According to terms of the Treaty, a review conference on NNPT action is to be conducted every 5 years. On April 30 – May 11, 2008, the First session of the Preparatory Commission of the Review conference on NNPT action was held in Vienna. This session kicked off the preparation process to holding an Treaty Review conference in 2010. The Second session of the Preparatory Commission was held on April 28 – May 9, 2008 in Geneva. It was chaired by V. U. Yelchenko, the Permanent representative of Ukraine within international organizations in Vienna.

Following intensive consultations, Boniface Guwa Chidyausiku, Ambassador and representative of Zimbabwe was elected the Head of the Third Session of the Preparatory

Commission to be held on May 4 – 15, 2009, in New-York. It was also decided to conduct the Review conference on NNPT action of 2010 on April 26 – May 21, 2009 in New-York city.

Considering its important contribution into the matter of practical nuclear disarmament and non-proliferation, Ukraine has repeatedly emphasized the urgency of implementing measures on adherence and comprehensive fulfillment of terms of the Agreement by the international community.

Ukraine pays special attention to the establishment of the absolute moratorium on testing of nuclear weapons, especially after the last nuclear tests in the North Korea. In this context, our position was and remains unchanged: conducting further nuclear weapon tests does not promote the process of concluding the «Comprehensive Nuclear Test Ban Treaty» (CTBT) and fails to encourage membership in NNPT of new states.

Due to this position, Ukraine joined the Comprehensive Nuclear Test Ban Treaty at the time it was approved by the UN General assembly on September 27, 1996. This Treaty was principally aimed at implementing a ban on testing explosive nuclear weapons. At that time, states, which were parties to the Treaty, undertook a commitment not to conduct any nuclear explosions, and, also, to keep themselves away from promoting, encouraging, or participating in conduct of any test explosions. As the Treaty was closed for an indefinite period of time, the above-mentioned ban is not limited in time.

To-date, 35 listed countries have ratified the agreement<sup>53</sup>. China, Columbia, Egypt, Indonesia, Iran, Israel and the USA were among countries, which signed but did not ratify the Treaty and were listed in Annex 2. It is important to note, that the North Korea, India, and Pakistan refused to sign the Treaty, which does not contribute to the process of its coming into force. As of December 2008, the Treaty had been signed by 180 countries, and ratified by 146 countries (35 countries from Annex 2). The Comprehensive Nuclear Test Ban Treaty Organization (CTBTO) has to control the observation of CTBT terms.

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<sup>53</sup> Algeria, Australia, Austria, Argentina, Bangladesh, Belgium, Bulgaria, Brazil, Vietnam, Great Britain, Spain, Italy, Canada, Congo, the Republic of Korea, Mexico, Netherlands, Germany, Norway, South African Republic, Peru, Poland, Russia, Romania, Slovakia, Turkey, Hungary, Finland, France, Chili, Sweden, Switzerland, Ukraine, Japan.

To ensure fulfillment of obligations under the agreement, an international monitoring system has been created (IMS), which includes 321 stations of observation (170 seismological, 60 infra-sonic, 11 hydro-acoustical and 80 radionuclide stations located in 90 countries) and 16 radionuclide laboratories, which can fix any nuclear explosion and immediately report the respective information to the International Data Center located in Vienna. As of December, 2008 the number of certified IMS objects reached 233 (223 stations and 10 radionuclide laboratories, representing 70% of the 337 required by the Treaty).

According to the Agreement between Ukraine and PC CTBTO, one seismological station (Malyn) and a data transmission terminal – the National data center (Makariv) were located in our territory. The station and terminal are connected to the International Monitoring System, and via the Global communication infrastructure (GCI) data transfer system, they transmit information to the International Data Center in Vienna. At the same time the Ukrainian national data center receives information from more than 200 seismological and geophysical stations, connected by the GCI system. Ukraine takes an active part in work of the CTBTO Preparatory Commission and played a role of a coordinator of activity facilitating CTBT's coming into force in the Eastern Europe region.

Chemical weapons remain another dangerous kind of weapons of mass destruction. Conscious of its danger to humanity, Ukraine signed the Chemical Weapons Convention (CWC), banning the development, production, accumulation and use of chemical weapons on the very first day of opening this bilateral document for signing on January 13, 1993 in Paris. In parallel, our state became a member of the Organization for the Prohibition of Chemical Weapons (OPCW), which had been created subject to requirements of VIII Article of the Convention. As of late December, 2008, 185 countries worldwide, representing 98% of the global population, uphold the Convention.

Ukraine treats observation of terms of the Convention as a key priority of the national policy in the area of non-proliferation and arms control, and strictly follows its obligations under this international agreement. Ukraine's territory is clean of chemical weapons. Our state has never intended to develop, stockpile and use chemical weapons. Meanwhile, the CWC does apply to a number of entities in

the chemical sector. As of January 1, 2009, 15 enterprises were subject to regulation by norms of the Convention.

Main areas of Ukraine's activity in the context of fulfilling tasks of CWC are: preparation of annual national statements regarding objects of chemical industry of Ukraine, subject to control on the part of OPCW, and conduct of export and import transactions with chemicals determined by the Convention; hosting and facilitation of inspections of TS OPCW; conduct in Ukraine of joint international events dedicated to issues raised in CWC.

In the context of development of cooperation between Ukraine and OPCW in the area of provision international aid in case of use of chemical weapons (article X of CWC), experts of the Technical Secretariat of OPCW visited Ukraine (Kyiv) from 3 to 5 November 2008. Goal of this visit was to inspect earlier declared by our state of means and resources that may be deployed in case of the need to provide help and protection from chemical weapons under Article X of the Convention.

As part of the visit, representatives of OPCW visited a number of sites reporting to the Ministry of Extraordinary Situations (MES), Ministry of Healthcare (MH) and Ministry of Defense (MD), which our state is ready to offer in case of use or a threat of use of chemical armaments against states-parties to CWC. List of these sites include: a mobile hospital of MES of Ukraine, an emergency first aid unit of the Ukrainian Scientific and Practical of Emergency First Aid and Catastrophe Health Care of the MH of Ukraine, and a subdivision and equipment of radiation, chemical and biological protection forces of Armed Forces of Ukraine.

Outcomes of the visit became yet another evidence of diligent fulfillment by Ukraine of its international commitments under CWC and gave a new impetus to the negotiation process of a respective bilateral Agreement between the Government of Ukraine and OPWC on the provision of assistance which would match national interest of our country.

December 2–5, 2008, the official delegation of Ukraine participated in a regular XIII session of the Conference of states-parties to CWC, held in Hague. Agenda of the session included: release of the Annual report of the OPCW Executive Council (EC) on its activities in the period between 30.06.2007 and 30.06.2008; adoption of the OPCW Program and Budget for 2009; discussion (in the format of general debates) of the progress on fulfillment of

OPWC's action plan regarding its universalization and OPWC's action plan regarding creation of a legislative and regulatory framework of countries-party, needed to ensure effective implementation of the Convention at the national level. Upon results of work of the session, decision was made to accept Ukraine into OPCW EC for the period from May 2009 to May 2011.

Representatives of Ukraine take an active part in regional meetings of the National authorities of states-parties to Convention. Objective of these meetings is exchange of experience in the area of CWC implementation at the national level, development of international cooperation, design of recommendations to ensure proper fulfillment of the CWC.

Ukraine is also a full-fledged participant of the **Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxic Weapons and on Their Destruction (BWC)** and strictly complies with its international obligations under this multilateral international treaty.

Ukraine does not retain biological weapons and is not involved in activities on their production. However, it does host health care and medical institutions, scientific, specialized and production facilities that have banks of microorganisms or work with products of their vital functions, and therefore are covered by the Convention. Moreover, Ukraine has such geographical location which provides for an opportunity of intensive transit through its territory of goods of various biological origin.

Ukraine's participation in BWC requires involvement of its representatives in a variety of international forums held within the Convention's framework. Here reference is made, primarily, to participation in meetings of special and Review Conferences of states-parties to BWC, session of the Special group of nations-parties to BWC, meeting of experts and annual meetings of countries-participants. Active role of Ukraine in BWC activities is recognized by the fact that representatives of our country have been repeatedly elected to embrace leading positions of the international forums under the BWC.

In compliance with the Convention Ukraine annually submits to the UN Secretariat the required notices on fulfillment of BWC as part of confidence building measures approved by decisions of the Second and Third Review Conferences of BWC states-parties. Ukrainian delegations authored a number of suggestions with regard



to key provisions of the verification protocol to the Convention, and a range of working documents produced by meetings of experts and meetings of states-parties between 2003 and 2008.

Measures taken within the framework of BWC in 2008 were particularly focused on enhancement of bio protection and bio security, including laboratory security and safeguarding of pathogens and toxins. Specifically, during the last meeting of BWC states-participants, held on December 1–5, 2008 in Geneva, the Conclusive Document noted that on the present state of development of biological science and bio technologies importance of reinforcement of BWC regime cannot be overestimated.

### **Ukraine in the International Export Control Regime**

During 2008, a lot of attention was paid to ensuring a foreign policy element of the functioning of the national export control system. Ukraine, as a participant of all existing international export control regimes tried to ensure strict compliance with obligations under all regimes while fully respecting interests of Ukrainian producers. Thus, within the framework of Ukraine's participation in **Missile Technology Control Regime (MTCR)**, Ukrainian experts were implementing at the national level the procedures of state export control, provided for by the guiding principles of the Regime.

Regardless that the Regime has been recognized globally as the key and quite effective mechanism of non-proliferation of means of delivery of WMD, lack of a clear cut international regulatory framework of missile activity weakens efforts of the international community in the area of missile technology control. Serious concerns of states participating in MTCR are raised over the so-called «secondary proliferation», i.e. attempts of some countries unbound by missile-non-proliferation commitments, namely, Iran, undertake on their own or jointly with other countries, the development and export abroad of new missile systems.

In 2008, Ukraine participated in the meeting of Enhanced Points of Contact and the MTCR Plenary meeting. During these events participating states looked into a wide range of issues related to non-proliferation of unmanned delivery systems of WMD, discussed new challenges in this area connected to intentions of

a number of so-called «rogue» countries to receive missile technologies, and ways of further enhancement of the Regime in the context of strengthening of international peace and security.

As one of the world's largest exporters of weaponry and military machinery Ukraine gives special attention to observation and improvement of **Wassenaar Arrangement (WA)**. This Arrangement is a voluntary association of states-parties on application of joint measures to transfer of conventional arms, and dual-use goods and technologies.

Decision on the need to establish a new international export control regime which would substitute «SOSOM» that existed during the «cold war» period, was adopted in March 1994 in Wassenaar city, Netherlands. Main goal of the Wassenaar Arrangement is to contribute to regional and international security and stability, by promoting transparency and greater responsibility in transfers of conventional arms and dual-use goods and technologies, thus preventing destabilising accumulations.

Today, 40 states participate in the regime. Ukraine joined WA in 1996 as a founding state. Following the interests of strengthening of international security and stability, Ukraine is observing a considered and responsible policy in the area of international transfers of arms and military equipment.

WA is a unique international export control regime functioning with support of the standing Secretariat located in Vienna, to which Ukraine pays regular contributions in conformity with the undertaken international obligations. WA Plenary, the WA governing body meets annually. Experts Group and General Working Group dealing with policy-related matters, and under the auspice of which Security and Intelligence Group meets, get together typically twice a year in the period between meetings of the Plenary. During 2008, Ukraine's delegations participated in the meetings of Experts Group, General Working Group and the Plenary. One of the outcomes of such work was the approval of changes to Lists of Controlled Items and their further integration into the national law of Ukraine.

Moreover, great attention was paid to the issue of delivery of armaments to Georgia which was regularly raised by Russia, who on a continuous basis attempted to include into the WA agenda the question of «destabilizing supplies of armaments to conflict zones». Due to that, the subject of lawfulness of supplies by

Ukraine of weaponry to Georgia was opened in various contexts. Notwithstanding the aggressive discredit campaign, launched by Russia against Ukraine, Ukraine has proved absolute groundlessness of all allegations to its address.

Specifically great attention in export control regime was paid to transfer of nuclear material. In order to ensure effective control over export/import of nuclear material, equipment and technologies the **Nuclear Suppliers Group** was set up. The group is an informal association of nuclear supplier countries, which have reached agreement on the common principles of export of «nuclear sensitive» objects and which intend to prevent acquisition of nuclear weapons by countries that were not classified as nuclear states under the Nuclear non-Proliferation Treaty (NNPT). Today 46 countries are members of the NSG<sup>54</sup>.

Ukraine initially took part in the NSG in April 2006 in Buenos Aires, together with Brazil and Korea. In 2008, Ukraine participated in two meetings of the NSG Consultative Group, the Plenary meeting and two extraordinary Plenary meetings of the Regime. During these events decision was made to incorporate a number of changes and amendments to the Guiding Principles and respective Control Lists of NSG. In addition, it was decided to alleviate restrictions on international cooperation in the area of usage of nuclear energy for peaceful purposes with India, which is not a member of the Regime.

Ukraine is also a member of **Zangger Committee (ZC)**. It has been taking part in its work since 1996. Today the committee has 36 members. One of the principal objectives of the Committee is the integration of changes in the use of nuclear technologies from the standpoint of security aspects and periodical adaptation of the respective terms of export control. The Zangger Committee maintains a Trigger List (triggering safeguards as a condition of supply) of nuclear-related strategic goods and technologies, sensitive from the standpoint of nuclear proliferation, to assist NPT

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<sup>54</sup> Australia, Austria, Argentina, Belgium, Belarus, Bulgaria, Brazil, Great Britain, Greece, Denmark, Estonia, Ireland, Spain, Italy, Kazakhstan, Canada, China, Cyprus, Latvia, Lithuania, Luxemburg. Malta, Netherlands, Germany, New Zealand, Norway, South African Republic, Poland, Portugal, Republic of Korea, Russian Federation, Romania, Slovak Republic, Slovenia, United States of America, Turkey, Hungary, Ukraine, Finland, France, Croatia, Czech Republic, Switzerland, Sweden, Japan.

Parties in identifying equipment and materials subject to export controls. In 2008 Ukraine participated in the meeting of Zangger Committee, where attendees discussed a possibility of unification of ZC control list with the respective control list of IAEA. Also, a decision was made to accept Kazakhstan into this Regime.

Another informal export control organization is **Australian Group (AG)**. Ukraine was invited to participate in this respected international forum on April 21, 2005 during the 20<sup>th</sup> anniversary annual Plenary meeting of this group. Main area of activities of the Australian group is to ensure that exports of dual-use goods do not contribute to the development of chemical or biological weapons.

Ukraine presents significant interest for purposes of the AG, because it is a technologically developed state with rather advanced chemical, medical, food and microbiological industries, and modern program of health care of humans and animals and environment protection. As an equitable member of the association, Ukraine has implemented AG control lists to the fullest possible extent, adapted its national legislation to requirements of the Regime, and has in place a reliable system of export control recognized by the international community.

January 29–30, 2008, the State Export Control Service of Ukraine jointly with the US Ministry of Energy held an international seminar on issues of export control over goods and technologies controlled by the AG international regime. The key objective of the event was to familiarize representatives of the respective ministries and agencies of Ukraine with the Guiding Principles and Control Lists of goods under international regime «Australian Group», as well as with procedures within the regime and rules of international transfer of dual-use goods, which may contribute to production of chemical, biological and toxin weapons.

### **Ukraine's contribution into disarmament and strengthening of arms control regime**

One of the biggest multilateral forums in the area of disarmament is the **Conference on Disarmament (CD)**. The CD is designed for the negotiation of multilateral arms control and disarmament agreements and is considered the only permanent negotiation forum of the international community in this area. Main goal of

the CD is to facilitate the process of the overall and complete disarmament under the effective international control.

Ukraine joined the CD in June 1996. Regardless of the lack of progress in the substantial work of the CD recently and absence of specific results in the development of legally binding international legal instruments, Ukraine, like the prevailing majority of CD country-members, continues treating this forum as an important multilateral negotiation body in the area of disarmament and arms control. Participation in the forum enables to maintain political dialogue and cooperation with other members on the problems of disarmament and international security, and sustain one's own foreign policy priorities in ensuring national security. In the period between March 17 and May 25, 2008, for the second time after a ten-year break, Ukraine presided at the Conference on Disarmament in Geneva.

Year 2008 was marked in the history of development of the international arms control regime with a new initiative regarding the ban of cluster munitions. A conference dedicated to signing a Cluster Munitions Convention was held in December 2–4, 2008 in Oslo (Norway). This event was arranged within the framework of the so-called «Oslo-process» in the course of which 94 countries signed a legally binding international instrument that prohibits the use of cluster munitions. Ukraine attended the conference as an observer.

It is important to note that the conference was not attended by such major producers of cluster munitions as USA, RF and China. Meanwhile, the prevailing majority of EU member-countries (except Romania, Poland, Latvia, Estonia, Finland, Greece, Cyprus, and Slovak Republic which had the status of observers) played an active role in signature of the Convention.

Ukraine is based on the conviction that cluster ammunition is a lawful and effective weapon, application of which is not prohibited by norms of international humanitarian law. In this respect, Ukraine insists on the importance to continue finding the balance between the integral right of the country for ensuring national security, guaranteed by the UN Statute, and concern voiced by a number of countries in relation to considerable humanitarian consequences of usage of cluster ammunition. Moreover, what should be taken into account is the principle of universality for new regimes of the global ban of the whole classes of weapons.

Ukraine treats with understanding intentions of a number of countries to give up use of cluster ammunitions in the course of military operations and supports efforts aimed to strengthening of the international humanitarian law, reduction of unjustified human losses and suffering during and after armed conflicts.

In parallel with «Oslo-process», in Geneva, as part of the Government Experts Group, negotiations were under way to draft an Additional protocol to the Convention on Ban or Restricted Use of Certain Conventional Weapons (CCW), which are considered excessively injurious or whose effects are indiscriminate. To this end, it is suggested that legally binding rules within the framework of international humanitarian law be established for use of such cluster ammunitions.

As of December 31, 2008, five sessions of the CCW GEG had been held, where the participants discussed and approved most provisions of the future Protocol. During the annual meeting of countries-participants of the Convention, which took place from November 10 to 14, 2008, the mandate of GEG was extended with the purpose of finalizing the development of the mentioned Additional Protocol to the Convention.

In addition to new initiatives, arguably biggest concern of Ukraine in the area of arms control was caused by the fate of the Treaty on Conventional Armed Forces in Europe (CFE). This Treaty was the foundation of security on the European continent in the post-bipolar period. Therefore, Ukraine continues standing for the preservation of CFE regime in the broad scope of understanding of this system aimed to secure stability and security in Europe.

Ukraine's position on urgent issues of CFE has gained sustainable rapprochement with NATO member-states and EU, which aligns with our state's strategic course to European and Euro-Atlantic integration. September 20, 2000, Ukraine ratified the Adaptation treaty without reservations, however, until now refrained from the transfer of the ratification deed to the depositary (Netherlands). Ukraine's position in the question of the Treaty's coming into force coincides with the position of NATO member-states, which put forth as a precondition for its ratification, the fulfillment in full scope of Istanbul commitments by Russia regarding withdrawal of its troops and weapons from Georgia and Moldova.

Beside Ukraine, the adapted CFE was ratified by Belarus, Kazakhstan and RF. However, Russian Federation suspended its participation in the Treaty on December 12, 2007.

During 2008 Ukraine completed 21 inspections of objects of control in the territories of 14 countries-members of CFE: Romania (two), Poland, Bulgaria (four), Hungary (two), Germany, UK, Slovak Republic, Italy, France, Turkey (three), Belgium, Greece, Netherlands, and USA (objects located in Germany). In its turn, Ukraine hosted 25 inspections in its territory on the part of 16 countries-participants of CFE: USA (three), Hungary (two), Germany (five), Turkey, Bulgaria, Greece, Romania, Portugal, France, Poland (two), Italy, Norway, Netherlands, UK (two), Belgium and Canada.

As part of implementation of the **Open Skies Treaty (OST)**, during 2008, Ukraine assisted in fulfillment of 13 missions of aerial surveillance flights over the territories of 11 states-parties to OST: Romania, Poland, Bulgaria (twice), Czech Republic, Hungary, Germany (twice), UK, Slovak Republic, Italy, France and Turkey. In exchange, it hosted 12 missions of surveillance flights over the territory of Ukraine on the part of 20 states-parties to OST: UK-Benelux, USA-Canada, Poland, Turkey, Hungary, Slovak Republic, Spain-Czech Republic, Bulgaria-Croatia, Germany, Turkey-Italy-France, Sweden-Latvia and Germany-France.

One of the most notable directions of Ukraine's efforts in the area of international security in 2008 was its active participation in **the OSCE's confidence- and security-building measures (CSBMs)** established by the Vienna Document in 1999. Approval of the Vienna Document-99 was a logical continuation of the process of application of confidence and security building measures on the territory from the Atlantics to the Urals. According to the Document, such measures include provision regarding the exchange of information on the participating States' armed forces, their defence policies and military activities, conduct of verification inspections and visits to military sites.

Under this international document, in 2008 Ukraine conducted 10 inspections of objects of control on the territory of eight states-parties of VD-99: Romania, Poland, Hungary (twice), UK (twice), Slovak Republic, Italy, Belgium, and Czech Republic. In its turn Ukraine hosted visits of 10 inspection missions in its territory arranged by six states-parties to VD-99: USA, Hungary (thrice), Germany (twice), Romania, UK (twice) and Belgium.

As part of **the bilateral cooperation under the Vienna Document 1999**, during 2008 Ukraine ensured fulfillment of four inspections of objects of control on the territory of two borderline countries-participants of VD-99: Hungary (twice), and Slovak Republic (twice). In its turn, it hosted 5 inspections on the territory of Ukraine on the part of four borderline states-participants of VD-99: Hungary, Poland, Slovak Republic (twice) and Belarus.

It is commonly known that Ukraine initiated the expansion of military confidence and security-building measures onto the Black Sea. Ukraine stepped forward with this initiative in 1993 at the Second session of the Parliamentary Assembly of the Black Sea Economic Cooperation. First round of negotiations coordinated by Ukraine, took place in May 1998 in Kyiv. The President of Ukraine sent an address to participants of the negotiations. The address, particularly, emphasized that strengthening of confidence and security in the naval area is the foundation for mutually gainful cooperation between states-participants in other areas.

Undertaking of confidence- and security-building measures in the area of naval operations is a brand new area in the military and political cooperation between the states. Such measures until that moment applied only to land troops and air forces.

As a coordinator of negotiations, Ukrainian party made consistent steps to coordinate positions of the parties and deliver mutually acceptable decisions. Particularly, during numerous bi- and multilateral meetings, it managed to make parties come up with a concerted list of specific measures, recognize their politically binding nature, convince partners in negotiations, as well as USA, that Ukraine's initiative was in no way directed against third countries and is not fraught with threats of restricting compliance with the common principles of the international marine law, including the freedom of navigation. The final approval of the document took place on April 25, 2002 in Kyiv in the form of a separate session as part of the sixth meeting of the Council of Foreign Ministers of countries-members of the Black Sea Economic Cooperation Organization.

Provisions of this document outline the following areas of interaction between the Black Sea states:

- cooperation in the naval area;
- invitations to visit naval bases;
- exchange of naval information;



- arranging and participation in annual naval confidence-building maneuvers.

Implementation of the Document began on January 1, 2003. In January and April 2003, states participants of the Document exchanged message formats with information on communication channels and military marine forces, located within the Document applicability zone.

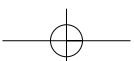
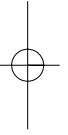
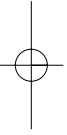
On December 10, 2008 in Vienna, under the Chairmanship of Ukraine, sixth annual consultations within the framework of the Document were held with participation of six Black sea countries. Turkish delegation presented a report on Naval Maneuvers «Black Sea Partnership 2008». Ukraine's delegation made a presentation of scheduled for 2009 maneuvers «Trust 2009» and forthcoming visit to the Ukrainian naval base.

Representative of the Romanian Armed Forces in the respective presentation reported to participants on the national naval maneuvers in the Western part of the Black sea, scheduled for 2009.

Finally the meeting approved the text of the respective statement to the OSCE Forum on cooperation in the area of security, and a protocol where, particularly, all delegations «confirmed their commitment to continue implementation of the Document with the purpose of enforcement of mutual trust and cooperation in the Black Sea».

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So, in 2008, quite diverse events took place in the area of non-proliferation, arms control and disarmament. On the one hand, certain positive developments have occurred in the sense of certain invigoration of international cooperation, first of all, in the area of addressing present-day challenges and threats of potential proliferation of WMD and means of delivery, especially in export control. At the same time, the last year was marked with a quite menacing for the Euro Atlantic space evolvement of the situation in the area of security, arms control and strategic stability. First and foremost we are talking about suspension of fulfillment by Russia of the NNPT and a real threat of disruption of the arms control regime in the European continent.

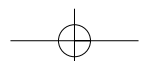
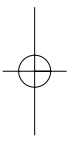
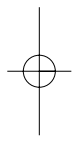


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## **CHAPTER III**

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# **EURO-INTEGRATION COURSE OF UKRAINE**



## § 1. European integration process and Ukraine

Despite the difficult political, and since autumn 2008 also the difficult economic situation in Ukraine, the year was notable in the sphere of European integration. During this period indicators of the population's attitude to Ukraine's approach to the EU did not change fundamentally. The number of summits, high-level bilateral meetings and visits to Brussels did not increase significantly. Most of the government's actions in relation to European integration were ignored by the media and the population. However, it is undeniably true that the European integration events and achievements of the previous year differ from events of 1993–2007. What changed in the sphere of European integration in 2008? What does this mean for Ukraine? What opportunities are opened up for the country due to the events and achievements of this year? Which barriers was it impossible to break? What are the priorities and challenges for Ukraine's European integration in 2009?

From the beginning of independence none of Ukraine's serious political forces cast doubts on the importance of European integration for the country. Ukrainian political leaders declared the country's pro-European course and were offended at the lack of positive signals from Brussels. Ignoring the geopolitical games of the last century and without reproaching the European Union for a lack of sufficient attention to our country, we should recognize that it is Ukraine that did not succeed in bridging the gulf between rhetoric and real actions. European integration, which is mostly internal work, was mainly a priority of foreign policy.

The European integration events of 1993–2007 had no systemic character, being quite single. Most of the European integration achievements became possible due to some officials – activists from certain ministries. Ukrainian foreign policy simply could not

be completely successful as it was not supported by important internal actions. Despite high professional values, it was difficult for diplomats to convince European bureaucrats of Ukraine's rapid approach to EU standards. The Mission of Ukraine to the European Union was appealing for large-scale and systemic internal work. Diplomats were presenting their proposals to ministries concerning the events on European integration or opportunities that were opened up by cooperation with the EU in different spheres. But in most cases these proposals were not realized, being left in the drawers of officials and ministers.

### **What changed in the sphere of Ukraine's European integration in 2008?**

In 2008 the trend in relations between the EU and Ukraine that had been the norm for them in previous years began to change fundamentally. Firstly, *the context of relations changed*, some changes took place both in the European Union and in Ukraine. Secondly, *bilateral relations began to reach a qualitatively new level*. In March 2008 the ten-year term of the Partnership and Cooperation Agreement (PCA), which had regulated relations between Ukraine and the EU since 1998, expired. Negotiations on the New Enhanced Agreement that should replace the old in its form and content PCA were launched. Today it is known that the new document will be entitled: an Association Agreement.

However, the importance of this Agreement for Ukraine consists not in the title, but in the established formula which should bring Ukraine to the level of **political association and economic integration with the EU**. In the meantime this is also a great opportunity for internal transformations and a great challenge for modern Ukraine. Is it ready for this? Will the country be able to achieve success in the way of reforms? Is it capable of using the opportunities opened up by the European Union to the full extent?

It will be insufficient to carry out the usual overview of bilateral events that took place between Ukraine and the EU in 2008 for answering these questions. It is necessary to begin with an analysis of internal institutional changes about which it is difficult to read in the first columns of newspapers and magazines, but without which Ukraine's European future would be only on paper in the

future. Our colleagues from Central and Eastern Europe began such reforms from the very beginning of their way to the EU in 1990s. Ukraine had to wait till 2008.

*The most important thing that distinguishes 2008 from previous years is the government's change in philosophy of understanding European integration as an internal policy priority and as an instrument of reforms in Ukraine.* However, even given the political will, no one government would be able to bring about systemic changes without the existence of appropriate institutions. Therefore, from the very beginning of the government's activity, work was started to create an efficient institutional mechanism of European integration coordination and realization. The first step was renewal of the post of Vice-Prime Minister of Ukraine for European and International Integration in the Cabinet of Ministers of Ukraine in December 2007. The experts accepted this decision quite ambiguously. Some considered it in the context of a continuation of electoral rhetoric, others – «eye-washing» for Brussels. Still others recalled the failed attempts of the previous governments and predicted a failure for the new Vice-Prime Minister in advance.

In reality, experience shows that no one post is a panacea. However, after Hryhoriy Nemyria was appointed to the post of Vice-Prime Minister for European and International Integration, he proposed a number of important steps for the creation of a qualitatively new mechanism. During only one year such **instruments** were implemented and began to work, which make it possible to refute such skepticism and declare that Ukraine is ready to perform new tasks in the sphere of European integration.

**Instrument 1: Government Committee for European Integration and International Cooperation.** In January 2008 the newly established Government Committee for European Integration and International Cooperation chaired by Vice-Prime Minister of Ukraine Hryhoriy Nemyria began its work<sup>1</sup>. The Committee's given task was to coordinate state policy in the sphere of European integration. The Committee was to perform a function of arbitration, settlement of differences and a search for consensus in the positions of executive bodies.

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<sup>1</sup> The Ministers of Foreign Affairs, Economic Affairs, Justice, Labour and Social Policy as well as the First Deputy and Deputy Ministers of Defense, Finance, Education and Science, Fuel and Energy became the Members of this Committee.

The peculiarity of this Committee consists, first of all, in one of its new tasks – consideration of the draft normative-legal acts prepared for the consideration of the Cabinet of Ministers concerning acceptance of the EU *acquis communautaire* according to the conclusions of the Ministry of Justice. This Government Committee monitors such acts, brings them up for discussion for harmonization with the ministries' positions and for bringing these acts into correspondence with European norms. This makes it possible to change essentially the state of fulfillment of the country's obligations to bring national legislation into correspondence with *acquis*, unlike the previous years when the adoption of acts contradicting *acquis* was a usual practice.

**Instrument 2: Ukrainian part of Ukraine-EU Cooperation Committee.** In April 2008 the work of the Ukrainian part of Ukraine-EU Cooperation Committee was activated. During the regular meeting of the Ukrainian part of the Ukraine-EU Cooperation Committee Vice-Prime Minister Nemyria initiated the holding of monthly meetings for the discussion and solution of urgent problems in Ukraine-EU cooperation. During monthly meetings, 8 of which took place in 2008, such activity was carried out:

- consultations and discussion of problematic issues in 20 directives of European integration among the representatives of different ministries,
- analysis and evaluation of the state of fulfillment of Ukraine's obligations in the contexts of the Partnership and Cooperation Agreement and Ukraine-EU Action Plan,
- formulation of a joint position for negotiations on the Association Agreement with the EU and its integral part – the Agreement on a deep free trade area,
- planning of governmental actions in preparation for the 12<sup>th</sup> Ukraine-EU Summit and meeting of the Ukraine-EU Cooperation Council.

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<sup>2</sup> Ukrainian part of Ukraine-EU Cooperation Committee is a permanent body of Ukrainian part of Ukraine-EU Cooperation Council. Ukraine-EU Cooperation Committee is an institution founded by the Partnership and Cooperation Agreement for the purpose of assisting in the realization of the Agreement and development of cooperation between the EU and Ukraine. The Ukrainian part of Ukraine-EU Cooperation Committee was created in July 1998. It is chaired by Vice-Prime Minister for European and International Integration. Deputy Ministers from almost all ministries are the Members of this Committee.



**Instrument 3: Public Expert Council within Ukrainian part of the Committee.** To support the Ukrainian part of the Committee and appropriate subcommittees the **Public Expert Council** was founded, the members of which came from the leading experts of Ukrainian non-governmental organizations (NGOs). First of all, this enabled the institutionalizing of cooperation between the experts of non-governmental organizations and ministries on all issues concerning European integration and the enhancement of the quality of decisions made by the Ukrainian part of the Committee. Among the Public Council's products it is necessary to mention the independent experts' proposals concerning the governmental State Programme on Informing Citizens about European Integration in 2008–2011; the State Programme on Training, Retraining and Raising of Skill Levels for Specialists in the sphere of European and Euro-Atlantic integration for 2008–2011, and recommendations concerning the EU's Eastern Partnership initiative.

**Instrument 4: New mechanism of cooperation between the Government and the Verkhovna Rada.** It is difficult to evaluate as being positive the cooperation between the government and the parliament in 1993–2007 in relation to European integration. Though responsible for bringing national legislation into correspondence with *acquis*, the government had no control over draft laws elaborated and adopted in the Verkhovna Rada, which mainly did not correspond to EU norms. At the same time, regarding the submission of government draft laws to the Verkhovna Rada, the government could not guarantee their adoption in correspondence with *acquis* either.

To solve these problems Vice-Prime Minister Nemyria initiated the establishment of a qualitatively new mechanism of cooperation between the legislative and executive branches of power. In September 2008 a joint sitting of the governmental Ukrainian part of the Ukraine-EU Cooperation Committee, the Verkhovna Rada European Integration Committee and the Ukrainian part of Ukraine-EU Parliamentary Cooperation Committee, took place for the first time. The focus of the sitting was on cooperation between government and parliament in considering as top-priority those draft bills, the approval of which was necessary to solve urgent problems in Ukraine-EU relations, as well as those which would encourage the real integration of Ukraine into the EU. First of all, this cooperation will concern the timely implementation of measures within the framework of the existing Ukraine-EU Action Plan. At the same

time, government and parliament will jointly prepare for implementation of provisions of the future Association Agreement with the EU, the main task of which will be bringing the regulatory environment of Ukraine in correspondence with EU norms and regulations.

Considering the unstable situation in the Verkhovna Rada during 2008, the government has not managed to agree on the introduction of the rapid procedure of parliamentary consideration of draft laws in the sphere of European integration. This task is the priority one for 2009. However, its successful fulfillment will depend not only on the government team's actions, but first of all, on the Ukrainian parliamentarians' willingness to rise above their own party's interests and to join together in building the country's European future.

#### **Instrument 5: Coordination Bureau for European and Euro-Atlantic Integration.**

Lack of appropriate coordination of European integration actions within the government was mentioned many times by both European and national experts as one of the biggest obstacles to the successful integration process of Ukraine. Coordination of actions in the sphere of European integration had no systemic character. Some ministries understood their own priorities very well and realized them quite successfully. However, where questions arose that were beyond the scope of their competence, the ministries were usually helpless. Achievements in the sphere of European integration in 1993–2007 became possible due to active efforts by some state officials of these ministries, while the government machine was inactive. This had the expected effect on the low level of Ukraine's Europeanization.

The decision to found the Bureau was made in July 2008 and Vadym Triukhan was appointed the director of this Bureau in September 2008. It is planned that, beginning from 2009 the Bureau will consist of 70 persons. Vice-Prime Minister for European and International Integration supported by the Coordination Bureau will harmonize positions of ministries and authorities and coordinate realization of new obligations to the EU. The foundation of the Bureau led to the appearance of a single administrative centre for coordination of European integration processes in addition to the existing political one at the level of Vice-Prime Minister. The Bureau will act as an arbiter and coordinator of government players and at the same time serve as a source of timely and qualitative information for all actors in the sphere of European integration.

In a period of a few months of its activity the Bureau managed to establish labour relations with the Mission of Ukraine to the European Union and the Embassies of Ukraine in EU Member States. The Bureau works with the ministries and state committees in the frame of the Ukrainian part of the Committee and Government Committee for European Integration and International Cooperation. Representatives of the Bureau also joined negotiations on the Association Agreement and directly the negotiation process on the conclusion of the Agreement on a deep and comprehensive free trade area.

At the same time, the Bureau's primary tasks for 2009 are:

- building the mechanism for realization of qualitatively new functions (for example, strategic planning, monitoring and evaluation of implementation of the Association Agreement between Ukraine and the EU, or functions involving coordination of technical and financial assistance to Ukraine);
- further establishment of horizontal relations with the ministries concerning implementation of the Ukraine-EU Action Plan, elaboration and realization of the new Strategy for European Integration of Ukraine with the EU and implementation of the future Association Agreement;
- further promotion of the idea of introducing a rapid procedure in the Verkhovna Rada of Ukraine when parliament is considering draft laws affecting European integration.

For 2009 it has also been planned to create an effective mechanism of coordination for external technical and financial assistance to Ukraine at the level of the Bureau. Effectiveness of the Coordination Bureau will depend on several factors, among which it is necessary to mention, first of all, political stability and availability of appropriate financial and human resources. Regarding the latter factor, European Union Member States, other countries and international organizations expressed their willingness to provide the necessary technical and financial support. That is why it is important to realize clearly the Bureau's needs for new knowledge and skills and to inform the grantors about these needs.

**Instrument 6: Preparation of specialists in the sphere of European integration and informing the general public about the government's actions.** It is difficult to imagine the government's successful steps in the sphere of European integration, which were taken without any appropriate specialists with experience and skills for making correct decisions, as well as without any support and

understanding of the government's actions by the general public. During 2008 the assessment of efficiency of state programmes on the abovementioned issues for 2004–2007 was made and qualitatively new programmes for 2008–2011 were developed<sup>3</sup>.

What is the distinguishing feature of the new programmes? First of all, both programmes were developed with the participation of experts from non-governmental organizations. This enabled a quite critical evaluation of the experience of elaboration and, no less importantly, realization of the previous programmes. Secondly, as a result of the change in the general approach to European integration, the approach to providing the government machine with the necessary specialists and to enhancing the level of understanding and support by population of the government's actions in the sphere of European integration was changed. Thirdly, funding for realization of both programmes was increased considerably. It has been agreed to spend UAH 30 million for the implementation of the Programme on Informing the Public in 2008–2011 in contrast to UAH 10 million in 2004–2007. The Programme on Preparing Specialists in the Sphere of European Integration in 2008–2011 will cost nearly UAH 78 million (of which UAH 51 million – from the state budget, UAH 22 million – from local budgets, and from other sources, mainly financial resources of international technical assistance – UAH 5 million)<sup>4</sup>.

At the same time, success in the realization of these programmes will depend mainly on answers to several important questions which were not given in 2008, namely, how to ensure the more effective coordination of implementation of both programmes; how to ensure the more effective application of funds from the state budget; how to motivate the government players to get involved in the implementation of both programmes and how to use the available expert and information sources outside government.

Formation of the new mechanism of coordination and realization of Ukraine's European integration policy is only beginning. It has no «strong immunity» either from the political instability which, most probably, will take place in the country during 2009 nor from finan-

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<sup>3</sup> State Target Program on Informing the Public about European Integration of Ukraine for 2008–2011 was approved by the Cabinet of Ministers of Ukraine on the 2<sup>nd</sup> of July 2008.

<sup>4</sup> There is no precise data for previous years.

cial restrictions preconditioned by the economic and financial crisis. However, in many cases success will depend on the readiness of state officials to learn how to perform new functions, on real cooperation and mutual assistance between the newly established Bureau and ministries, on more active involvement of business in forming the policy of European integration of Ukraine and the willingness of non-governmental organizations to meet the new challenges daily, together with the government, leaving criticism behind.

### **Bilateral events that will define future progress in the sphere of the European integration of Ukraine**

2008 is notable for the coming into force of the new bilateral agreements, Ukraine's joining the WTO, launching of negotiations with the EU in many integration spheres and successful realization of obligations in the context of the existing bilateral document. The coming into force of the Agreement on facilitation of the visa regime between Ukraine and the EU was one of the most important achievements of Ukraine in 2008. In reality the Agreement is aimed at facilitating the process of issuing visas to citizens of Ukraine for visits to EU Member States, including the change of conditions of visa refusal and issues concerning the term and cost of visas for some categories of citizens.

With the objective of overcoming the negative consequences for Ukraine of the new EU Member States joining the Schengen zone, and to create favorable conditions for border crossings by border residents, in March 2008 the Ukrainian and Polish governments signed the Agreement on small border traffic. The process of harmonization of similar rules is going on with other EU Member States which are the direct neighbors of Ukraine. At the same time Ukraine evaluates implementation of the Agreement on facilitation of visa regime by EU Member States quite negatively. An official position was presented during the meeting of the EU-Ukraine Joint Visa Committee that took place in December 2008 in Brussels. The following violations were defined as the main ones: groundless increase of the number of documents which have to be provided by Ukrainian citizens during procurement of visas to the Schengen zone; obligatory use of the services of intermediary companies for obtaining visas in consulates of some EU Member States which raises the price of a

visa almost twofold; inability to exercise the right by some categories of Ukrainian citizens to obtain long-term and multiple-entry visas; lack of an ethical attitude and appropriate conditions for submission of documents in the consulates of some Schengen zone member states. Particular attention was paid to the rights of Ukrainian transportation organizations.

In prospect, introduction of the EU visa-free regime for Ukrainian citizens is possible. During the 12th Ukraine-EU Summit, which took place in September 2008 in Paris, the parties reached an agreement at the highest level about launching a dialogue on conditions for the introduction of a visa-free regime for citizens of Ukraine to the EU Member States. Four working groups were created in the framework of «visa-free dialogue». Participants of the first group (experts of the European Commission and Interior Ministries of the EU countries) visited Kyiv at the beginning of December 2008 to learn about the procedures for ensuring the safety of documents and procedures for implementation of biometric data in documents that exist in Ukraine. The other three groups will meet during 2009.

*The EU and Ukraine recognized the progress in implementation of the joint Action Plan and defined 23 additional events.* During the 12<sup>th</sup> meeting of the Ukraine-EU Cooperation Council that took place in March 2008 in Brussels the previously approved report on the evaluation of the implementation of the Ukraine-EU Action Plan was adopted. The first joint assessment for three years of the implementation of the Action Plan was positive. Progress was illustrated by the strengthening in Ukraine of democratic self-government institutes, freedom of speech and respect for fundamental human rights. The parties welcomed activation of the dialogue and reinforcement of cooperation in the sphere of foreign policy and security, energy, and transport. At the same time, opportunities for further actions were mentioned in the issues concerning economic self-government, creation of appropriate conditions for competition, etc.

The parties agreed to continue the effective term of the Joint Plan for one year. In this context, Ukraine and the EU defined 23 additional priority tasks, among which are the following: continuing the negotiations on the New Enhanced Agreement, close cooperation in implementation of agreements on facilitation of the visa regime and readmission, assistance to Ukraine in the conclusion of bilateral agreements on small border traffic with neighboring EU Member States, continuing the consultations concerning the Agreement on a

Common Aviation Area and intensification of cooperation for the purpose of Ukraine joining the Energy Community Treaty.

*The title and formula of the New Enhanced Agreement between Ukraine and the EU were approved.* Negotiations on the New Enhanced Agreement which will substitute the Partnership and Cooperation Agreement were launched in March 2007. Both Ukraine and the European Union aspired to create a document which would help to bring the process of the country's European integration to a qualitatively new level. This agreement should create a qualitatively new format for deepening relations between Ukraine and the EU. After long bilateral consultations during the 12th Ukraine-EU Summit in Paris in September 2008 an agreement was reached concerning conclusion of a new agreement based on principles of association (with appropriate wording in the title of the document). But mutual approval of the formula of this Agreement that would stipulate the **political association and economic integration of Ukraine with the European Union** was the most important one. Convergence of the positions of Ukraine and the EU in all security issues and ensuring Ukraine's direct participation in EU policies, agencies and programmes is the basis for political association. Economic integration will be built through the creation of a deep and comprehensive free trade area based on four freedoms that will open Ukraine's access to the internal market of the European Union.

However, despite the undoubted progress, it is difficult to make any prognosis of the certain time frames for completion of negotiations. The EU expects the parties to complete negotiations on the Association Agreement before the end of Sweden's EU Presidency which Sweden will assume in the second half of 2009. This will make sense if Ukraine wants to get an Agreement at any price, despite a number of unanalyzed obligations. However, the quality of the Agreement is its ability to be an anchor for reforms in Ukraine and the consequences of its realization are the main factor in defining the duration of negotiations.

**New practical instrument: «action plan of the new generation».** In autumn 2008 negotiations on the new practical instrument were launched, which would replace the Ukraine-EU Action Plan in March 2009. The title and content of the document is still an issue in negotiations and consultations between Ukraine and the EU. But it is possible to define already today that it will be the document of a new generation as it will be based on principles of mutual responsibility and mutual property.

**First serious steps on the way to the EU's internal market.** An important step to the internal market was the launching of negotiations in February 2008 on the creation of a deep and comprehensive free trade area between Ukraine and the EU. These negotiations are an integral part of the negotiation process on conclusion of the Association Agreement with the EU. At the moment negotiations on a free trade area are both the most important challenge in relations with the EU and a source of the greatest opportunities for Ukraine.

The deep free trade area will make it possible not only to increase the turnover of goods between the parties, but also to provide free access for Ukrainian companies' goods and services to the EU markets (and they include about 450 million consumers!). During 2008 four rounds of negotiations with the EU on a free trade area took place. Four more rounds are planned for the two first quarters of 2009. Success of the process will depend not so much on the negotiations themselves, as on the stabilization of the political situation in Ukraine and the effectiveness of the cooperation between all branches of power in the implementation of the obligations of this agreement.

In conclusion, it is necessary to mention the most important events that took place in the contexts of economic and sectoral cooperation between Ukraine and the EU, namely:

- **energy:** in November 2008 negotiations between the European Commission and Ukraine on the country joining the Energy Community Treaty were launched<sup>5</sup>. The problem of Ukraine's high dependence on Russian energy products and the country's low energy efficiency may be partially solved through full participation in the Treaty, the tasks of which are the creation of an integrated energy market, development of common legislation for strengthening energy security and involvement of investments in the generation and development of electricity supply networks;
- **transport:** during 2008 the bilateral dialogue on conclusion of the Agreement between Ukraine and the EU on a Common Aviation Area was activated. With the aim of joining the Common Area in the future, Ukraine began to take measures on enhancing security of flights, on the adoption of the new version of the Air Code, modernization of the country's airports, enhancement of their capacity and improvement in the quality of services for passengers;
- **border management:** the European Border Control Agency (Frontex) and Ukraine concluded a working agreement for more active

<sup>5</sup> Ukraine, Moldova, Turkey, Norway and Georgia have the observer status.



cooperation on problems related to border management. During the year active cooperation between Ukraine and the EU also took place with the aim of reforming the State Border Service and transforming it into a service which would correspond to Schengen requirements.

### **The EU's Eastern Partnership: what does it mean for Ukraine?**

A Polish and Swedish initiative, which was later transformed into the European Commission's «Eastern Partnership» Communication and submitted for the consideration of the EU Member States and their partners, deserves proper attention in the context of achievements in 2008. The initiative does not give an answer to the final goal of cooperation between Ukraine and the EU- the prospect of Ukraine's membership in the EU. At the same time this prospect is not denied. So, the doors for Ukraine are still open. Instead, the European Commission suggests a number of instruments, use of which will enable Ukraine to approach the EU in the short- and middle-term perspective.

For the moment the European Commission suggests to Ukraine, Moldova, Georgia, Armenia and Azerbaijan (and Belarus if it desires) a differentiated approach to relations through the conclusion of a New Enhanced Agreement based on political association and economic integration. In the case of Ukraine, it is the Association Agreement with its deep and comprehensive free trade area. The proposal concerning financial and technical assistance for the development of the partners' institutional capacities is quite important. It is planned to conclude «mobility and security treaties» which will contribute to easier crossing of the EU's border and strengthening the measures directed to fighting corruption, organized crime and illegal migration.

The initiative also opens opportunities for more active regional cooperation between the partners for the implementation of joint projects. It proposes the creation of four platforms for cooperation: democracy, proper management and stability; economic integration; energy security; and people-to-people contacts. The key initiatives may be the following ones: the program of integrated border management; contributing to the development of small and medium enterprises; contributing to the development of regional markets of energy, energy efficiency and renewable energy sources; the development of a Southern energy corridor; cooperation in the fields of natural

disaster and technogenic accident prevention, readiness for and proper response to them

### **Prognosis for developments in 2009**

Political battles that will take place during the presidential elections in Ukraine in 2009 and continuation of the economic and financial crisis give no opportunity to make an optimistic prognosis regarding the development of the situation in respect of European integration. Although the government proved its ability to effectively fulfill the European integration tasks under conditions of crises and wars which took place in 2008, the above mentioned will be the main risk factor in 2009.

The newly established mechanism for coordination and realization of the policy of European integration will depend on the political and economic situation in the country. The lack of strong immunity from external influences will affect the efficiency of its activity. During 2009 the Coordination Bureau may become a full-fledged player in the European integration process. However, this will become possible only under conditions of realizing the mistakes and shortcomings of the old system, further development of mechanisms for implementation of new functions and awareness of its role as a coordinator and intermediary between politicians and civil servants.

Negotiations on the Association Agreement between Ukraine and the EU and its most important part – the Agreement on a deep and comprehensive free trade zone – will go on. Attempts to influence the acceleration of the negotiation process in order to receive pre-election dividends are possible. However, completion of these negotiations by the end of 2009 poses a risk for the document to be lost through lack of time for analysis and consultations, and is therefore undesirable.

In 2009 the European Union will be keeping an eye on Ukraine. Attention will be paid to adherence to the principle of freedom of mass media, free access to information sources for all candidates during the presidential elections, forming the election territorial committees, etc. Ukraine has worked very hard to gain the EU's confidence. That is why it is important that all political players, irrespective of their views and opinions, rise above their own interests and keep in mind Ukraine and its European future.

## § 2. State of economic relations Ukraine-EU in 2008

2008 was crucial both for Ukraine and the European Union. Financial problems which began in 2007 on the stock market in the USA and at first had no significant influence upon most of the EU Member States, evolved in September 2008 into the world financial crisis and global recession. As a consequence, in the fourth quarter an abrupt change of direction of capital flows took place in the world, credits became almost inaccessible, and prices for key raw commodities began to reduce which completely changed the situation in Ukraine's foreign balance of trade.

Consequently, in the analysis of economic relations between Ukraine and the EU in 2008 two periods should be marked: before the crisis and after. First of all, this relates to trade in goods and services, and also flows of capital, although some important changes of trends were also outlined in migration flows. The crisis had less influence upon relations between countries in the sphere of technical cooperation and dialogue on the harmonization of the regulatory environment, as these aspects of economic relations are not so sensitive to changes in market conditions.

In this section we will consider the key aspects of the state of economic relations between Ukraine and the European Union in 2008.

### **Trade in goods and services**

Before signing the new enhanced agreement between Ukraine and the EU upon which work was going on during the whole year 2008, the main parameters of the trade regime between the countries were determined by the provisions of the Partnership and Cooperation Agreement (PCA) which came into force in 1998. According to

the agreements, trade in goods is realized in the Most Favored Nation treatment. Ukraine also uses the general regime that is provided by the Generalized System of Preferences of the European Union<sup>6</sup>.

An important stage in economic relations with the EU was Ukraine's accession to the WTO. This not only influenced current trade cooperation between the countries but also opened new opportunities for the development of regional cooperation. In particular, although informal consultations on the creation of a free trade area with the EU had already been going on for several years, it was only the successful completion of the negotiation process concerning WTO membership that enabled Ukraine to launch official negotiations with the EU in February 2008<sup>7</sup>.

From the 16<sup>th</sup> of May 2008, i.e. the date of Ukraine gaining official WTO membership, liberalization of tariff restrictions took place<sup>8</sup>. In particular, the average weighted final rate of entry duties according to the Most Favored Nation treatment for agricultural products accounts for 10% that is for 8,1 percentage points lower than the average weighted rate which was used from the moment of gaining WTO membership. For industrial tariffs the appropriate reduction was less notable and accounted for nearly 1,3 percentage points to 4,8%. Such reduction of tariff barriers became an additional incentive for the import of goods from the EU.

Among the factors of export stimulation it is necessary to mention the abolition, according to WTO requirements and agreements with the EU, of restrictions on the export of Ukrainian rapeseed to the EU countries, which was established by the European Union. In 2007 the volume of the quota was 1, 32 million tons. WTO membership also encouraged the abolition of quantitative restrictions on the export of grain established by the Ukrainian government, and reduction of export duties (*Table 3.1*).

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<sup>6</sup> *Movchan, V., Kobylyanska, A., Polyetayeva, Y., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2007 // Monitoring of Ukraine-EU relations: results of the first half-year. – International Review. – 2007. – No 3 (7).

<sup>7</sup> *Razdorozhnyi, E., Shynkaruk, K.* EU-Ukraine: Economic Consequences and Prospects of the European Neighbourhood Policy / Edited by I. Burakovskiy. – Kyiv, 2008.

<sup>8</sup> *Ukraine's WTO Membership: Overview of Obligations and Comments on them.* Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008. – ISBN 966-347-049-6.

Table 3.1

**Anti-dumping measures imposed by the EU against Ukraine**

Commodity	Duty rate before accession to the WTO	Duty rate right after accession to the WTO	Pace of rate reduction	Final rate after accession to the WTO
Oil seeds	17%	16%	For 1% annually	10%
Live cattle	50%, 55% or 75% depending on the kind of cattle	50%	For 5% annually	10%
Raw hide	27% or 30% depending on the kind of cattle	30%	For 1% annually	20%
Ferrous scrap	30 euro per ton	25 euro per ton	First year – reduction up to 18 euro per ton; then – annually for 1,6 euro	10 euro per ton
Nonferrous scrap	30 euro per ton	30%	For 3% annually	15%

*Source:* Ukraine's WTO Membership: Overview of Obligations and Comments on them. Institute for Economic Research and Policy Consulting / USAID. – Kyiv, 2008.

In the sphere of non-tariff regulation Ukraine committed itself to giving priority to the use of international standards as the basis for national standards, technical regulations and conformity assessment procedures. Moreover, Ukraine committed itself to reform the system of sanitary and phytosanitary control in order to adapt it in accordance with WTO requirements and to rationalize the powers of its supervisory bodies in this sphere<sup>9</sup>. This will mean the elimination of some very important obstacles to trade between Ukraine and the EU.

Among the efforts directed at the elimination of non-tariff restrictions in trade it is necessary to highlight work on the harmonization of Ukrainian veterinary standards for milk products with

<sup>9</sup> WTO (2008) Report of the Working Party on the accession of Ukraine to the World Trade Organization. – WT/ACC/UKR/152. – www.wto.org.

European standards, which will encourage movement of Ukrainian livestock products to the European market. As the first step in this direction, in 2007 Ukraine obtained the EU's approval of a plan for the monitoring of tests for milk. In June 2008 sanitary inspectors from the bureau of the European Commission's Directorate-General for Health and Consumer Protection visited some Ukrainian milk farms and milk processing enterprises to examine production processes and gave their recommendations which will allow industrial manufacturers to approach EU standards.

Ukraine's accession to the WTO created an additional incentive for import of services. Ukraine's commitments to the WTO stipulate non-use of limitations on market access and use of the national regime for foreign service providers which creates quite a liberal regime of trade in services in the country. In particular, according to the obligations undertaken, Ukraine allowed the opening of branches of foreign banks from countries where these branches correspond to the requirements established by the National Bank of Ukraine. After a five-year transition period it will be also possible to open branches of insurance companies in Ukraine.

An important component of the trade regime between Ukraine and the EU were anti-dumping and special measures, which are implemented by the countries in relation to certain categories of goods of mutual import. In November 2008 the European Commission (EC) launched an anti-dumping investigation concerning import of square or right-angled steel tubing with origin from Ukraine, Belarus and Turkey. The tentative date for termination of the investigation is February 2010, although during the first nine months the EC has to make a decision concerning possible use of previous efforts. So, at the 1<sup>st</sup> of January 2009 one anti-dumping investigation is in effect against Ukrainian producers in the EU, and six anti-dumping measures are also in effect (*Table 3.2*).

In 2008 Ukraine also extended the list of restrictive measures. From the 1<sup>st</sup> of October 2008 for three years a special quota for the import of seamless steel pipes is imposed in Ukraine irrespective of the country of origin, which may have an impact to some extent on the import of pipes from some EU countries, including Poland, Austria, Romania, the Netherlands, etc. Six other special measures «irrespective of the country of origin» are also in effect which concern the European Union to some extent. Anti-dumping measures are also in effect against fiber boards from Poland, wood particle

Table 3.2

**Anti-dumping measures imposed by the EU against Ukraine**

Product	Duty	Year of launching of investigation	Revision	Tentative date of termination	Portion in general cost of supplies for 2007
Welded pipes	30,9–44,1%	2001	2007	2008	1,24
Nitrate ammonia	29,26–33,25 euro per ton	1999	2006	2009	1,21
Wire bundles, ropes, iron cables	51,80%	1998	2004	2010	0,04
Seamless pipes	12,3 – 25,7%	2006		2011	7,13
Mixture of nitrate ammonia and carbamide	27,17 euro per ton	1999	2005	2011	0,00
Ironing boards	9,9%	2006		2012	0,78

Source: [http://www.me.gov.ua/control/uk/publish/category/main?cat\\_id=34786](http://www.me.gov.ua/control/uk/publish/category/main?cat_id=34786).

boards (WPB) from Poland and Slovakia, and also against screw compressor plants with origin from Belarus, Italy, Finland and Belgium (*Table 3.3*).

The deepening of the world financial crisis and drastic deterioration of prospects for economic development slightly influenced the trade barriers established by Ukraine that is partially explained by the country's existing international obligations. Thus, one of the conditions of Ukraine obtaining the IMF credit according to the «stand-by» programme was an obligation not to enhance existing and not to establish new import restrictions as a way of solving problems connected with the balance of payments<sup>10</sup> that along with WTO membership became one of the factors inhibiting protectionist ideas which strengthened considerably among producers after the deterioration of the economic situation in the country at the end of 2008.

<sup>10</sup> <http://www.imf.org/external/pubs/cat/longres.cfm?sk=22574.0>.

Table 3.3

**Anti-dumping and special measures taken by Ukraine against production from the EU**

	Commodity	Country of origin	Dates	Effective measures
Anti-dumping measures	Fiber boards	Poland	April 8, 2004 – April 8, 2009	Final anti-dumping duty equal to 17,9% for «Ecoplyta», for other producers – 20,31%
Anti-dumping measures	Laminated wood particle boards (WPB)	Poland, Slovakia	March 1, 2005 – March 1, 2010	Final anti-dumping duty for Poland equal to 25,1%, for Slovakia – 15,4%, for «Kronospan Slovakia» – 11,7%.
Anti-dumping measures	Screw Compressor Plants	Belarus, Italy, Belgium, Finland	October 26, 2005 – October 26, 2010	Final anti-dumping duty for Belarus equal to 28,52%; for Italy, Finland and Belgium* – 29%.
Special measures	Textile fabrics	Irrespective of the country of origin	March 1, 2007 – March 1, 2010	Special duty that is defined in percentage points in relation to customs cost of the goods and that is equal to the difference between minimal price and customs cost of the goods. Minimal price is equal to 2,78 USD / kg.
Special measures	Cotton fabrics	Irrespective of the country of origin	June 12, 2007 – June 12, 2010	Special duty that is defined in percentage points in relation to customs cost of the goods and that is equal to the difference between minimal price and customs cost of the goods. Minimal price is equal to 0,57 USD / sq.m.



Continuation Table 3.3

	Commodity	Country of origin	Dates	Effective measures
Special measures	Gas discharge Incandescent lamps	Irrespective of the country of origin	June 16, 2007 – June 16, 2010	Special duty that is defined in percentage points in relation to customs cost of the goods and that is equal to the difference between minimal price and customs cost of the goods. Minimal price is equal to 0,481 USD / unit.
Special measures	Abrasive tools	Irrespective of the country of origin	February 18, 2005 – February 18, 2009	Special duty equal to 45,31, however, no less than 0,51 Euro/kg for products, with price no higher than 2,34 USD/kg.
Special measures	Ruberoid	Irrespective of the country of origin	August 19, 2005 – August 19, 2009	Special duty equal to 38%.
Special measures	Seamless steel pipes	Irrespective of the country of origin	October 1 2008 – September 30, 2011	Annual volume of special quota 14504 with gradual liberalization of annual volume for 5% for the second annual period and for 10% for the third one.
Special measures	Ball bearing	Irrespective of the country of origin	November 11, 2006 – November 11 2009	Special duty equal to 5,73, however, no less than 0,13 Euro/kg for products, with price no higher than 2,95 USD/kg.

\* According to the statement of the Interdepartmental Commission on International Trade of the 10<sup>th</sup> of September 2008, final anti-dumping measures are not used in relation to the company «Atlas Copco Airpower N. V.» for the period of operation of voluntary obligations undertaken by this company concerning cessation of dumping import to Ukraine of stationary and movable screw compressor plants produced by the company «Atlas Copco Airpower N. V.» with origin from the Kingdom of Belgium.

Source: Ministry of Economy of Ukraine. – [www.me.gov.ua](http://www.me.gov.ua).

At the same time in October 2008 the EU resumed the entrance duties for grain which were abolished in 2007 against the background of the then existing abrupt growth of prices<sup>11</sup>. This decision lowered to some extent the prospects of the export of Ukrainian grain to the European market. At the end of 2008 there was also an active discussion in the EU concerning the European Commission's plans to introduce entrance duties for mobile telephones with integrated GPS navigator and also for some other goods on which the entrance duties had not been imposed earlier as they had on high-technology items. Although this discussion does not concern the Ukrainian producers directly, it shows a strengthening of protectionist ideas in the European Union as a consequence of the economic crisis that may negatively influence the access of Ukrainian goods to this market in the future.

So, as a consequence of Ukraine gaining WTO membership in the first half of 2008 substantial liberalization of trade between Ukraine and the EU took place, and the basis for further development of regional cooperation was also created. However, the world financial crisis and the prospect of global recession at the end of the year caused a strengthening of protectionist ideas both in Ukraine and in the EU that may lead to noticeable growth of the level of protectionism in the future and complicate negotiations in progress on the creation of an enlarged free trade area.

The EU-27 as a single customs territory remained Ukraine's largest trading partner in 2008. According to the State Statistics Committee of Ukraine, in January-November 2008 turnover of goods with the EU was USD 44,1 billion, trade deficit – USD 10,2 billion. This corresponds to 30,7% of Ukraine's overall turnover of goods for eleven months of 2008 in comparison with 23,4% of turnover of goods with the Russian Federation which is Ukraine's second trading partner by significance.

At the same time, despite the high growth rates both of export and import, the portion of trade with the EU in Ukraine's turnover of goods has been gradually reducing for the second year. For 2008 this reduction accounted for 2,2 percentage points. As the portion of turnover of goods with the CIS countries does not grow either, increase of geographical diversification of trade in goods is obvious

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<sup>11</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:276:0029:0031:EN:PDF>.

through the activation of trade with countries which are not the closest neighbors of Ukraine, – first of all with Asian countries.

High rates of trade growth during the first three quarters allowed Ukraine to compensate for the decline that took place during the last months of 2008 as a result of both the decline in external demand and prices and the considerable devaluation of hryvnya. According to the results for eleven months of the year the export of goods to 27 EU Member States increased by 34,4% in dollar terms compared to the appropriate period of the previous year, whereas growth of import remained traditionally higher at the level of 37,4%. For comparison, for nine months of the year the appropriate indices were equal to 45,5% and 52,3%.

Germany, Italy and Poland remained the main trading partners of Ukraine among the EU Member States both in export and in import of goods (*Table 3.4*). Export to these three countries accounted for 40% of overall exports to the EU-27 and almost half of import.

*Table 3.4*

**Geographic structure of trade in goods with the EU-27,**  
% of total

	Export			Import		
	2007*	2008*	% changes, 2008/2007*	2007*	2008*	% changes, 2008/2007*
EU-27	100,0	100,0	34,4	100,0	100,0	37,4
EU-15	55,5	52,9	28,2	64,1	63,6	36,3
<i>Italy</i>	19,4	16,3	12,8	8,1	8,4	42,4
<i>Germany</i>	12,0	10,2	13,7	26,3	24,7	29,1
EU-12	44,5	47,1	42,2	35,9	36,4	39,4
<i>Poland</i>	11,8	12,8	45,4	13,3	13,1	58,7

\* On the basis of data for eleven months of the year.

Source: State Statistics Committee, estimates of IED.

In comparison with 2007, some changes took place in the structure of the export of goods to the EU (*Table 3.5*). Firstly, through the elimination of trade restrictions and the record grain harvest in Ukraine in 2008 the portion of food export more than doubled. Secondly, the portion of trade in non-food raw material increased due to the essential growth in the export of rape, sunflower and

mustard seeds. In particular, it is evident that an increase of almost 30% in the export of rape seeds is connected with the expansion of biofuel production in the EU. Also, an increase in the portion of trade in cars and transportation equipment took place, although growth rates in the export of goods in this category were lower: 32,2% in the ratio one-to-one year in 2008 compared to 58,7% of growth in the previous year. In particular, the deterioration of the economic situation in the EU as a consequence of the financial crisis caused the decline of Ukrainian export of cars and equipment (in Euro) in October by 5,3%.

Table 3.5

### Ukraine's export to the EU-27 by principal goods categories

	Structure, % of total**		Rate of growth/decline, % year to year**	
	2007*	2008*	2007*	2008*
Foods and livestock	2,8	6,6	-7,3	176,7
Drinks and tobacco products	0,2	0,2	32,3	18,6
Non-food raw material, except fuel	13,9	15,5	23,8	30,0
Mineral fuel, lubricants	12,2	10,5	35,2	0,4
Vegetable oils and animal fats, wax	3,6	2,7	45,1	-14,4
Output of chemical and related industries	7,0	6,0	5,3	-0,4
Non-food goods, mainly categorized by materials they are made of (including metals)	36,8	35,6	21,7	13,3
Cars and transportation equipment	8,5	9,6	58,7	32,2
Cars and transportation equipment	5,1	4,2	-4,7	-4,1

\* Based on data for ten months of the year.

\*\* Estimated on the basis of cost indexes expressed in Euro.

Source: Eurostat (<http://epp.eurostat.ec.europa.eu/>), estimates of IED.

At the same time a gradual reduction in the structure of the portion of traditional export goods was in progress in 2008. So, the portion of the category «non-food goods mainly categorized by materials they are made of» including metals, reduced by 1,2 percentage points to 35,6% of the total export because of a substantial slowdown of trade against the background of a decline in the EU's

demand, despite the abolition of the quota for export of products to the EU resulting from Ukraine gaining WTO membership and high prices for metals in the middle of the year.

It should be mentioned that most export contracts for ferrous metals supplied from Ukraine are short-term which makes the export flows extremely dependent on the situation in the market. Short-term contracts are typical for the trade in metal products of a low recycling rate which, in its turn, is determined by the low production technology used in the country. Another factor of the pressure on exporters is an active access to the world market in ferrous metals by producers from other developing countries, in particular China<sup>12</sup>. The economic crisis and decline in demand for metal led to a reduction of prices for steel in the second half of the year which means a deterioration of trade conditions for the export of Ukrainian metals, although drastic devaluation of hryvnya allowed them to compensate to some extent for the adverse change of the world market environment.

Among other goods the portion of which in export to the EU reduced in 2008 it is necessary to mention the mineral fuel and lubricants in the internal production of which there was a drop during the whole year, and also the output of chemical and related industries. Also, beginning from the second quarter of 2008 there was a decline in exports of the category «vegetable oils and animal fats, wax» to the EU, firstly, because of the lower export of vegetable oils in consequence of administrative restrictions imposed both by Ukraine (temporary quantitative restrictions) and by the EU (issues concerning the quality control of oils).

Changes in the structure of the import of goods from the EU-27 were smaller than in the structure of export (*Table 3.6*). Due to high prices for oil which reached their peak in the middle of the year, a drastic increase of cost indices of import of mineral fuel and lubricants took place which consequently increased their portion in the overall import. Liberalization of tariff restrictions for agricultural products and the food industry in consequence of WTO membership also encouraged an acceleration of the import of

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<sup>12</sup> Pavel, F., Naumenko, D. «Challenges for the Ukrainian metallurgy in autumn 2008» // Presentation at the round table «How to overcome the influence of international financial crisis: search for an adequate economic policy» that took place on the 1<sup>st</sup> of December 2008. – Kyiv, 2008.

food products. At the same time a decrease in the availability of credits during the year caused a slowdown in the export of cars and transportation equipment.

The drastic devaluation of hryvnya, limited access to credits and the reduction of nominal wages in the fourth quarter encouraged the abrupt decline in imports during the last months of 2008 compared to the indices reached earlier. In particular, according to the Eurostat, in October import of cars and equipment (in Euro) reduced by 10,8% in comparison with September, import of food products by 8,3%, import of goods by the category «mixed industrial items» by 20,1%, etc.

*Table 3.6*

**Ukraine's import from the EU-27 by principal goods categories**

	Structure, % of total**		Rate of growth/decline, % year to year**	
	2007*	2008*	2007*	2008*
Foods and livestock	3,9	5,0	26,7	58,7
Drinks and tobacco products	0,8	0,7	34,8	4,7
Non-food raw material, except fuel	1,6	1,7	32,5	31,7
Mineral fuel, lubricants	3,2	5,6	40,4	114,0
Vegetable oils and animal fats, wax	0,1	0,2	14,0	137,5
Output of chemical and related industries	14,6	14,1	25,7	17,6
Non-food goods, mainly categorized by materials they are made of (including metals)	16,7	15,4	20,8	12,6
Cars and transportation equipment	45,6	44,1	23,2	17,6
Mixed industrial items	11,4	10,9	27,2	17,0

\* Based on data for ten months of the year.

\*\* Estimated on the basis of cost indexes expressed in Euro.

*Source:* Eurostat (<http://epp.eurostat.ec.europa.eu/>), estimates of IED.

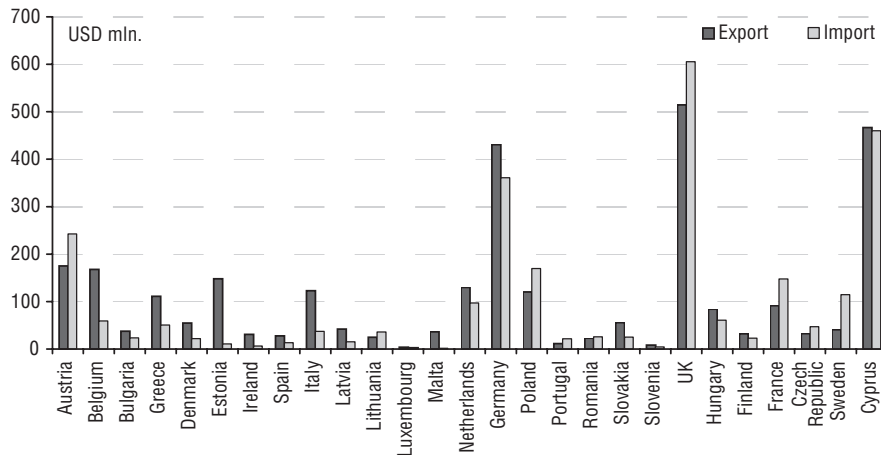
Therefore, due to the rapid development of trade with the EU during the first three quarters according to the results for 2008 Ukraine succeeded in keeping rather high growth indicators with regard to both export and import, despite the drastic slowdown of trade during the last months of the year as a consequence of the world financial crisis, the decline in external and internal demand

and also the devaluation of hryvnya. Among the factors which encouraged growth of trade it is necessary to mention the liberalization of trade as a result of Ukraine gaining WTO membership. Another important factor that had an influence upon the dynamics of export and import during the year was the significant variation of prices for raw materials, including oil and steel.

As with trade in goods, Ukraine's main partner for trade in services is the European Union. According to the State Statistics Committee, for nine months of 2008 export of services to the EU countries from Ukraine accounted for 34,2% of overall exports, and import of services from the EU-27 accounted for 55,4% of overall imports. For comparison, Russia's portions were 33,7% and 14,0% appropriately. In nominal terms export of services to the EU-27 in January – September 2008 accounted for USD 3,0 billion, and import – USD 2,7 billion. Accordingly, the balance of trade in services with the EU was positive at the level of USD 0,3 billion.

The United Kingdom, Cyprus and Germany were Ukraine's main trading partners in both export and import of services. Export to these countries accounted for 46,7% of overall exports and import from these countries accounted for 53,2% of overall imports from the EU-27 (*Figure 1*). An analysis of the sectoral structure of services confirms the transport orientation of Ukrainian export of services. Different types of transportation make up more than a half of the total export of services to these three countries as well as to the EU-27 in general. In export to Germany and Great Britain different business, professional and technical services also have an important meaning. Import is more diversified and includes not only transport services but also financial and different business, professional and technical services.

During the first nine months of 2008 trade in services between Ukraine and the EU continued to grow. In comparison with January-September of the previous year export of services from Ukraine to the EU-27 grew by 42,3%, whereas import from the EU countries increased by 52,0% exceeding growth rates of both overall export and overall import of services for Ukraine. However, a gradual slowdown of growth rates of trade in services with the EU began in the third quarter. This trend was maintained in the fourth quarter because of the drastic deterioration in the economic situation both in Ukraine and in the EU.



**Figure 3.1. Ukraine's trade in services with the EU Member States in 2008\***

\* Data for January-September 2008.

Source: State Statistics Committee, estimates of IED.

### Capital flow

After several years of rapid growth in the inflow of foreign capital to Ukraine the situation abruptly changed during the last months of 2008. A turning point was the worsening of the financial crisis in September that accelerated the withdrawal of capital from developing countries including Ukraine. The most important thing is that access to new borrowings abruptly worsened – new loans which Ukrainian companies needed in order to refund obligations already undertaken abroad.

As was expected, portfolio investments were the ones most sensitive to the change of situation in the world financial markets. During the whole year a gradual withdrawal of foreign capital from the Ukrainian stock market was taking place causing a decline of the PFTS index by about 75% per year.

However, the inflow of long-term foreign capital to the country continued to grow during the first nine months of the year. According to the State Statistics Committee, in January – September 2008 the clear inflow of foreign direct investment (FDI) into Ukraine was equal to USD 8,1 billion- that is 1,5 times as large as for the corresponding period of the previous year. However,



a drastic slowdown took place in October. According to the National Bank of Ukraine, in October – November USD 0,7 billion of clear FDI came to the country compared to USD 2,0 billion of FDI for the previous two months (August – September).

The European Union remained the key foreign investor for Ukraine. As in previous years, the biggest clear inflow of FDI to Ukraine was from Cyprus, Germany and the Netherlands. According to the State Statistics Committee, the clear inflow of FDI from Cyprus for three quarters of 2008 was equal to USD 2,6 billion – that is almost three times as much as the clear inflow of FDI from Germany (USD 0,9 billion) which was second by volumes during this period.

For the 1<sup>st</sup> of October 2008 the total volume of FDI in Ukraine was equal to USD 37,6 billion with five EU Member States, namely Cyprus, Germany, the Netherlands, Austria and Great Britain forming 62,4% of this volume (*Figure 3.2*).

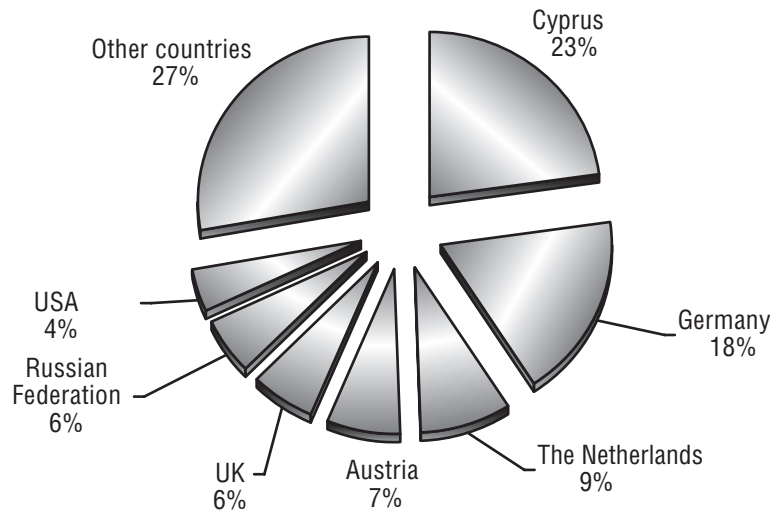
According to the results for nine months of 2008, the financial sector, food industry sector, metallurgy and retail trade were the favorites of European and other foreign investors. In particular, in 2008 agreements were finalized on buying Praveks-Bank by Italian bank Intesa Sanpaolo S.p.A, the bank Forum by German Commerzbank and Ukrsofsbank by French Paribas . However, beginning from the third quarter an essential slowdown of investment in some sectors, in particular in financial intermediation and processing industry, took place<sup>13</sup>.

The volume of FDI from Ukraine to the EU countries for the first three quarters of 2008 was almost unchanged. After a drastic increase of direct investment from Ukraine to Cyprus in 2007 (clear outflow for a year reached almost USD 6 billion) this process actually discontinued in 2008. However, due to last year's investments Cyprus remains the absolute leader among the EU countries and in the world by volumes of Ukrainian outward direct investments.

The financial crisis that has been gradually spreading in the world since September 2007 considerably limited the access of the Ukrainian private sector to external credit resources. Already in the first half of 2008 Ukrainian borrowers obtained only USD 1,3 billion

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<sup>13</sup> *Movchan, V., Kobylyanska, A., Kutsenko K., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2008 // Ukraine – EU relations: results of the first half-year. – International Review. – No. 3 (7). – October 2008.



**Figure 3.2. Foreign direct investment (FDI) in Ukraine for the 1<sup>st</sup> of October 2008, progressive total since the beginning of investment**

Source: State Statistics Committee.

of syndicated loans in comparison with USD 2,5 billion during the corresponding period of 2007. In the second half of the year volumes of syndicated loans gained shortened even more, whereas the needs of the real sector and banking system to make refunds to meet external obligations remained high in consequence of the rapid accumulation of private foreign debt during the last several years. For example, in August 2008 Bank «Nadra» signed a loan agreement on receiving syndicated loans from foreign banks to the amount of USD 55 million<sup>14</sup>, whereas in November it called in a one-year syndicated loan to the amount of USD 130 million for payment of which the bank had to borrow money on the internal market.

So, although Ukraine succeeded in encouraging a quite considerable volume of foreign direct investment during 2008, the financial crisis had a very negative impact on foreign capital flows at the end of the year and also on prospects for raising capital in the future. Problems with repaying loans obtained earlier and the drastic devaluation of hryvnya considerably increased the credit risks of Ukrainian borrowers that may lead to a smaller inflow of

<sup>14</sup> <http://www.fin.org.ua/newws.php?i=612039>.

foreign capital to the country even after the beginning of a renewal of the world financial system after the crisis.

### Labor market and labor force access

In 2008 the State Statistics Committee first carried out an investigation of Ukrainian labor migration on the basis of an investigation of the population's economic activity<sup>15</sup>. According to the results of the investigation, the number of Ukrainian labor migrants in 2007–2008 was 1,3 million persons, and at the time of the investigation more than 0,9 million persons were abroad. Among the European Union countries the most popular among Ukrainian labor migrants are Italy (about 170 thousand persons), the Czech Republic (about 120 thousand persons), Portugal (about 34 thousand persons) and Poland (about 28 thousand persons). In this regard most migrants in Italy (63,2% of the total number) worked in the sphere of domestic services while in the Czech Republic 70,8% of labor migrants were engaged in the building trade. In Poland most Ukrainian migrants were engaged in agriculture (41,7%) and trade (26,5%). In fact, half of the labor migrants staying abroad at the time of the investigation lived there for more than a half of the year.

At the beginning of 2008 two important Agreements between Ukraine and the EU concerning readmission of persons and facilitation of the issuance of visas for Ukrainian citizens were ratified and came into force. However, harmonization of visa requirements in the EU Member States that joined the Schengen Agreement at the end of 2007 led to the fact that obtaining a visa to the EU countries for some sections of the population became even more complicated than it was before, partially neutralizing the advantages of the facilitated visa regime<sup>16</sup>. As a result, the number of visits of

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<sup>15</sup> Investigation of labor migration of Ukraine's population. – State Statistics Committee, 2008. Quoted by the report «Social and economic portrait of the Ukrainian migrant» // Analytical review of the Institute for Economic Research and Policy Consulting prepared to order of the Foundation «Open Ukraine» in the frames of the project «Ukraine in international migration processes: realizing the challenges and forming the adequate response». – Kyiv, 2008.

<sup>16</sup> *Movchan, V., Kobyljanska, A., Kutsenko K., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2008.

Ukrainians to the EU decreased. This issue was discussed at the Ukraine-EU Summit in Paris in September 2008. In accordance with the Summit results, for 2009 the parties planned to solve the issue of labor migration from Ukraine to the EU as quickly as possible and to launch discussion on the possibility of introducing a visa free regime for Ukraine.

Small border traffic was affected the most negatively after implementation of unified procedures of visa receipt. For this reason the agreements on small border traffic between Ukraine and Poland and Ukraine and Slovakia were signed in the first half of 2008. According to these agreements it was planned to establish a facilitated procedure of border crossing by border residents living within the limits of the 50-kilometre area from the common state border. However, after a few rounds of negotiations with the European Commission the extent of this area was decreased to 30 km.

Simultaneously with negotiations on the future facilitation of legal migration in the EU countries, strengthening of control over illegal migrants took place. For example, Italy introduced criminal liability for illegal stay on the territory of the country. First of all, this decision was caused by the strengthening of illegal migration from the new EU Member States. However, it will also have an impact on Ukrainian labor migration as Italy has the biggest group of Ukrainian labor migrants.

The drastic deterioration of the economic situation in the EU Member States, in particular the increase in the level of unemployment, made them review their attitude towards migrational processes. For example, in September Italy planned to extend legalization of migrants over the migrational quota for those workers who provide their services in the sphere of care for disabled persons<sup>17</sup>. However, in consequence of the crisis Italy stated its decision to impose a moratorium on the entry of migrants, in particular those who work in the industry sector, in the building industry, and also nurses<sup>18</sup>. The objective of this moratorium is to protect the local population in situations when enterprises have no possibility of paying for additional workers. Spain is also planning to take

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<sup>17</sup> <http://www.italia-ru.it/news/2008/09/20/26244>.

<sup>18</sup> <http://www.niknews.mk.ua/2008/11/25/ukrainskix-gubernantok-i-sidelok-v-italii-tozhe-sokraschajut--ne-prodlevajut-legalizatsiju-i-otpravljajut-domoj/>.

some additional measures concerning regulation of migration and a draft law was adopted, according to which unemployed illegal immigrants staying in the country will receive a financial reward for their voluntary return to their native country<sup>19</sup>.

Thus, officially in 2008 a liberalization of visa issues took place which was to encourage the flow of people between Ukraine and the EU. However, in fact, harmonization of visa requirements in the Central and Eastern European countries with the requirements of the Schengen Agreement, and more severe regulation of migration flows in consequence of the deterioration of the economic situation in the EU countries meant a reduction in the number of Ukrainian visits to the EU.

### Cooperation in Energy, Transport and Communications

In 2008 there were no significant changes in the cooperation of Ukraine and the EU in the spheres of energy, transport and communications, although a gradual process of the liberalization of economic relations and harmonization of the regulatory environment in these spheres was taking place. The EU's important role in the financial and technical support of modernization of Ukraine's infrastructure sectors should be also mentioned<sup>20</sup>.

In particular, in November 2008 the EU General Affairs and Foreign Affairs Council of Ministers approved an Agreement with Ukraine about mutual access of sea transporters providing services «river – sea» to internal waters. This agreement also covers the companies that are not registered in Ukraine and the EU but belong to their citizens.

One of the most important events of the year was the launching of negotiations between the European Commission, Ukraine and

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<sup>19</sup> <http://eu.prostir.ua/news/24028.html>.

<sup>20</sup> Section was prepared on the basis of the works: *Movchan, V., Kobyllyanska, A., Kutsenko, K., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the first half-year 2008 // Ukraine - EU relations: results of the first half-year. – International Review. – No. 3 (7). – October 2008; *Movchan, V., Kobyllyanska, A., Sysenko, N.* Economic integration and cooperation of Ukraine and the EU: results of the second half-year 2008 // Ukraine-EU relations: results of the second half-year. – International Review. – No. 4 (8). – December 2008.

Moldova about Ukraine and Moldova joining the Energy Community. During the year negotiations were also in progress concerning creation of joint airspace between Ukraine and the EU which stipulates gradual market liberalization, implementation of common rules and Ukraine's participation in the EU's aviation structures.

As in 2007, the EU continued to provide assistance directed to support the development of Ukrainian transport and energy. In particular, in the sphere of nuclear safety the Joint Project on Evaluation of Nuclear Safety of the Ukrainian Nuclear Power Plants has been in progress that is implemented by Ukraine, the International Atomic Energy Agency (IAEA) and the European Commission. Within the framework of the project on the construction of an industrial complex on solid radioactive waste management in the Chornobyl exclusion zone, the delivery to Chornobyl Nuclear Power Plant of temporary storage for radioactive waste-keeping is expected soon.

One of the first twinning projects «National Commission on Energy Market – enhancement of regulatory and legal component in the regulation of the energy sector» is also in progress. This is directed at the maintenance of the necessary level of preparation for public sector employees and the establishment of primary and subsidiary legislation in accordance with the EU's requirements to the regulatory bodies and the best practice that is used on the EU's internal energy market.

In September 2008 a project in the coal sector was launched. Its objectives include elaboration of the programme of coal industry development for the period of 2009–2016, assistance in implementation of the programme of reforms and enhancement of operating safety at the mines.

In the framework of direction of the Memorandum «Effective energy use» in the cities of Ivano-Frankivsk and Energodar the EBRD announced its plans concerning implementation of the projects for the reconstruction of centralized heat supply for the improvement of its energy efficiency. Similar projects have been already implemented in Odesa and Cherkasy. The EBRD has also launched the planning of two more energy projects that stipulate financing of investment programs of «Kyivoblenergo» and «Rivneenergo».

In the sphere of transport, implementation of the twinning project «Harmonization with the EU's legislative regulation and Ukraine's standards in the sphere of civil aviation» is in progress. This project is directed at supporting Ukraine's state institutions on aviation security supervision to receive full membership of JAA. The projects concerning support for the formation and implementation of the policy in the transport sector and provision of assistance in raising the security of cargo transportation and motor vehicles in Ukraine are also at the stage of preparation of contracts.

In autumn the EIB and the EBRD made a decision to grant credits to «Ukrzaliznytsya» for renewing the locomotive stock to a total amount of more than USD 350 million. Although the volume of the EBRD's offered assistance was essentially reduced because of the financial crisis, the EBRD expressed its will to increase its credit portfolio in Ukraine, particularly through infrastructure funding.

Despite the declared intentions concerning enhancement of cooperation for providing assistance to Ukraine in its preparations for the European football championship in 2012 (EURO 2012), these preparations had no significant influence upon the cooperation of the parties in 2008.

Therefore, in 2008 relations between Ukraine and the EU were marked by the gradual process of the harmonization of the Ukrainian regulatory environment with the European and some liberalization of relations. Moreover, despite the financial crisis, Ukraine had an opportunity to modernize its infrastructure within the framework of several projects of the EBRD and the EIB.

## Conclusions

During 2008 several events took place which had an important meaning for the development of economic relations between Ukraine and the EU. Firstly, the gaining by Ukraine of WTO membership not only encouraged liberalization of the current trade regime but also allowed the launching of formal negotiations on the creation of an enlarged free trade area. Secondly, negotiations on Ukraine's joining the Energy Community were launched and negotiations on the creation of joint airspace were continued. Successful completion of the negotiation process will become an

important achievement in the process of Ukraine's integration into European economic structures. An important incentive for development of trade in services resulted from the approval of the Agreement on mutual access of sea transporters to internal waters. The Agreement on a facilitated visa regime directed towards the facilitation of people's contacts between Ukraine and the EU came into force.

According to the results of the year the volumes of trade in goods and services increased as well as the clear inflow of foreign direct investment from the EU countries, mainly due to the high indices of the first three quarters. However, the world financial crisis and the drastic deterioration of the economic situation both in Ukraine and in the EU Member States led to a change of trends both in the dynamics of trade and in capital flows at the end of 2008. In the last months of the year the trade in goods and services decreased against the background of a significant decline in external and internal demand, reduction of world prices for raw commodities and problems with obtaining credits. In fact, the inflow of foreign capital also discontinued which considerably increased the default risk in relation to private borrowings made during recent years. These new trends will probably be sustained during most of 2009.

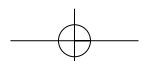
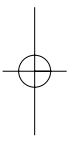
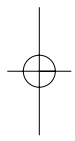


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## **CHAPTER IV**

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# **UKRAINE IN BILATERAL INTERNATIONAL RELATIONS**



## § 1. Ukrainian-Russian relations in the format of «Big Treaty»

Characteristics of relations between Ukraine and Russia do not fit within the broadly accepted parameters of analysis of bilateral relations, such as political dialogue (official relations), and trade and economic, and humanitarian cooperation. Indeed, these relations have a very complicated multi-tier systematic character. Hence they need a systematic and complex analysis. Exclusivity of these relations lies in the fact that they are of extreme importance to the development of both countries, creating not only their external but also internal policy. That's why, in this or that way they guide the historic development of Ukraine as well as Russia. This particular critical importance of Ukrainian-Russian relations for both countries' development makes them highly significant and fills them with fundamental and vitally important interests.

Concentration of Ukrainian and Russian interests in their bilateral relations makes these relations extremely dynamic, contradictory and conflict-ridden. Confrontation in Ukrainian-Russian relations is imminent because it is created by antagonism of fundamental and vitally important interests of Ukraine and Russia as independent countries. For example, antagonism of Ukrainian-Russian relations was strikingly demonstrated in 2008. During 2008, relations between both countries had a frankly confrontational character. This confrontation was determined not only by external factors, but also, first of all, by the processes of internal transformations in both countries. Specifically, these factors generate demands, which add emphasis to fundamental and vitally important interests realized through Ukrainian-Russian relations.

To understand the character of these bilateral relations it is necessary to discover the trends, which have taken place in the process of both countries internal transformation during 2008,

and the preconditions for which arose in the previous years. In this context one can state that in Ukrainian-Russian relations the external policy not only continues the internal policy of both countries, but also reflects their historical development.

Regarding 2008, two events became the landmarks in the development of Ukrainian-Russian relations: the 10 year extension of the Treaty about Friendship, Cooperation and Partnership between Ukraine and the Russian Federation (The Big Treaty); and, election of D. Medvedev as the President of Russia.

### **The Big Treaty in the context of Ukrainian-Russian priorities**

The Big Treaty indeed is of crucial importance for both Ukraine and Russia, because according to V. Ohryzko's, Minister of Foreign Affairs of Ukraine, it «will remain the basis for development of Ukrainian-Russian bilateral cooperation». Thus, the first ten years period of the Big Treaty, which drew to a close on April 1, 2009, gave grounds to analyze to what extent the principles of this agreement have been realized; how the sides have adhered to the letter and spirit of the Treaty; and, how it has promoted realization of both countries' interests during the agreement's decade.

The Big Treaty undoubtedly matched fundamental and vitally important interests of both countries, because the relations between Ukraine and Russia, as sovereign and independent countries, were legally stated in this Agreement for the first time in history. These relations were built on the principles of: «mutual respect; sovereign equality; territorial integrity; stability of boundaries; peaceful settlement of conflicts; non-use of force or the threat of force, including economic and other means of pressure; rights of the nations to choose their fate; non-interference into internal affairs; adherence to human rights and principal freedoms; cooperation between states; good faith fulfillment of international obligations, and, other generally recognized regulations of the international law» (Article 3 of the Treaty).

An important provision of the Treaty is the countries' obligation to maintain such relations between each other, which would promote greater stability and security in Europe and the whole

world. Article 4 of the Treaty contains specific terms on creation and strengthening of the collective security system in Europe, and making regional security methods more effective. In order to make Ukrainian-Russian relations a factor of the European stability and security, sides took the obligation to peacefully settle all arising between them conflict situations, and to cooperate in the prevention and settlement of the conflicts and situations, which would affect their interests. Article 5 of the Agreement determines the specific methods of such cooperation in security and other spheres.

However, despite the fact that the Big Treaty's contents and spirit are in accord with the national interests of both countries and generally recognized standards of bilateral relations, before renewal of the Treaty the Russian Federation started a massive political campaign to discredit the Treaty and terminate its effect. Russian politicians accused Ukraine of the non-fulfillment of the agreement's terms and its contradiction to Russia's interests<sup>1</sup>. At the official level, the Russian Ministry of Foreign Affairs presented its specific claims regarding non-fulfillment of the Treaty's terms by the Ukrainian side. In a Statement about Russian-Ukrainian Relations dated September 11, 2008, in particular, it claimed: impairment of language rights of people; threats to the RF security in connection with Ukraine's intentions to join NATO; and, efforts to review agreements on the RF Black Sea Fleet location. It is obvious that the Agreement by itself cannot be called in question, because its terms declare a model of bilateral relations between countries, which they should aspire to reach. The question arises as to, which interests these countries pursue and what priorities they observe in their relations. As Ukraine's and Russia's interests are mainly contradictory, and even antagonistic in some specific spheres, then issue can be taken with the Agreement's text or a measure of its fulfillment by the other party.

Even the cursory analysis of the Big Treaty and the decade of its being in force makes it apparent that Ukraine and Russia have different conceptual views of this Agreement's role in the development of both states and their bilateral relations. For Ukraine it is important to strengthen state sovereignty, territorial integrity and stability of its boundaries, and to develop neighborly and equal relations

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<sup>1</sup> *Gol B.* The Big Treaty between Ukraine and Russia: optional reading. – [dialogs.org.ua](http://dialogs.org.ua).

with Russia. From Ukrainian interests' point of view Articles 1–4 of the Treaty are the most significant. In these articles Russia recognizes Ukrainian sovereignty and territorial integrity, and also guarantees non-use of force or the threat of force against Ukraine.

According to these interests, amongst «friendship», «cooperation» and «partnership», namely *cooperative* relations based on the neighborhood and equality principles are of high priority to Ukraine and the Russian Federation. Particularly, the Big Treaty creates a stable basis for creation of cooperation of both sovereign states. Twenty three of 41 articles of the Big Treaty are dedicated to the different spheres of cooperation: first of all, trade and economy, scientific, rocket and space, military and technical, ecological, tourism, humanitarian and cultural cooperation.

Regarding the definition of «partnership», in the Agreement it is determined by its highest level – «strategic partnership», as one of the principles of Ukrainian-Russian relations. However, according to results of the bilateral relations' 10-year practice, this principle remained just an intention of the sides. The reason is based not on a subjective reluctance of one side to adhere to this principle, but in the absence of objective criteria for reaching the adequate level in the bilateral relations. In fact, Ukraine and Russia have asymmetrical strategically dependence on each other.

Russia primarily recognizes in this Treaty a possibility to return Ukraine to the bosom of its state system. That is why the principles and grounds, which enable Russia to reduce Ukrainian state system and sovereignty to zero, and preclude the revival of the Ukrainian nation in the future, remain the most important for Russia. Therefore, the word «friendship» became a key symbol for Russian side in sense of Ukrainian-Russian relations. The term «friendship» does not have an accurate juridical and legal definition, this is an abstract definition. That is why introducing it to such agreements gives Russian side the possibility of adding different meanings and to interpret it from different points of view of Russian mentality. In Russian mentality «friendship» is interpreted as an alliance against somebody. It must be «brotherly», and if «brotherly», then younger and older brothers are its subjects. In fact, by Russian understanding the Big Treaty had to promote implementation of the Russian view of the perspective of Ukrainian-Russian relations, which was based on the assumption of the returning of former USSR Republics and new independent

states to Russia. At the same time, Russians appear to have only a vague view of what Russia should look like.

If Ukraine considered the Big Treaty as a firm long-term foundation for Ukrainian-Russian relations, Russia considered it as the start of reintegration. This Agreement had to create the prerequisites for returning Ukraine to Russia. But, first of all, Russia had to define a point of returning, in particular, to recognize the real independence of Ukraine. Not occasionally, during discussions on this Agreement, A. Ya. Zelikov, Head of Belgorod Regional Council, noted: «Yes, the Agreement is weak, and even unprincipled in some ways, but it is necessary to start with something»<sup>2</sup>.

As a whole, the Russian side put **reintegration model** of Ukrainian-Russian relations as a basis of the Big Treaty. As mentioned above, the political concept of Russian relations with the CIS countries, which was aimed at the gradual return of former USSR Republics to Russia by means of creation of a more integrated union, provided for juridical legalization of the relations with them by means of signing one of the three types of agreements. In doing that, Russia took customized approach to each country, proceeding from different possibilities for such reintegration. All these three types were directed toward three processes of interaction varied in intensity<sup>3</sup>. Lower level was composed of agreements and treaties, which were signed with Georgia and Azerbaijan in 1998. They did not provide for close forms of political and economic integration in the near future. In other words, the possibility of these countries' reintegration was minimal.

Upper level was composed of a number of legal statements on creation of a mutual Federal state, which were concluded between Russia and Belarus. By the example of this project, Russia implemented a future model of reintegration. Ukraine was not included in such project because of its objective potentialities, however, Russia could not leave it outside its reintegration project. That is why Ukraine took an interim position in the reintegration plans of Moscow. The Big Treaty became a document of such a level.

It was important for the Russian side, that this Agreement stated the «necessity of gradual formation and development of

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<sup>2</sup> *Gol B.* The Big Treaty between Ukraine and Russia: optional reading. – [dialogs.org.ua](http://dialogs.org.ua).

<sup>3</sup> *Ibid.*

a common economic space», which would have to lead to the creation of a common (Russian) political, legal, defense, cultural, humanitarian and other aspects of the Russian statehood. This particular prospect became the most convincing argument for the RF Members of Parliament for ratification of the Big Treaty in December 25, 1998. The Russian side's inadequate and optional interpretation of the contents of the Agreement's articles, which were related to the sphere of security (Article 6) and humanitarian relations, opened them an opportunity window for realization of such plans (Article 10–13).

In particular, Article 6 obliges the Sides to refrain from participation or support of any activities, directed against the other Side and not to conclude any agreements, which are directed against the other Side, with a third side. Neither of the sides will allow use of its territory in a way that can jeopardize the security of the other. As noted in the Article 7, in case of any situation, which can be considered by one of the sides as threatening the peace or interests of its national security, sovereignty and territorial integrity, that Side can apply to the other with a proposal to conduct immediate respective consultations.

The Russian side considers this article to be the means of precluding Ukraine's joining the collective security and defense systems such as the North-Atlantic Alliance. Hence the Russian side considers Ukraine's attempts to the NATO membership to be a direct violation of the Big Treaty. However, Russia does not take into account that NATO is its strategic partner, and, according to a Fundamental statement, which has been signed by them, they do not consider each other as being possible enemies. Thus, NATO does not present any war threat to Russia's national security.

Another Russia's accusation, regarding the Ukrainian side's violation of the Article 6 of the Agreement, was concluded in fact, that Ukraine supplied air-raid complexes, which defended Georgia from Russian air force bombing during Russian-Georgian conflict in August, 2008. These actions are classified as those, which contradict Ukraine's obligations to refrain from support of the actions, which are directed against Russia<sup>4</sup>. But in the Article 3 of

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<sup>4</sup> *Khrystenko V.N.* «Big» Treaty of Russia and Ukraine – 10 years of friendship, cooperation and partnership? – <http://forum.versii.com/view-topic.php?p=1933&sid=dc4b7bd95abb5eab3195235b9b0fdf65>.



the Agreement Russia assumed an obligation to adhere to the generally recognized standards of the international law, according to which it should not resort to aggression against Georgia or any other sovereign state.

In the humanitarian sphere, Russia accuses Ukraine to be in violation of Article 12 regarding protection of ethnic, cultural and religious rights of national minorities. For all that, not even the Russian national minority in Ukraine, but the so-called problem of the «national rights of Russian-speaking population of Ukraine» is meant<sup>5</sup>. The grounds for considering «Russian-speaking population of Ukraine» to be a minority, or nation, or a part of Russian nation, are unknown. In this case, substitution of the terms is obvious. It is done to restrict and eliminate use of Ukrainian language and to impose Russian outlook and cultural stereotypes on Ukrainian society, to add one of the attributes of the Russian statehood, i.e. to assign the status of a national language to Russian language. Using Articles 6 and 12 in such a way, Russia tries to be a «guarantor» – patron for Ukraine, in its external as well as internal relations.

Regarding the «forceful ukrainization» claims, raised by Russia against Ukraine, where in the world we can find such a country where 70% of Ukrainian magazines and 63% of newspapers are published in Russian, while just 19% and 34%, respectively, are published in Ukrainian. Whereas, 28% of the population speak Russian in private life, the proportion of Russians in Ukraine is 17%, while native Ukrainians comprise 78% of the population. The ratio of Ukrainian and Russian languages in the electronic information sphere of Ukraine is even more impressive, Ukrainian web-sites represent 17% and Russian web-sites 83.7%<sup>6</sup> of the total number of on-line resources». At the same time, Article 12 obliges the sides to create equal possibilities and conditions for studying Russian in Ukraine as well as for studying Ukrainian in the Russian Federation. Has Russia provided the minimum conditions for studying Ukrainian language as Ukraine has for studying Russian?

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<sup>5</sup> *Gol B.* The Big Treaty between Ukraine and Russia: optional reading. – [dialogs.arg.ua](http://dialogs.arg.ua).

<sup>6</sup> *Nadtoka G.* Character of the contemporary Ukrainian-Russian relations and ways of forming of a new cooperation model / Ukraine and Russia in a political space of the «united Europe» // Materials of the international conference. – К.: Foliant PC, 2007. – P. 60.

Fortunately, the Agreement's decade did not help Russia to implement its planned reintegration model for Ukraine. And this is just another reason of Russian politicians' despair and Russian side's flow of criticism, which is addressed to the Big Treaty. Not occasionally, opponents of the Agreement's extension note that the «Agreement serves just a smoke screen of public consciousness, and only intensifies contradictions between two states, which, unfortunately, continue to increase the distance from each other from year to year. That is why, the extension of this Agreement without public discussion just complicates a tragedy of two formerly brother nations, which irresponsible politicians had once separated, and today try to replace their centuries-old friendship with such ersatz agreements»<sup>7</sup>. Ten years ago, they considered that the Treaty opens «new opportunities for further development of brotherly friendship and comprehensive cooperation between Ukrainian and Russian nations», however life proved how naive such statements were»<sup>8</sup>. It is typical to authors of such affirmations to appeal not to the bilateral cooperation but to «comprehensive cooperation between Russian and Ukrainian Nations».

However, notwithstanding such criticism from the Russian politicians' side, the Big Treaty provided certain conditions for realization by Russia of its reintegration model with regards to Ukraine, although, at the same time, they could not be considered to be sufficient. The reasons for this model's failure are indicated in those trends, which have been formed and dominated in Ukrainian-Russian relations during the past decade. Citing these trends, Vyacheslav Igrunov, Director of the International Institute of Humanitarian and Political Research (Russia) noted: «Failure of the Russian-Ukrainian integration project, as a result of the Orange Revolution, led to revision of an entire Russian priority system in the post-Soviet space and to an identity shock, at least within the political elite. As a result of these revisions, Russia gave up its attempts to engage Ukraine into the common economic arena, and tried to use its advantage as a «big energy state» to receive the maximum material benefits of bilateral

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<sup>7</sup> *Khrystenko V.N.* «Big» Treaty of Russia and Ukraine – 10 years of friendship, cooperation and partnership? – <http://forum.versii.com/view-topic.php?p=1933&sid=dc4b7bd95abb5eab3195235b9b0fdf65>.

<sup>8</sup> *Ibid.*

cooperation»<sup>9</sup>. Of course, the Orange Revolution considerably changed the trajectory of Ukrainian-Russian relations development, but it became not the only reason of Russia's rejection of the reintegration model.

### **Ukrainian-Russian relations as a projection of internal transformations in Ukraine and Russia**

The principal reasons obviously lie not only in internal trends of Ukraine's development, but also in those of Russia's. How did these trends influence on the development of the Ukrainian-Russian relations during the Big Treaty's decade?

Hence a question arises: which trends did prevail in economic, political and humanitarian spheres of the development of Ukraine and Russia; and, how did they influence on their respective foreign policies? As a whole, it is reasonable to divide the past decade by character of the outcomes of these trends into two historic periods: first – 1998 to 2004, and second – 2004 to 2008.

During the first period, the trends, which prevailed in the economic and political spheres of both states' development, were very similar, and it created considerable common ground for implementation of Russia's foreign policy's reintegration model. What was their main point? The process of economic and political system transformation, which started with both countries gaining independence, meant in essence capturing, dividing or redistribution, and retaining authority and property. Market mechanisms, which had been launched at the beginning of economic reform in Ukraine and Russia, raised an issue of the necessity to de-monopolize authority and property. It led to the appearance of a critical political competition for authority and property, which, in its turn, created a new dilemma: what should be the principal purpose of this struggle – authority or property? In other words, it was a question of the subject of appropriation, of searching for the necessary balance between appropriation of the state authority and state property. Under post-socialists conditions, appropriation of the state property could happen only by use of government

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<sup>9</sup> *Irgunov V.* Bilateral political relations in a focus of European cooperation: from problematic issues to dynamic salvations // Ukraine and Russia in a political space of «united Europe». – P. 83.

institutions, and only the privileged group of former Communist party members had access to them.

Thus, market reforms in Ukraine, as well as in Russia, mainly came to mean the change of ownership, which provided for the transmission of the state property to the hands of privileged Communist party ex-members. Certainly, property was the principal priority in this historic period. Government authority was needed, first of all, for obtaining or appropriation of the state property.

The process of appropriation of state property by officials is commonly called «nomenclature privatization», and economic relations accompanying such appropriation – «nomenclature capitalism». Nomenclature capitalism gives the possibility to the state elite to receive excess profits, not caring much about growth of production and labor productivity. Such nomenclature capitalism leads to unavoidable social collapse, because it is not productive by its nature. Corruption, the increase of the influence of a «shadow» economy, payment crises, and decrease of an enterprises' profitability are its principal characteristics. In the context of European integration, the problem is that with «nomenclature capitalism» Ukraine cannot fully integrate into the world economic system. Government nomenclature would consider the capitalist West as just a place for money-laundering, where they could convert their shadow excess profits into hard US currency. So the countries of nomenclature capitalism gradually turn into an autarchy called the Community of Independent States.

Nomenclature authority rejected Western and European values not only on the level of realization of the economic interest, but also on the political level. Clannish-oligarchic groups' appropriation of political authority is an extremely dangerous process for Ukraine. In this process the place of political parties as a communication source between government and society has been taken over by so-called «political holdings», which defend interests of «shadow» business groups in the government. Thus, a «shadow» economy of Ukraine gave birth to a «shadow» policy.

Ukrainian clannish-oligarchic groups are structured quite straightforwardly, primarily, by regional and industry characteristics («energy», «oil and gas», «steel production», for example). In Ukraine, functioning of these sectors depends on cooperation with Russia, first of all. According to this philosophy, economic as well as political interests of these groups are connected with Russia, but

not with the West. Such a situation considerably reduces Ukraine's economic possibilities for integration into Europe.

Realization of these clannish-oligarchic groups' interests and influence on foreign policy depended significantly on the place, which these groups took in the state system of political authority. The political class of Ukraine had two significant characteristics: soviets and regional features. The first characteristic emphasizes that the political elite of Ukraine has mainly remained Soviet by origin as well as by essence and structure. Although 80.0% of the Ukrainian elite is composed of ethnic Ukrainians, they do lack national thinking, because such thinking was suppressed during Soviet times in every way. The principle of proletarian internationalism lay in the heart of political consciousness of the Soviet elite. This principle was identified with the Soviet expansion in the international arena and the formation of a supranational Russian-speaking community known as the «Soviet nation» in internal policy. In contrast with the Russian nation, Ukrainian elite appeared unable to realize, formulate and defend new state's national interests. It continued to feel itself as a part of a bigger and more powerful state than Ukraine, with Moscow being the capital of this state.

The regional character is another significant feature of the contemporary Ukrainian elite. The Ukrainian elite is by 84.0% made of regional representatives. As is well known, Ukrainian regions vary greatly by their regional specifics, which are reflected in their views, persuasions and interests of regional elite representatives. Such regional conditionality creates a number of differences in political, psychological, cultural and geopolitical orientation for Ukrainian elite, which does not, in itself, promote consolidation of the elite or Ukrainian society. The elite, which is created on a regional basis and imagines itself, first of all, as a carrier of regional interests, can be reincorporated into the interests of neighbor states very easily, because general state and national interests are considered by the elite as secondary in comparison with regional interests. In this relation, through regional or transboundary cooperation, Russia has considerable opportunities to reincorporate the regional elite of Eastern and South-Eastern regions of Ukraine into the heart of its interests or to promote its interests using representatives of these regions in the central bodies of Ukrainian state authority.

A principle of balancing between Russia and the West was put forward as the basis of the foreign policy of the managing elite, headed by L. Kuchma. Technologically, such a scheme implied the use of cooperation with the West as a method of counterbalance or «trade-off» with Russia. And, at the same time, the West was considered as a source of a financial and technical aid. As before, Russia remained the principal strategic partner in the economic, political and cultural spheres. Integration was applied simultaneously in two opposite directions: the Eurasian (integration with Russia), and, the European and Euro-Atlantic. The simultaneous movement in two directions would obviously not be productive. Such a bipolar foreign policy was represented as a multi directional. It was a demonstration of the weakness of a merely technical approach to the realization of state interests. It was characterized by the absence of strategic, ideological and civilization reference points as well as by volatility, inconsequence, uncertainty and contingency. As before, world outlook references of the managing elite were concentrated on Moscow and Russian energy resources, which was reflected in L. Kuchma's, former President of Ukraine, statements that Ukraine could not exist as an independent state without Russia.

Russia was extremely close and tied to the managing elite not only in the intellectual and world outlook senses, but also by character of the state property appropriation process. As it was in Russia, in Ukraine the process of appropriation had a nomenclature character, when the deficiency of financial recourses of privatization businesses was made up by administrative resources. Such a character of privatization gave the opportunity to the managing elite to receive excess profits while not caring much about growth of production and labor productivity. The process of the state authority appropriation gave birth to oligarchic clans, which evolved from the regional elite groups principally concentrated in the Eastern and South-Eastern regions of Ukraine.

Parliamentary elections of 2002 finally confirmed victory of three biggest (Donetsk, Dnipropetrovsk and Kyiv) clannish-oligarchic groups in the supreme bodies of the state authority in Ukraine. From this time, the managing model of the political elite was transformed into oligarchic. Such a type of authoritative elite was composed of clannish-oligarchic groups, representatives of which occupied key positions in the supreme bodies of the state authorities.

Under such a type of authoritative elite, the functions of the state lost their social purposes and were directed to serving the needs of clannish-oligarchic groups, which started playing a key role in taking strategically important state decisions. Such decisions, as the reversing of the Odessa-Brody oil pipe-line, joining the united economic space, creation of a gas-transport consortium, Crimea's demilitarization by means of decreasing the Ukrainian military contingent and its infrastructure, and, the decision about construction of an overpass through the Kerch Strait, which is to connect Crimea with the Russian Federation territory, were all obviously taken despite Ukraine's national security interests, and depended on the needs of particular clannish-oligarchic groups.

The same facts evidence of the pro-Russian orientation of Ukraine's external policy and interests of these clannish-oligarchic groups whenever the latter were present in the Ukrainian government. Such pro-Russian orientation of the interests of oligarchic elite and clannish and oligarchic groups in Ukraine was caused by their inability to integrate their economy into the world economic system with its transparent business management practices. Only the Russian shadow half-criminalized economy was their related environment, where no questions arose regarding the flow of shadow capital.

The process of appropriation of the state enterprises needed implementation of democratic freedoms. But nomenclature privatization, which was intrinsic to the CIS countries, including Ukraine, as a subject of appropriation included not only state property, but also state authority. Thus, a government monopoly problem arose, what is contradictory to the main democratic principles, since these principles rule out the very existence of such monopoly. Such logics for the development of economic processes caused the post-Soviet countries' with nomenclature privatization slide into authoritarianism.

In Ukraine such a trend came into force with coming to power of the oligarchic elite, which adjusted democratic norms to its needs, and created a system, which could be called an «*oligarchic democracy*». As Ihor Plashkin, Councilor of the Representative Office of K. Adenauer's Fund in Ukraine, notes: under such system «elite's unaccountability to the society and distortion of information available to the society make such elite isolated from

the society and turns it into a clan. When such elite earns its family, financial and other relations, it creates a state model, where we live now and which is called clannish-oligarchic. Such a country's management comes to keeping balance between these clannish-oligarchic organizations, rather than between three branches of power»<sup>10</sup>. With oligarchic elite coming into the government, keeping this balance became one of the principle authorities of the President of Ukraine.

Such deformation of democratic values was directly reflected in the foreign political relations of Ukraine. Apologetics of the country's political system, which had been drawn to the side of authoritarianism, and the excuse of government activity on implementing a model of «oligarchic democracy» in the country, became one of the principal tasks of Ukrainian foreign policy, especially in relations with European organizations, such as the European Council, European Union, NATO and their members. Thus, the foreign policy of Ukraine gradually started tilting from the national interests, which it should have promoted in the international arena, to serving the needs of the clannish-oligarchic groups and the ruling oligarchic elite in Ukraine. Starting from 2000, the main foreign political efforts of the country were directed to proving legitimacy of the referendum of 2000, settlement of the «tape scandal», improving the image of government leaders, overcoming a political distrust, which European countries had formed toward Ukraine as a subject of Euro integration process, denying European organizations' claims regarding violation of human rights, oppression of mass media and persecution of independent Ukrainian journalists.

The establishment of an authoritarian regime in the country would be a logical outcome of the «oligarchic democracy» development, because once sharing of the state property and authority between three principal class-oligarchic groups of Ukraine were over, they would have started fighting for a monopoly in authority and property, what would unavoidably have demanded the re-establishment of the authoritarian form of the state management. Victory of Viktor Yanukovich, the government's candidate, in the presidential election of 2004 was supposed to strengthen this

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<sup>10</sup> Elites' role in transformational society // «Round table» materials. – K., 2003 – P. 9.



scenario of Ukraine's development. In such a case, foreign policy priorities of Ukraine would have changed. The course of European and Euro-Atlantic integration would be changed to Eurasian integration that would mean Ukraine's reintegration into the bosom of the Russian Federation interests. However, the Orange Revolution, which had happened as a result of rigging of the president's elections, defeated the realization of such a scenario and determined a national-democratic and European perspective in national development.

By the end of 90s, a similar economic and political system had been created in Russia, too. But, in contrast to the Soviet «nomenklatura» representatives, who stayed in Ukrainian government, the group of privileged former Communist party members immediately recognized themselves as a new Russian elite with its inherent imperial ideas, since in the public consciousness, Russia remained successor to the USSR and Russian empire. Although this group of former privileged Communist party members comprises a skeleton of the regional elite, regionalism is not natural for it. It cares not only about regional interests, but thinks wide with national and imperial categories.

Starting from the second part of 1990, cooperation between federal and regional elites changed in a way that the dichotomy «Center – Regions» began losing its relative importance, yielding instead to a greater role of «vertically-integrated» political and financial clans, which included players of the federal as well as regional level.

The noted trends of the evolution of the Russian elite are reflected in Ukrainian-Russian relations. From 2000, expansion of Russian financial and industrial groups was especially felt in Ukraine. These groups captured and overrode to its interests all segments of Ukrainian governmental elite, central as well as regional, and this posed a considerable threat to Ukrainian national security. Moscow financial and industrial groups continue projecting subordination of regional elites outside Russia, incorporating national elites of the «former Soviet republics», and, Ukraine first of all, into its interests. Thus, it builds a united «vertically-integrated» elite structure, which is subordinated to Moscow, and, in particular, to the Kremlin, politically and organizationally.

«Nomenclature» privatization of natural industrial resources led to rapid enrichment of the federal as well as the regional elites.

At the same time, bonds between representatives of political, administration and economic capital grew stronger. On the federal level, massive political and financial oligarchic conglomerates had been created around B. Yeltsyn's «family», and these conglomerates took more functions, including decisions-making in the foreign policy sphere.

Regarding federal oligarchic conglomerates, B. Yeltsyn «shut» his eyes to their economic activity in exchange for their political loyalty. Getting rich in their own interests, federal oligarchic conglomerates could subjugate to themselves the regional oligarchic groups by building vertically integrated structures.

The coalescence of political bureaucracy and business elite demanded development of a mutual ideological platform, and the state ideology became this platform. A need for economic expansion encourages to renovate foreign policy motives, which are connected with the collection of Russian lands and restoration of the traditional imperial policy. This policy was reflected in the so-called «*Primakov's doctrine*». This doctrine was directed to renovation of the status quo of Russia's super power. In relations with the West it was reflected in, for example: denial of the process of NATO expansion; stoppage of the process of further reduction of nuclear armaments; cooperation with Iraq; attempts to create an anti-American geopolitical «Moscow-Beijing-Delhi» vector; and, an effort to activate geopolitical competition in the territory of Balkans.

Post-Soviet space was announced as a zone vitally important to Russia's interests. To promote Russia's interests in the CIS countries, a specific strategy, which was known under the title «Strategic course of the Russian Federation with the country – members of the Independent States Unit», was developed and adopted by B. Yeltsyn's, the RF President, statement. This strategy was principally aimed towards realization of a course on reintegration of the post-Soviet area as a whole, and to rejection of the existence of the national sovereign states in this space. Independent Ukraine was considered as a Russia's geopolitical opponent in the post-Soviet space, and Ukraine's regional leadership was regarded as unacceptable.

Several reintegration scenarios were under consideration as suitable: having Ukraine join the Belarus-Russia Union, or takeover of Ukraine in the mutual economic, political, legal and defense space. Special attention should be paid to a scenario of

Ukraine's fragmentation, separation of Eastern and South-Eastern regions of Ukraine and their reintegration to Russia<sup>11</sup>. Realization of this policy was started with such active measures as a massive campaign for defense of countrymen and the Russian-speaking population of Ukraine and attempts to create Russian parties in Ukraine.

However, Russia's limited recourse for realization of such policy was not considered in Primakov's doctrine. As a result, such policy turned into many losses: Russia's departure from the territory of the Balkans; NATO's expansion; OSCE Istanbul summit's statement on withdrawal of Russian troops from Moldova and Georgia; and, sharing the Black Sea Fleet with Ukraine.

With V. Putin's government coming to power, Russia's authority elites experienced the third most massive wave of changes. Separation of oligarchs from the policy became the first and most radical of Putin's steps. On the one hand, in a process of oligarchs' separation from authorities he pursued a goal to separate business from engagement into politics, and, on the other hand, to establish strict political control over business<sup>12</sup>. In exchange for loyalty, business had to promote the Kremlin's political interests within, as well as outside of Russia. M. Khodorkovsky's attempt to ignore this new rule turned into destruction of YUKOS, which was one of Russia's biggest oil companies<sup>13</sup>.

Thus, *bureaucratic elite* appeared on Russia's political stage. This appearance was determined not only by the need for the authority's separation from business, but also by necessity for Russia's centralization, and, by the establishment of an authoritarian political regime. And the key positions in these elite had to belong to the «*force organizations*». During V. Putin's first term of presidency, «*force organizations*» managed to considerably push aside the economic elite, and, moreover, take a central position in the system of Russia's political establishment by the beginning of his second presidential term. From 1998 to 2002 the portion of military representatives in the government system

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<sup>11</sup> *Trenin D.* The end of Eurasia: Russia on the border between geopolitics and globalization // Carnegie Endowment for International Peace. – Washington, D.C., 2002. – P. 156.

<sup>12</sup> The Trial of K // *The Economist*. – 2003. – November 1. – P. 29–30.

<sup>13</sup> The future of Russian business // *The Economist*. – 2004. – August 7. – P. 49–50.

increased 7 times. It increased in 12 times in the country's top management.

In 2000, with V. Putin's election as the RF President, who was supposed to become Yeltsyn's authority successor and a guarantor of his family clan, the absolute power of Russian oligarchs was ended. By the moment of Putin's coming to office, principal segments of Russian state property had been shared between Russian oligarchs, of which circle he was not a member. Thus, he had no choice, but to implement an inverse process of returning former state, and by then private, property under the state control. Under those new conditions, state property return under state control was possible only with help of a powerful state apparatus and establishment of the authoritarian regime in the country.

It was obvious that the qualities and style of these elite activities were to be directly reflected in Ukrainian-Russian relations. The style and vision of the Russian governmental military elite regarding Ukraine's place in Russia's national interests system and means by which they are to be realized, determined some characteristics of Russia's policy regarding Ukraine.

*First.* In the world-view ideas of this elite, Ukraine, as before, was still seen to be a Russian province, which had temporarily and occasionally become independent; and, its sovereignty was extremely weak and unpromising. According to such a view, this elite put a reintegration project as a basis of Ukrainian-Russian relations, and its final purpose was to join Ukraine to the majesty of Russia and Russian society in a long or medium-long term future by means of deformation of its state sovereignty and restriction of its independency. The elite did not recognize a major difference between Ukraine and Russian society. A mutuality of historic and ethnical roots of both Slavic nations, their mutual religion and previous membership in the «Soviet nation» community are considered to be grounds for such view<sup>14</sup>.

Ethnic and cultural differences, which exist between Russians and Ukrainians, are to be equalized by means of adaptation of Ukrainian society to Russian social and spiritual environment. So, according to the Russian elite view the primary frame of reference

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<sup>14</sup> *Trenin D.* The end of Eurasia: Russia on the border between geopolitics and globalization // Carnegie Endowment for International Peace. – Washington, D.C., 2002. – P. 80.

of Ukraine's location is asymmetric internal ties. As they imagined, Ukraine had to be a subject of the internal, but not foreign policy of Russia. That's why, the Russian power-holding elite established relations with Ukraine as those between a center and periphery, considering it as a Russian province, and, of course, replicating in Ukrainian-Russian relations the stereotypes of its relations with Russian regions.

*Second.* The Russian power-holding elite realizes that Ukraine's sovereignty now and in the short-term perspective will remain a reality, and they cannot ignore it. According to this reality, they consider a model of «*restricted sovereignty*» of Ukraine to be the most optimal and acceptable for realization of Russia's national interests. Such a model allows the existence of sovereign Ukraine in a proper historic period of time, but its sovereignty should not exceed the limits of Russia's national interests, and, moreover, prevent their realization. This should be a sovereignty, which would be limited by Russian interests. Many times this model was emphasized in the thesis that Ukraine was in the exclusive sphere of Russia's vitally important interest. The restriction allows a proper level of Ukraine's independence in its foreign policy relations, especially in relations with NATO and EU. But it is foreseen, that such independence has to fit into the context of Russia's foreign policy course. It means that the foreign policy of Ukraine has to be coordinated with Russian foreign policy institutions, and to stay in a regime of the so-called manual control, which principal levers are located in the Kremlin.

*Third.* Realization of the «restricted sovereignty» model needed the creation of an entire *system of control over Ukraine's internal and foreign policies*. Creation of different integrated units, like Common Economic Space (CES), Collective Security Treaty Organization (CSTO), Union of Russia and Belarus, and forming through them a united economic, monetary, political, legal, defense, information, language, social and cultural space of the Russian state is considered to be the principal methods of such control. Kostyantyn Zatulin, Director of the CIS Countries Institute, includes democratization of Ukraine by means of its decentralization (obviously meaning disintegration. – G.P.) and federalization; providing the Russian language with national status; maintaining a mass of believers within the Orthodox Church of Moscow patriarchate, namely, church unity of both countries,

to other methods of Kremlin's control over Ukrainian internal and foreign policies<sup>15</sup>. At the same time, K. Zatulin considered existence of the above-mentioned methods as a guarantee of true friendship, cooperation and partnership between Russia and Ukraine.

*Forth.* The «*restricted sovereignty*» model provided for establishment of vertical and horizontal systems of influence on taking foreign policy decisions and management of foreign policy processes in Ukraine. First of all, it demanded making up a list of the most acceptable structures of influence – peculiar providers of Russian interests in Ukraine. As such providers, the Russian government considered political powers, business elite, regional elite, representatives of the bodies of government authorities and other players, which: first of all, had an influence in the bodies of government authority system as well as in the society; second, shared Russian integration projects; and, third, could connect its own interests with Russian interests. As a final result, establishment of the system of influence on internal and foreign policy provided for creation of a powerful pro-Russian party or another form of political movement in Ukraine, which could give an opportunity to legalize and organize the activity of Kremlin's influential structures under their protection.

In his presidential post, V. Putin tried to structure Kremlin's influence on Ukraine. Selection of providers, which could create a column of such influence, became noticeable. The Ukrainian President's administration, headed by V. Medvedchuk, the government of Ukraine, centrist faction in the Parliament, which represented two out of three of the most powerful Ukrainian clan-nish-oligarchic groups – Kyiv and Donetsk, became the principal components of the column of Russian influence in Ukraine. Thus, on the one hand Kremlin's attention was concentrated on engagement of institutional mechanisms of Ukraine's government superior bodies, and, on the other hand, on nurturing of business interests of Ukrainian clannish-oligarchic groups.

The Kremlin was building horizontal channels of influence through corporate relations of Russian business elite with Ukrainian business partners and officials in Ukrainian govern-

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<sup>15</sup> *Zatulin K.* Struggle for Ukraine: what to do? // Russia in a global policy. – 2005. – Vol. 1. – № 1, January-February. – P. 80.

mental organizations. Attempts to establish horizontal channels of influence by means of creating political projects, connected with creation of pro-Russian political parties in Ukraine, have been thus far futile. A religious project, represented by Moscow patriarchate and its Orthodox organizations in Ukraine, can be considered a rather successful channel of influence<sup>16</sup>. The principal agencies, which were responsible for implementation of the above-mentioned model were such Russian secret services as FSS (Federal Security Service) and FIS (Foreign Intelligence Service).

However, the Ukrainian Orange Revolution of 2004 destroyed these quite systematic plans for implementing the reintegration model of Russian-Ukrainian relations. The «restricted sovereignty» doctrine of the Russian Federation's policy regarding Ukraine, remained on the agenda conceptually, but the implemented mechanisms and the means by which it could be established no longer worked. Moreover, Russia considered Ukrainian Orange Revolution and the Georgian «Roses» Revolution as a massive attack of the West on its geopolitical defense and Putin's authoritarian regime. As Andriy Okara, a famous Russian political scientist, notes: not occasionally «the peaceful Orange Revolution was taken by Russia with the existential fear, as a threat to Russian sovereignty, and the Ukrainian forerunner of the «Russian uprising», which according to Pushkin was «senseless and merciless», as a challenge to Volodymyr Putin's political regime and fundamentals of the Russian state<sup>17</sup>.

From 2004 Russian leaders faced a need not only to change its foreign policy strategies, but to modernize Russian statehood itself. The last four years (2004–2008) became a period of such modernization. What did it provide for and what did it represent in economic, political, humanitarian and geopolitical dimensions?

As before, in general its meaning came to finding up-to-date necessary correlations between political authority and property. During Yeltsyn's period, things moved from the state authority to property, meaning that if one had state authority, he/she had

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<sup>16</sup> Charlemagne Patriarch Alexy, a powerful Russian // *The Economist*. – 2002. – April 27. – P. 35.

<sup>17</sup> *Okara A.N.* Ukrainian discourses and Russian paradigm. Optimal model of Russian-Ukrainian relations as a political, cultural and social and philosophic problem // *Politiya*. – 2007. – № 3. – P. 9.

access to privatization of the state property. In the first period of V. Putin's government (2000–2004) this movement reversed: from private property to the state authority, and meant establishment of state control over property. In the second period, V. Putin decided to *unite private property with the state authority*, to create a type of symbiosis of authority and property, to unite them into one political and economic institute, which Russian political scientists afterwards called the «*state-corporation*».

The state-corporation represents a political regime, where we can see the existence of a monopoly for political power as well as for private property. Business is subordinated to political interests, and can be used as a political and economic resource at the same time. Due to this, Russian authority can mobilize and concentrate all available material and economic resources in its hands, and, also, use them for the realization of internal as well as foreign political interests. In this way, Russian business becomes a part of politics. At the same time, public administration of the country is formed by rules of business management. Business management rules become a part of public administration. This newly adopted Russian type of the state-corporation is similar to the twofaced Janus, when, disguised as business, the Russian state can capture through private corporations all segments of another country's economy under conditions of private business and market rules, and to turn them into a part of Russian state property.

At the same time, we can see that interests of Russian business, which is simultaneously private and state, underlie the Russia's foreign policy interests. In such state not middle class or oligarchs, but the *nomenklatura* become a managing class in the society. In such state, officials are simultaneously government officials and businessmen. Their business interests are inseparable from their official public duties. In this situation, corruption loses its meaning because it becomes systemic, i. e. a part of the public administration style.

«Gazprom» became a prototype of such a state-corporation for V. Putin. As V. Portnikov, the famous journalist wrote: «Russia of Putin's era turned from a state into a corporation, and «Gazprom» became a state. This is the state, which gradually defends its interests in such way, in general, as countries, but not corporations, usually do, using the whole Russian machine (of public administration. – *author*). Russian interests are often



guided by the corporate considerations, as, for example, «Gazprom's». The state and corporation exchanged their roles»<sup>18</sup>.

Following «Gazprom» template, from 2004 to 2008 V. Putin built large Russian state holdings in all leading segments of the economy, and tied them in one corporation – The United Administrative State Company. Thus, on the basis of the «Rosoboronexport» intermediary, almost all Military and Industrial Complex's assets were consolidated, which led to the appearance in Russia of a massive armament producer with a monopolistic export channel and elements of production diversification. Enterprises, which resist such consolidation, stay without government orders<sup>19</sup>.

The most powerful aviation enterprises, such as «Sukhoi» company, «Aviaexport», «Illyushyn», «Tupolev» are consolidated into the «United Aircraft Building Corporation» (UAC). By 2015 similar corporations will be created in shipbuilding, automotive, engine production and gunpowder sectors. A law on creation of a large corporation, which will unite nuclear-power generation units and nuclear machine engineering building enterprises, has already been adopted.

In this way, through concentration of large Russian sectoral holdings in one state corporation, Putin created a parallel center of the state power in Russia. Two centers of power have now been created in Russia: state and corporation, which live like Siamese twins, which obviously need to have two heads to manage them. To ensure high performance of such a hybrid, which has been created from state-corporation, it is necessary to make these two heads act simultaneously so that each of them could take upon itself all the functions and responsibilities of public administration, for example, in case when one of them stops working. Thus, they both can work synchronously, and can stay in such a regime, when one of them is the principal and the other is in reserve. Such a two-pronged system represents «jointly-run vessels», «co-piloted» fighter», when both pilots can control air flight together or by turn.

Such a two-pronged system secured for V. Putin a possibility to stay in the Russian government, even after quitting the RF presidential post. In the Prime-Minister position under such state

<sup>18</sup> *Portnikov V.* Why Medvedev? – K.: Samlit-Book, 2008. – P. 39–40.

<sup>19</sup> *Khrabry O.* Irreplaceability syndrom // *Expert.* – 2007. – № 20. – P. 56.

system, he saved all necessary means of influence on the country's management. This system obviously foresaw introduction of another man, similar to V. Putin, to the state-corporation's administration system; but this man would not compete with him. Dmytro Medvedev was such a man. He had experience in administration of such a corporation as «Gazprom». With a good track record of a manager of the corporation, he now has become a trainee and the first pilot of Russian state aircraft under the mentorship of V. Putin's, the experienced instructor, who, if necessary, can take upon himself the steering wheel and the first pilot's functions any time.

Such type of state loses the need for providing life activity of the society, serving the people; it fulfills only those functions, which are delegated to it by the society. In general, these functions are the establishment of rules of social interaction, and ensuring its security and prosperity. Usually, such limited functions are endemic to democratic states. The state-corporation, which has been created by Putin, unites functions of a sacred center in the nation's life, which embodies principles and practices of ideocracy with functions of setting strategic tasks and goals to the country and mobilization of people to fulfill them. As a rule, these functions are held by an empire. Thus, Putin's creation is nothing more than a modernized empire. And, by definition, an empire is «a state with goals exceeding the limits of elementary support of its self-existence and growth of prosperity of its subjects. Availability of such goals directs development and makes it deliberate»<sup>20</sup>. Consistently, high ratings of V. Putin's and D. Medvedev's support even under conditions of deep financial and economic recession in Russia at the end of 2008 completely prove the existence of empire values in Russian society.

Capture of a neighboring geopolitical space is an integral feature of such a state-empire. «The empire's purpose is not robbery and use of the resources of a territory under its control. Its purpose is the development of adjacent areas in accordance with its perceptions of the correct arrangement of life styles and state order»<sup>21</sup>.

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<sup>20</sup> *Yuryev M.* Mixture of ideocracy and imperial paternalism is the only variant of state structure for Russians // *Russian state: yesterday, today and tomorrow* / Under I. M. Klyamkin's general edition. – M.: New publishers, 2007. – P. 170.

<sup>21</sup> *Ibid.*

Therefore, the external direction of such empire state-corporation's activity leads to pursuit of the aggressive expansionist foreign policy course.

Thus, D. Medvedev's election to the post of the Russian Federation President in 2008 became the logical completion of the building of a new state machine – a modernized empire state-corporation, whose foreign policy aggressiveness was clearly indicated during 2008 and culminated in the five-day August war of Russia against Georgia.

### **Russia abandons its defensive stances and launches a full geopolitical counter-offensive on Europe**

The new model of the Russian state was asking, hence, for a new conceptual framing of its foreign policy. Key provisions of the concept of this foreign policy were embodied in the so-called Medvedev Doctrine. The foreign policy implications of the Doctrine may be set forth in a few statements. The United States are losing their central position, and therefore, their dominating influence in the world. As the system of international relations begins to disintegrate, the monopolar world is transforming into a multipolar world, as a result of which four to five global leaders are likely to emerge, one of which should be Russia with its own regional sphere of influence. This situation opens before Russia a window of opportunities to revise outcomes of the collapse of the USSR, revisit results of the cold war and get reinstated as the world's superpower. Russia's sphere of dominance will be the whole Eurasia, which will include Europe. This high-flying goal shall be achieved in two stages. First stage includes restoration of Russia statehood on the post-Soviet territory. At the second stage Russia will abandon its defensive stances and launch geopolitical counter-offensive on Europe. Global financial crisis will contribute to rapid weakening of the West. The single world market will disintegrate into a few regional markets, with each beginning to shape its own financial and payment system. Russian ruble must become one of the world's reserve currencies of such regional financial system<sup>22</sup>.

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<sup>22</sup> Ruble is prepared to become a world's reserve currency, while the world is not // NEWSru.com : October 3, 2008. 08:05. – [http://www.newsru.com/columnists/03oct2008/rubl\\_print.html](http://www.newsru.com/columnists/03oct2008/rubl_print.html).

In opinion of Russian authors of the concept this global financial and economic crisis is bound to end up in the profound changes of the existing world organization. **Enfeebled by the crisis, the West will be forced to abandon the distant periphery and reduce its presence everywhere.** «This is bound to happen with America. Inside America and European Union, the respective weakening may be almost unnoticeable by the naked eye, however, somewhere in Georgia it will immediately become very obvious. And once it begins to happen, as soon as the Russian authorities are 100% sure that in no way America is able to come to Georgia's rescue, Russia will begin to prepare a war with Georgia. And not only with Georgia. There will be no doubts and no debates, since the only force restraining Russia is America only and no one else»<sup>23</sup>. And we saw that these predictions were fully realized in August 2008.

Further, accents of the new Russian foreign policy doctrine presume that in circumstances of such enfeeblement of the West, Russia may capture the whole of Europe. «Europe will have no chance to preserve its sovereignty in the absence of American aid. Today's Europe lacks even the will to resist. It is unable to fight anyone, any time and in any circumstances»<sup>24</sup>. **If this is the scenario, Russia has to help Germany and France to put US out of Europe and take over leadership and dominance in the European continent.** This campaign to the West opens up possibilities to integrate into the Russian space not only the Central and Eastern part of Europe, as the Soviet Union had once managed to do as a result of the WWII, but the entire European continent. However, first of all, Russia must regain from the West or pick up, if the latter withdraws, **the European part of the Post-Soviet terrain.** This primarily refers to Ukraine.

So, this global geopolitical context, as well as the new type of the Russian state-corporation, bring forward the need to introduce a new model of relationship with Ukraine, which may be called a **restoration model.** Main goal of this model must be, obviously, to *arrange things inside Ukraine in line with the Russian perceptions of the «right» political, social and economic life styles, as well as the state order.*

<sup>23</sup> Yuryev M. The natural model of the state structure for Russians is a combination of ideocracy and imperial paternalism // Russian state: yesterday, today and tomorrow . – P. 176–177.

<sup>24</sup> Ibid. – C. 174–175.

Moreover, this goal is not only regarded in the context of building Russia as a world's power, but as part of a vast global geopolitical project related to the arrangement of a new world order in accord with Russian conceptions, i.e. the so-called multipolar world.

Realization of the new global project must be based on five key principles, set forth by D.Medvedev in his foreign policy doctrine.

1. Russia has to recognize the primacy of the fundamental principles of international law.

2. The world must be multi-polar.

3. Russia does not want confrontation with any other country. Russia has no intention of isolating itself.

4. Protecting the lives and dignity of our citizens, wherever they may be, is an unquestionable priority for our country. Our foreign policy decisions will be based on this need. We will also protect the interests of our business community abroad. It should be clear to all that we will respond to any aggressive acts committed against us.

5. As is the case of other countries, there are regions in which Russia has privileged interests. These regions are home to countries with which we share special historical relations and are bound together as friends and good neighbors. We will pay particular attention to our work in these regions and build friendly ties with these countries, our close neighbors. These are the principles I will follow in carrying out our foreign policy.

«This is what I will keep in mind while pursuing our foreign policy», stated D.Medvedev, President of Russia, speaking in the «Bocharov Ruchey» residence in Sochi on August 31, 2008 after Russia had recognized independence of Abkhazia and South Ossetia<sup>25</sup>. Regardless their triviality, these principles have a rather deep and covert implication. Interpreted by the Kremlin theoreticians and creators of this doctrine, these principles reveal how odious and versatile this Russia's foreign policy project is.

Thus, international law, referred to in the first principle, is a function or projection of the status quo power balance between «major political players». «In fact, Russian President says: regardless that the balance of powers shifted towards a unipolar

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<sup>25</sup> Bocharov Ruchey (Sochi). – August 31, 2008. – РИА. – [http://www.rian.ru/trend/Medvedev\\_statement\\_Russia\\_Osetia\\_Abkhazia\\_26.08.2008](http://www.rian.ru/trend/Medvedev_statement_Russia_Osetia_Abkhazia_26.08.2008).

world, we will insist on some form of bi-polarity. And this is a very critical issue. It actually means, that we refuse to accept Russia's defeat in the «cold war». This was a misconception, says Medvedev, it wasn't a defeat, just a temporary retreat. And now in Tskhinvali we have demonstrated that we impersonate the other pole, which resolutely throws challenge to the new world order which is now constructed. In other words, what is concealed under the first thesis by Dmitry Medvedev is a geopolitical revolution (a revenge – *author*). Explicitly, Russian president just defends the legal status quo, however, implicitly, he calls to a geopolitical revolution, to the restoration to a smaller or greater extent of a counterbalance to the American pole»<sup>26</sup>. In other words, this thesis drives at, first, the revision of the «cold war» results and the global architecture in place after its termination, and the international law, which underpins the system of security and international relations, which had come into being in the post-bipolar period. Secondly, after a temporary retreat, **Russia embarks on a geopolitical offensive on the West**, in an effort to gain geopolitical revenge for its brief withdrawal. The goal of such offensive (geopolitical revolution) is restoration of its former influence on the European continent, the influence that had once been exerted by the Soviet Union, restoration of the second pole in the person of Russia, which has to counterbalance the American pole. Third, having achieved self-sufficiency, Russia builds its foreign policy being free, sovereign and independent not only from external pressure, but also from international law, which had guaranteed international security. And it's on these grounds that it justifies recognition of independence of South Ossetia and Abkhazia, blatantly infringing the principle of countries' sovereignty and territorial integrity as an obsolete principle inconsistent with new realities. It recognizes the international law which will be composed to accommodate its own interests taking into consideration its strength and the new balance of powers which will be built in its favor. Such international law must be based on the projections of Russia's power.

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<sup>26</sup> Presentation of Aleksandr Dugin, Director of the Center of Conservative Research, Faculty of Sociology, Lomonosov Moscow State University, at a round table «Five Principles of Russian Foreign Policy: multipolarity as an inevitability». – <http://www.sorokinfond.ru/index.php?id=462>.

*The principle of multipolarity* means: first, that Russia has its own spheres of influence in the world; second, that the principle is directly aimed against USA. Russia is challenging the power of the United States of America. In fact, according to this principle, Russia's foreign policy must be counterforce in nature. Force becomes the basis of its foreign policy. Victory in the war over Georgia convinced Russian leadership in the efficacy of military force. «If we entered into South Ossetia and Abkhazia, then we demonstrate that we intend to protect the model of Yalta armistice further by coercion, and this is the most important thing, because everything is done coercively. Force is the basis of law. For American establishment, the word «multipolarity» is an absolutely unacceptable revolutionary vanguard pank-politological term. In essence this is a call to America to give up all achievements, which it has accomplished in 19–20 centuries, and together with the West, in the 21<sup>st</sup> century. In fact, this is a self-defeat and call to self-liquidation. But in America this is unacceptable, especially with the influence of conservators of various models (from soft partisans to hard-liners) existing there. That's why Dmitry Medvedev's call to multipolarity should be interpreted as a declaration of war to America. Therefore, of unipolarity is a US project, the multipolarity means a war with the United States of America»<sup>27</sup>.

This impudent assurance is based on an assumption that United State will not oppose Russia's military expansion on the post-Soviet territory, as long as countries of this region have not joined NATO and until Russia possesses nuclear weapons. EU and Europe are too weak and timid to challenge Russia's actions. To scare them is enough to make EU agree to any terms offered by Russia. Denial of NATO Membership Action Plan to Ukraine and Georgia at 2008 Bucharest Summit and a small victorious war in Georgia have only contributed further to this confidence.

After Georgia, the Kremlin's military and political activity has shifted to Latin America, closer to US borders. During a visit to this region of I. Sechen, RF Vice-premier in mid September 2008, issues on agenda included development of allied relations with Venezuela

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<sup>27</sup> Presentation of Aleksandr Dugin, Director of the Center of Conservative Research, Faculty of Sociology, Lomonosov Moscow State University, at a round table «Five Principles of Russian Foreign Policy: multipolarity as an inevitability». – <http://www.sorokinfond.ru/index.php?id=462>.

and Cuba, which, from the standpoint of the Kremlin «will become a tit-for-tat response to the US activization in the Post-Soviet area»<sup>28</sup>. After this visit, naval maneuvers were held with participation of the military fleets of Russia, Venezuela and Cuba.

As if to further develop such convictions, in his message to the State Duma on November 5, 2008, D.Medvedev promised to refuse from liquidation of three missile regiments, deploy Iskander missile systems in Kaliningrad oblast and perform radio electronic suppression of American AMB system, allegedly in response to the deployment of American ABM components in Poland and Czech Republic. Although Iskander missiles must be targeted at EU countries, not at USA.

On the other hand, in opinion of Russian ideologists, Europe should be in favor of multipolarity, because it opens chances to EU to be an independent power center without USA tutelage. With this principle Russia demonstrates its readiness to help such countries as Germany and France, to liberate Europe from US presence.

Second principle indicates the need to ideologize Russia's foreign policy, because creation of any anti-American union will be impossible without ideological filling. Naturally, Anti-Americanism should become the core of this ideology because anti-Americanism appears to be the common ideological framework which Russia may find in Europe, in Latin American, and in Asia, especially in the Muslim world. As for Europe, the ideological filling of Russian foreign policy will not be restricted to Anti-Americanism only, it will also include stripping Europe of its current ideology with simultaneous instilling of Russia's own ideology and making it accept Russia's authoritarianism. Russia is going to make Europe face a dilemma: democratic values vs. stable relationship with Russia. Obviously, EU has selected stable relations. It is these stable relations that will be the foundation on which the new system of collective European security without NATO will be built, exclusively on the basis of a new balance of power. Apparently, D.Medvedev ardently convinced Ms. Merkel, Chancellor of FRG, during his visit to Berlin in summer 2008 particularly in the need for such a system<sup>29</sup>.

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<sup>28</sup> Vedomosti. – 2008. – September 18.

<sup>29</sup> Mukhin A. A new Medvedev // Kremlin.ORG. – 2008. – July 10.



Those European countries, which agree to pursue their policy in congruence with Russia's foreign political interests, are promised various preferences, anything from reliable supply of energy resources to opening Russian markets for their goods and investments. In Germany, D. Medvedev offered to set up international consortia of representatives from Russian and European countries, and from the so-called «transit countries» to operate transit pipelines. In doing that, Russian investors should come to Europe and play by clear and not discriminatory rules. Moreover, Russia is ready to accept a module of relationship with Germany as a template for all other European countries<sup>30</sup>. All others should be understood primarily as France, Italy, Greece, Bulgaria and Hungary.

In the core of *third principle* lies the thesis that Russia has no intention to confront the countries which yield to its interests, including USA, if the latter, for a start, quits supporting Ukraine's sovereignty and its aspirations for NATO membership, and if US recognizes Ukraine a part of Russia's sphere of influence. Also, Russia will not block routes of support for NATO mission in Afghanistan and will be more considerate relative to Iran's nuclear program, if US gives up its intentions to place its ABM components in Poland and Czech Republic.

«In other words, that Russia wants no confrontation with none of the countries means that Russia will attack aggressively and arrange a multipolar front, including with forces that multipolarly exist in Europe, USA, and, most importantly, in Asia, in the Arab world, as well as in Africa, Latin America and so on. Our bombers staying now in Latin America, demonstrate how exactly we are not going to isolate ourselves. That's why, it is of crucial importance for us to have military bases close to America, capable to deal a nuclear blow to America, similarly to the American military objects existing nearby Russian Federation's borders. That's how we have no intention to isolate ourselves»<sup>31</sup>.

Adepts of the Medvedev Doctrine admit that Russia borrowed the *fourth principle* from USA and Israel, the countries which interfere with internal affairs of other countries whenever security of

<sup>30</sup> Mukhin A. A new Medvedev // Kremlin.ORG. – 2008. – July 10.

<sup>31</sup> Presentation of Aleksandr Dugin, Director of the Center of Conservative Research, Faculty of Sociology, Lomonosov Moscow State University, at a round table «Five Principles of Russian Foreign Policy: multipolarity as an inevitability». – <http://www.sorokinfond.ru/index.php?id=462>.

US citizens there is under jeopardy. «Our president Dmitry Medvedev opts to be like America. While America is building a unipolar world having no qualms that somebody may be hurt by this, Russia will be building a multi-polar world no matter what it costs. America exercises the right of integration, but since this right can no longer be challenged, we also exercise it. They are talking about intrusion, and we are talking about intrusion. And, by the highest standards we warn everybody, that if, for example, in Ukraine or in Moldova, or elsewhere, say, in the Baltic countries, local governments dare to encroach on interests of Russian citizens or Russian population overall, Russia reserves the right to act along the lines of American and Israeli scenario. I.e. to be not with America, but like America»<sup>32</sup>.

Therefore, according to this principle, Russia retains the right to interfere with internal affairs of Ukraine, including usage of military force or a military intervention. Rights of Russian citizens or Russian population, which, apparently is understood as all Russian-speaking population of Ukraine, or Russian business interests are viewed as sufficient ground for such intervention.

*Fifth principle*, as construed by Russian ideologists, points at the zone of Russia's geopolitical responsibility. «When the president says that Russia has privileged interests in regions with which it has friendly relations, it means that this territory is under Russia's control. Moreover, someone, who dares to contend it, throws a challenge not to this country, but challenges Russia with its nuclear weapons. This is what they call «the zone of geopolitical responsibility». Contrary to USA, Russia does not declare the whole world as such a zone, – we are a small modest version of America on the level of all Eurasian continent, but not the whole world. Consequently, it means: Russia is a full fledged geopolitical regional state with its own strategic interests lying beyond its boundaries»<sup>33</sup>.

So, Russia's new foreign policy doctrine is aimed at a more aggressive and proactive foreign policy compared to Putin's doctrine which was focused on responses to challenges. Clearly, Ukraine is the focal point of Russia's «geostrategical responsibility».

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<sup>32</sup> Presentation of Aleksandr Dugin, Director of the Center of Conservative Research, Faculty of Sociology, Lomonosov Moscow State University, at a round table «Five Principles of Russian Foreign Policy: multipolarity as an inevitability». – <http://www.sorokinfond.ru/index.php?id=462>.

<sup>33</sup> Ibid.

### **Russia declared Ukraine the focal zone of its «geostrategical responsibility»**

Medvedev Doctrine as initially conceived by the creators, has to perform an ideological (world view) and guiding functions, and also play a mobilization role. It has to mobilize the society to make a huge progress in the construction of a multipolar world. Importance of this thesis is evidenced by findings of a sociological survey conducted by the Public Opinion Fund «FOM» on August 23–24, 2008. In opinion of 80% of surveyed Russians in many regions across the country, «modern Russia can be called a great country»; 69% of respondents believed that Russia's foreign policy is «rather effective»; and the prevailing majority of respondents – 82% – stated that «Russia should aspire to become the most influential country in the world»<sup>34</sup>.

Clearly, backed up by such militarist perceptions prevailing in Russian society, Medvedev Doctrine also serves certain goals of internal policy. As was noted by columnists of a Russian magazine «The New Times»: «Inside the country, choice between reforms and mobilization seemingly has been made in favor of the latter. Naturally, members of the governing duumvirate believe that a third option is also possible, something like «mobilization modernization» in circumstances of «light» isolation from key states and institutes of the western world»<sup>35</sup>.

Hence, following the states principles, the Medvedev Doctrine sets up before Russia's foreign policy a range of quite complicated and controversial objectives.

1. Oppose to USA in all areas of international relations.
2. Eliminate presence of US interests in the post-Soviet space.
3. Force US out of Europe by supporting Germany's and France's anti-American steps.
4. Put an end to NATO expansion, localize and discredit its activities and expel it from the new security architecture in Europe.
5. Split and weaken the EU by building a geopolitical axis Moscow-Berlin-Paris and pursuing preferential policy toward

<sup>34</sup> Hard line stance backed as views of US hit new low // Financial Times. – 2008. – September 23.

<sup>35</sup> *Albats Ye., Kolesnikov A.* Price of turning the screws // The New Times. – 2008. – № 35. – September 1. – P. 4–6.

those countries which act in line with Russia's interests, and putting coercive pressure on countries which pursue their independent policies.

6. Feeble ideology of the European Union and replace ideological foundation of relations with EU countries with purely pragmatic interests.

7. Ensure geo cultural and globally ideological expansion<sup>36</sup>.

8. Ensure monopolization of European energy market by establishing control over energy resources, access to markets and transport routes, and achieving competitive dominance.

9. Ensure implementation of corporate interests of the Russian state and Russian businesses.

10. Facilitate transformation of Russian ruble in a world's reserve currency.

11. Build a continental geopolitical arc along the axis Paris-Berlin-Moscow-Beijing-Delhi-Tehran. Russia and Germany, as strategic partners, have to be coordinators-bridges on the Eurasian ground<sup>37</sup>.

In the long run, the Continental Arc will be made of the European Union (on the basis of France and Germany), Eurasian Rus (on the basis of Russia), Great China (on the basis of China), and the Great India (on the basis of India and Iran)<sup>38</sup>. That's why, a strategic objective of Russia's foreign policy is the comprehensive development of cooperation under Shanghai Cooperation Organization and interaction with EU.

Apparently, that Ukraine is in the epicenter of this Russia's geopolitical responsibility. Therefore, fulfillment of tasks standing in front of Russia's foreign policy in the international arena, will simultaneously mean creation of foreign political conditions for realization of the restoration model in relationships between Ukraine and Russia.

In this context, *objective number one* of Russia's foreign policy is **to isolate Ukraine from US support**, ruin strategic partnership between USA and Ukraine, pressure Ukraine to adopt and

<sup>36</sup> Danilov P. A hundred days of Dmitry Medvedev // Kremlin.ORG. – 2008. – 17 July.

<sup>37</sup> Panarin K.N. From United Russia to Eurasian Rus. – www.panarin.com.

<sup>38</sup> Ibid.

pursue anti-American policy both inside the country and in the international arena, make USA recognize Ukraine as part of Russia's sphere of influence in exchange for loyalty to manners in which USA addresses its most pressing problems (Iraq, Iran, Afghanistan, the Middle East). It is no wonder that Russian MFA reacted so harshly and morbidly to signature of the Ukraine-USA Strategic Partnership Charter and the Ukraine's Energy Security Agreement in 2008.

*Objective number two is to prevent Ukraine's accession to NATO and terminate Ukraine's cooperation with the North-Atlantic Alliance.* Russia handles this objective by building a bloc from such countries as Germany, France, Italy and Belgium to oppose Ukraine's prospects of NATO membership and by exerting overt pressure on those countries of the Alliance that do support Ukraine's Euro-Atlantic integration course.

*Objective three is to bring Ukraine into disrepute in the eyes of the global community,* as an unreliable partner, a state that did not realize, is an instable and unpredictable neighbor of the EU, a country which cannot exist independently and should not be sovereign.

*Objective four is to deprive Ukraine of any ways to ensure its defense and security, other than through Russia.* Destruction of GUAM and Baltic-Black Sea cooperation.

The ultimate goal of the **Restoration project** is not the gradual rapprochement and pulling of Ukraine, as well as other Post-Soviet countries, to Russia via any integration projects. Rather, it is in the **replication of Russia in Ukraine**. We are talking about turning Ukraine into a part of Russia. As noted Josef Joffe, senior academic associate of the Stanford University's Institute of Foreign Relations, analyzing foreign policy course of the Kremlin under President Medvedev's leadership: «Forty years ago Brezhnev's doctrine announced that «socialist countries cannot cease being socialist» and this became the pretext for intrusion which smashed the «Prague spring». Are we going to eventually have Putin doctrine say that «what belonged to Russia, cannot cease belonging to it?»<sup>39</sup>.

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<sup>39</sup> *Josef Joffe*. The Rise of the Putin Doctrine // Newsweek. – August 23. – № 36. – 2008.

Ways of such replication in the economic area are: taking over the economy, infrastructure, including gas transit facilities, into the state ownership of the Russian Federation; in political area it is the dilution of Ukraine's state sovereignty and liquidation of the democratic regime in the country; and formation of a puppet government in Ukraine; in the humanitarian and cultural area – banning of rebirth of the nation's historical memory particularly, and renaissance of the Ukrainian nation in general, displacement from Ukraine's information and cultural space of Ukrainian language and culture and ensuring prevalence of the Russian language and information resources, propagating of the Russian state ideology and Russian political thinking stereotypes in Ukraine's population' public mind, and formation of «little Russian» identity of the Ukrainian society.

### **Medvedev Doctrine and the Restoration Model of Ukrainian – Russian Relations**

That Russia will be guided by the Medvedev Doctrine in its bilateral relations with Ukraine goes without saying. First principle will have a bearing on the new interpretation of the Big Treaty. Since it had been initially based on the integration model of Ukraine-Russia relations, today it does not meet new requirements to Russia's foreign policy. Russia may want to give up attempts to pull Ukraine in any integration unions, such as CES, Collective Security Treaty Organization (CSTO), CIS, EurAsEC no longer recognizing importance of such integration unions on the post-Soviet area. Moreover, according to experts, Russia is pursuing the course of dismantling these inefficient organizations. This is particularly the case with CIS<sup>40</sup>. Thus, Russia has unilaterally quit such important treaties, as Convention on Protection of Investors Right, Interstate Security Market Agreement, Protocol on Assistance to Refugees, Decision «On measures to regulate conflict in Abkhazia, Georgia», signed on January 19, 1996 by Heads of ten CIS member-countries and approved by the Statement of the Chair of the Board of CIS States on September 19, 2003.

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<sup>40</sup> *Khrabriy O.* Syndrome of Irreplaceability // *Expert.* – 2007. – № 20. – P. 56.

Moscow has also finally given up integration plans of EurAsEC at its own cost: it failed to close treaties on common energy markets, common transport space and international industry development programs<sup>41</sup>. No progress has been achieved by the Customs Union. The union of Belarus and Russia no longer fits in the new restoration model. Instead, having given up supra-national structures, Russia began putting under its direct control lower national segments of other countries, which could participate in realization of these integration projects. In the first place, it concerns economy, banking system, transport infrastructure and segments of defense and security. Thus, in such union as CSTO Russia takes national armies of its country-members under its own command<sup>42</sup>. For example, it was decided to create a common Armed Forces System in the Central Asia made up by CSTO countries.

It all means that Russia has embarked on a full-scale revision of the legal framework underpinning relations with CIS countries. How is this revision likely to impact the Big Treaty with Ukraine? Obviously, Russia will try to downgrade effect of the provisions of the Treaty which deal with the state sovereignty, territorial integrity and inviolability of Ukraine and in parallel, insist on broader interpretation of provisions and on the closure of additional agreements on issues of security (article 6) and humanitarian issues (articles 11 and 12), as well as on various areas of economic cooperation, since economic cooperation and cooperation in humanitarian area may be used by Russia as conditions for realization of the restoration model. Leaning on these provisions, Russia may want to draw a new legislative framework, which would to a fuller extent suit Russia's new status quo, and a new balance of power with Ukraine in the new restoration model of such relations.

These treaties will be closed according to the principle of power and on the basis of power. In texts of these treaties Russia will try to remove references to international documents evidencing Ukrainian state's subjectivity in international relations and in international law. These new draft treaties will relate to prolongation of the term

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<sup>41</sup> *Khrabryi O.* Syndrome of Irreplaceability // *Expert*. – 2007. – № 20. – P. 56.

<sup>42</sup> Presentation of Aleksandr Dugin, Director of the Center of Conservative Research, Faculty of Sociology, Lomonosov Moscow State University, at a round table «Five Principles of Russian Foreign Policy: multipolarity as an inevitability». – <http://www.sorokinfond.ru/index.php?id=462>

of RF Black Sea Fleet location on the territory of Ukraine, advocating rights of Russia's citizens and Russian-speaking population in Ukraine, functioning and status of the Russian languages and preferences for Russian businesses in Ukraine. At the same time Russia is going to evade from legislative fixation of the state border with Ukraine.

Principle of multipolarity will add to Ukraine-Russian relations anti-American flavor, attribute Ukraine to Russia's sphere of influence, both in the bilateral relations in the internal policy, and in international rapports with other countries globally. In the international arena Russia is going to position itself as a «patron» of Ukraine, which falls within the Kremlin's area of geostrategic responsibility. Simultaneously, this multipolarity will be viewed as a war for Russia's sphere of influence and liberation of Ukraine and its neighbors from the western influence.

Based on such primacy, Russia will continue its confrontation policy with Ukraine, viewing it as well as other countries bordering with EU and NATO and Russia, as its hostile environment. Thus, Poland, Baltic countries, Ukraine and Georgia are considered US puppets, and hence, as long as they are sovereign states, hostile for Russia. Opinion polls of Russians in 2008 demonstrate that the list of countries antagonistic to Russia was topped by USA – 33.3%, then Georgia – 31%, while Latvia was recognized hostile by 18% of respondents<sup>43</sup>. 52.6% of Russians reportedly treat Ukraine badly, while 21% of respondents called Ukraine one of the countries with which Russia has the most hostile relations. It's interesting, that in Ukraine only 8.9% of respondents have hostile attitude to Russia<sup>44</sup>.

Russia's leadership uses the image of enemy shaped of Ukraine also for internal purposes, e.g. for mobilization of the population for fight with external challenges, to distract the public from internal problems and consolidate the society around Russia's government, and for strengthening of authoritarian regime in Russia. As Liliya Shevtsova, a prominent Russian political scientist, notes «Russia's war with Georgia in 2008 became

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<sup>43</sup> *Magomedova M.* Who's not with us, is against us? Russians named allies and «enemies» of our country // *Noviye Izvestiya*. – www.newizv.ru. – 2008. – June 18.

<sup>44</sup> Over a half of Russians have bad attitudes to Ukraine // *Correspondent.net*. – 25.09.08.



the last accord in the formation of anti-Western vector of the state, and, simultaneously, a final stroke in the consolidation of a new system. <...> August events confirmed one simple truth: foreign policy in Russia became a tool of implementation of internal policy agenda. <...> The August war makes absurd any discussion of the question, who rules Russia and what relations exist inside the governing tandem Medvedev-Putin. Medvedev has put on Putin's service jacket and become a military President, and so he had to finish the epoch in the country's development initiated by Mikhailo Gorbachev»<sup>45</sup>.

Thus, Russia's confrontation with Georgia, Ukraine and Baltic countries is aimed to justify existence of the authoritarian regime and strong government in Russia. It is no coincidence that V.Putin was elected as Russia's President against the backdrop of the second Chechen war, and D.Medvedev received an image of a strong president of Russia against the backdrop of the war with Georgia. Therefore, Russia's foreign policy towards Ukraine is a projection of its internal policy and those processes that go on in Russian Federation. Such projection determines the conflict-prone nature of Ukraine-Russia relations. Gennady Nadtoka, a doctor of History, writes: «On the bilateral level this conflict is primarily ethnonational in nature, since it is based on the actual unrecognition by Russia of Ukrainian national identity and its attributes and on the cultural theory of three-common-Russias. Conflict of interests is political because Ukrainian sovereignty is interpreted as a geopolitical pseudomorphosis. Finally, the conflict is gaining civilizational features due to differences in confessing by the majority of citizens in both countries of political and legal values»<sup>46</sup>.

So, orientation of Russia's foreign policy toward Ukraine is explained by: first, conflict of interests between two countries in the economic, political and humanitarian areas; second, nature and interests of the new model of Russia's state as a state-corporation. What objectives and instruments to address these objectives, in view of the said circumstances, are typical for Russia's policy in its relations with Ukraine?

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<sup>45</sup> *Shevtsova L.* End of the Epoch. Antithesis to Gorbachov // *Vedomosti*. – 2008. – September 17.

<sup>46</sup> *Nadtoka G.* Nature of contemporary Ukraine-Russia relations and ways of formation of a new cooperation model // *Ukraine and Russia in the political space of "the united Europe"*. – P. 54–55.

Judging from the nature of this Russian state-corporation, the whole foreign policy of Russia will imply the **absorption of political power and ownership in Ukraine**. Due to this two-pronged goal, it is very difficult to detach economic objectives of Russia's foreign policy from purely political.

However, in the **economic area** objectives are the following:

- gaining control over Ukraine's gas transit system, of its internal infrastructure and national gas market;
- taking over ownership of the key segments of Ukrainian economy, its export-oriented, high-tech and machine building industries;
- setting up control over the country's banking and financial systems;
- assist Russian businesses in obtaining preferences.

To implement these objectives, Russia intends to use a mechanism of action and resources of the state-corporation. Taking advantage of market mechanisms and openness of Ukrainian economy, Russia may begin purchasing stock of strategically important businesses or seize them for debt. Such Ukrainian businesses, which will be passed on to Russian businesses, in due course will become a part of Russia's government ownership.

In 2008, Russia began a thorough testing of a model of inclusion of strategic businesses into the structure of Russia's sectoral state-owned holdings. Actually, Russia is restoring sectoral linkages, which existed during USSR, by means of taking them out of the national jurisdiction and subordinating them to Moscow. Such giants of Ukrainian industry, as Lugansk Locomotive Plant and Kharkiv Transportation Plant have already become parts of such chains. Illychivsk sea port and Odessa Sea Port Facility are in imminent threat of becoming Russia's subordinates. Such aircraft industry giants as Aviant plant, Antonov Design Bureau of Kharkiv Aviation Plant, Plant Motorsich and Design Bureau «Pivdenne» are next in line to be included into the United Aviation Corporation of Ukrainian Aviation Industry»<sup>47</sup>.

Year 2008 also saw the beginning of setting control over Ukraine's banking system. Financial crisis creates extremely favorable conditions for realization of such objective. Russia managed to

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<sup>47</sup> *Matarykin V.* Government «gives away» aviation plants to a Russian oligarch Deripaska? // *Economichna Pravda*. – 2007. – September 24.

buy out stock of a systemic bank «Prominvestbank», which used to credit Ukraine's economy heavily. Now the bank is in ownership of Russia's «Vnesheconombank»<sup>48</sup>. Through purchase of strategic businesses and systemic banks, Russia may gain control over as much as 89% of the national economy and banking system, as it has already done to oil processing industry. In 2008 Russia spent nearly 843 million USD for purchase of Ukrainian banks and other types of financial operations. In Ukraine, main investments were in oil processing industry (104 mln. USD), purchase of real estate (163 mln. USD), construction (145 mln. USD), trade in cars and consumer goods (153 mln. USD). As a result of such policy, Ukrainian companies are likely to be either absorbed by Russian holdings or excluded from any cooperative relations altogether.

Such economic expansion will have direct adverse political effects for Ukraine. According to magazine «Expert»: 'political class in Ukraine in conditions of Russian economic expansion and liberalization of the national economy is gradually deprived of strong levers of influence. It will be very difficult for a disarmed state to resist such expansion given the on-going political crisis'<sup>49</sup>. In other words, if this tendency persists, Ukrainian political class will be either incorporated into Russian political interests by means of inclusion into Russia's financial and political holdings or will be doomed to marginalization and full loss of political power in the country. Another way of engaging Ukrainian political class into the orbit of Russia's interests is the use of mechanisms of political corruption.

In **political area**, Russia's major task will be the formation of pro-Russian authorities in Ukraine, beginning from leadership of the country, government and parliament and finishing with political forces, parties and movements. Russia will realize this task both directly through regional elites and political forces in Ukraine, and with support of the existing institutes and mechanisms of Ukraine-Russia relations, particularly, political dialogue.

As was proved in 2008, Russia had a keen interest in maintaining such political dialogue. Thus, a working visit of Ukraine's

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<sup>48</sup> «Vnesheconombank» gained control over 75% of stock in «Prominvestbank». – [http://www.seychas.com.ua/news\\_print/2009/1/15/3112.htm](http://www.seychas.com.ua/news_print/2009/1/15/3112.htm).

<sup>49</sup> *Khrabryi O.* Syndrome of Irreplaceability // *Expert*. – 2007. – № 20. – P. 56.

President to Russia was organized on February 12–13, 2008, where the parties held the second meeting of Ukraine-Russia interagency commission under the chairmanship of the Presidents of Ukraine and Russia. As a result of the meeting, the parties signed a Protocol and Russia-Ukraine Action Plan up to 2009, whereby they defined main priorities and directions of bilateral cooperation for the closest future. The documents particularly mentioned implementation of joint projects in fuel and energy sector, finalization of accorded draft documents on delimitation of the Azov and Black seas and Kerch Strait, beginning of practical work on demarcation of Ukraine-Russian border, and continued negotiation on the functioning of RF Black Sea Fleet.

Ukraine Prime-Minister Y. Timoshenko visited Russian Federation twice on February 20–21 and June 28, 2008. Primary attention during these visits was paid to issues of cooperation between the two countries in the energy sector, issues of NATO and temporary stay of the Black Sea Fleet on the territory of Ukraine.

On April 2–4, 2008, Chairman of Verkhovna rada of Ukraine A. Yatsenyuk paid a visit to Russia, during which he met with management of the Council of the Federation and the State Duma of the Federal Meeting of RF and Administration of the President of RF, and participated in activities of the 30<sup>th</sup> plenary meeting of the Interparliamentary Assembly of CIS member-countries in Saint-Petersburg. A working visit of the Minister of Exterior V. Ohryzko to Russian Federation took place on April 15, when the parties discussed a range of important issues of bilateral relations and international policy. Russian side was handed a draft bilateral Memorandum with the list of steps the parties should make to move out the RF Black Sea fleet from Ukraine by 2017.

June 6, 2008 in St.-Petersburg, as part of informal summit of heads of CIS member-countries, President of Ukraine V.Yushchenko met with the President of Ukraine D.Medvedev. The meeting was primarily focused on problems of energy sector and move-out of the RF Black Sea Fleet by 2017.

During the negotiations on September 23, 2008 in New York, Ministers of Exterior of Ukraine and Russia discussed the state of Ukraine-Russia relations in the context of outcomes of the Russia-Georgia armed conflict. The negotiators confirmed the need for continued effect of the Big Treaty. Russian side was called to reinforce bilateral contacts aimed at signature of the

agreement on demarcation of the state border. Special emphasis was made on ensuring Russian side's compliance with Ukrainian legislation regarding RF Black Sea Fleet's stay on the territory of our country. Manager of the foreign affairs agency of Ukraine spoke in favor of reinvigoration of the bilateral dialogue on the delimitation of the marine space in the Azov and Black seas and Kerch Strait, and notified on Ukraine's intention to make a bullet repayment of the outstanding debt to RF for the consumed gas.

Upon results of the meeting of Chairs of Governments of Ukraine and Russia on October 2, 2008 in Moscow, a Memorandum on cooperation in gas area was signed, which will be laid as a basis of a strategy of supplying Ukraine with gas. During a meeting on November 14, 2008 in Chisinau, as part of participation in the meeting of the Council of Heads of Governments of CIS member-countries, Y. Timoshenko and V. Putin discussed Ukraine-Russia cooperation in the energy sector and ways of interaction between two states in order to withstand the global financial crisis.

Some meaningful tendencies became discernable in the political dialogue between two countries during 2008. This is first of all, the lack of unity among branches of Ukrainian government in determination and realization of a Ukraine's position in relations with Russia. President V. Yuschenko, Prime-Minister Yulia Timoshenko and the leader of Parliament opposition led separate dialogues with Russia's leadership and pursued differing priorities. While V. Yuschenko placed on the agenda the key issues of the country's security and the most painful problems of bilateral relations, Y. Timoshenko was preoccupied mostly with economic issues and building her positive image in the eyes of D. Medvedev and V. Putin. The opposition leader V. Yanukovich demonstrated an explicitly pro-Russian position, counting on the Kremlin support in the forthcoming presidential elections. Simultaneously, both Ukrainian top officials tried to lead separate dialogues with V. Putin and D. Medvedev paying tributes to customary Ukrainian political tradition and obviously failing to understand that they both impersonate one and the same policy.

Instead, Russian leadership chose among the three Ukrainian leaders the one who may be most loyal to Russian interests and who has real power in Ukraine. By year results it was Y. Timoshenko. She carefully demonstrated solidarity with Russia's foreign policy course. Particularly, at the Munich Security Summit (2008) she

expressed a rather lukewarm attitude to Ukraine's Euro-Atlantic course and NATO prospects, and instead passionately supported establishment on the basis of the geopolitical axis Moscow-Berlin-Paris of a new collective security system in Europe. Her position became quite apparent during the Russia-Georgia conflict in August 2008. The Premier Y. Timoshenko by all means avoided giving political assessments to Russia-Georgia war, explaining that her position fully coincides with the official position of the European Union. Her opponents inside the country took advantage of her reluctance to speak. Particularly, people in the Secretariat of the President suspected Y. Timoshenko of flirting with the Kremlin. Thus, in opinion of A. Goncharuk, deputy head of the Secretariat, Timoshenko practices a wait-and-see attitude not to spoil her relations with Russia and counting on Russia's support in future, if the need arises<sup>50</sup>.

Obviously, Y. Timoshenko was reluctant to strain relations with Russia, counting on fulfillment of arrangements with the Russia's Prime-Minister V. Putin on gas supplies to Ukraine, which she had reached during her official visit to Moscow on the eve of the Russia-Georgia war. Apparently, for this very reason, Cabinet of Ministers did not publicize the draft Resolution «On the procedure of RF Black Sea Fleet movement around Ukrainian area of water and regulation of Russia Black Sea Fleet troops' movement on the territory of Ukraine». Russian side took advantage of this delay, having dispatched from Sebastopol its Black Sea Fleet ships for operations in Georgia. As a result, President of Ukraine had to engage the National Defense and Security Council, having put into effect by his decree the Council's resolution on the procedure of movement of the RF BS Fleet about the territory of Ukraine.

For Y. Timoshenko as the Prime-Minister of Ukraine, it was crucial to settle the «gas conflict», negotiate an acceptable formula for gas payments and exclude from the scheme such gas intermediary as RosUkrEnergo. As for political interests, as observers note, «realizing the importance of the pro-Russian constituents in the South-Eastern regions of Ukraine, Y. Timoshenko has promised to Moscow enough to feel herself comfortable while counting on, at least, friendly, attitude of the Kremlin»<sup>51</sup>.

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<sup>50</sup> Georgian accents of Ukrainian politicum // For.Um. – 2008. – August 15. – 10:56. – <http://ua.for-ua.com/analytics/2008/08/15/105613>.

<sup>51</sup> Yeryomenko A. On political gas and gas policy // Zerkalo Nedeli. – 2008. – № 25 (704). – July 5–11.

As for the political demands of the Kremlin, then, as Stanislav Belkovsky, a prominent Russian political technologist notes, in exchange for support of Y. Timoshenko at the presidential elections in Ukraine, Moscow requires from Timoshenko, «first, to push forward the issue of gas transit consortium on modernization of Ukraine's gas transit system, and second, block for an indefinite period Ukraine's aspirations to join NATO». In addition, she should make sure that the conditions of the Black Sea Fleet stay and terms of pullout from the territory of Ukraine are not raised<sup>52</sup>.

Other requirements to Y. Timoshenko in exchange for Kremlin's loyalty concerned interests of the Russian state as a corporation. These included Russians' interest in Odessa Sea Port Facility, creation of a joint aircraft building concern, a part of which on Ukrainian side should become live, from the standpoint of aircraft building, state-owned plants; purchase of fuel assemblies from TVEL concern and termination or downscaling to the minimum of attempts to diversify nuclear fuel for Ukrainian nuclear power plants with American Company Westinghouse; joint production of oil and gas; agreement on transit of Russian electricity to Europe; refusal of Ukraine from the intentions to create a closed cycle of uranium enrichment and sensitivity of Moscow's interests to reserves of Zhovty Vody<sup>53</sup>.

Evidently, during Y. Timoshenko's trip to Moscow on June 28 and at negotiations with V. Putin on October 2, 2008 these reciprocal requirements were confirmed. Due to this, the Secretariat of the President of Ukraine didn't hesitate to raise against Y. Timoshenko allegations of betrayal of the national interests.

But, notwithstanding Y. Timoshenko's reassurances, and following V. Putin's sad experience during the Orange Revolution, the Kremlin will no longer bet on one and single candidate. V. Putin will count simultaneously on two candidates, Y. Timoshenko and V. Yanukovich, inspired by their pro-Russian orientation. Meanwhile, during 2008, attitude of the Kremlin to the President of Ukraine V. Yushchenko, who impersonates the Orange power in the eyes of Russia, was quite cold. The relations were completely spoiled

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<sup>52</sup> Yulia Timoshenko manipulates with the Kremlin // Glavred. – <http://www.nr2ru/186450> ml.

<sup>53</sup> Yeryomenko A. On political gas and gas policy // Zerkalo Nedeli. – 2008. – № 25 (704). – July 5–11.

after the Russia-Georgia war. To restore the dialogue between two countries and ensure pursuit of one state policy in relation to Russia, President of Ukraine V. Yushenko issued a decree on December 1, 2008, on the creation of an interagency strategic working group on Ukrainian-Russian relations under the leadership of R. Bogatyryova, secretary of the National Security and Defense Council.

However, regardless the controversy of political dialogue, relations between Ukraine and Russia were most strained in 2008 in the **humanitarian area**. They evolved into the frontline of a real ideological war. The main subject of this war has been and remains the *problem of rebirth of the Ukrainian nation and Ukrainian identity*.

This conflict as was noted above, is of ethnonational and civilizational nature. The process of the national rebirth makes it impossible to realize in the Ukrainian society a little Russia identity, in other words, to make Ukraine's population share the mindset and social values of Russian population and turn it into the part of Russian society. The latter is the ultimate goal of introduction of the restoration model of Ukrainian and Russian relations in the humanitarian area. The conflict in essence is a clash of two opposite cultural and ideological concepts: the Ukrainian national idea and the Doctrine of Russian world, the foundation of which is the Russian idea.

### **Ideological war between Ukraine and Russia as a Problem of Rebirth of the Ukrainian Nation and Ukrainian Identity**

Three basic values were put as the foundation of the Ukrainian national idea: Ukrainian territorial integrity (*sobornist*), Ukrainian statehood and Ukrainian identity. Russian idea is also based on three things, however, of different content and essence. These are: Orthodoxy, autocracy and national character. The pivotal construction of the Russian idea in its most archaic appearance is autocracy – «the pyramid of power, on top of which

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<sup>54</sup> *Rostovsky A., Shtepa Y.* Ukrainian national idea from the cry to constructive dialogue, why does Ukraine need an all-national idea // *Zerkalo Nedeli.* – 2006. – September 9–15.



is the infallible ruler, whose authority is sanctified by the great church, and the basis of its stability is the broad support by the least well-off, and therefore, most vulnerable layers of population dependent on the state». These three components of the Russian idea are interpreted as a single whole. Orthodoxy in this interpretation is not a religion per se, but the continuation of the Russian political power, autocracy. And in this sense Ukrainian orthodoxy impersonated by Moscow Patriarchate is understood as the spread of Russian power in Ukraine. Following this concept, definitions of Russian sovereignty as a state-church, or as an «orthodox state» have become quite commonplace»<sup>55</sup>.

Clearly, in this sense, the three components of the Russian idea run contrary to the basic concepts of the Ukrainian idea. Realization of the three components of the Russian idea rules out the very existence of Ukrainian statehood, and even more so, excludes territorial integrity of Ukraine, since Ukraine has to become a part of Russia. «Typical for Russian political culture is to have a subordinate «vertical» perception of Ukraine»<sup>56</sup>. «Many Russian political experts strongly believe that contemporary Ukraine is an incidental mechanical unification of a number of regions with totally different histories, mindsets, ethnicities and identities; and that this coalescence happened exclusively thank to Russian rulers such as Lenin, Stalin, Khrushchev and Yeltsin»<sup>57</sup>.

The category of national character in essence implies collectivism and direct subjugation to the authority of a higher ruler, and hence, excludes «individuality» and personal freedoms. Within the framework of Russian idea, Russia state is thought of as «the last stronghold of the true faith», as a Katexon, which saves the humanity from the triumph of the evil»<sup>58</sup>. As opposed to Russia where the top ruler must be on top of the entire state pyramid, for Ukrainians, the head of state is just a representative of the ruling elite. Ukrainian state by its nature is democratic contrary to

<sup>55</sup> *Yuryev M.* The natural model of the state structure for Russians is a combination of ideocracy and imperial paternalism // Russian state: yesterday, today and tomorrow. – P. 172.

<sup>56</sup> *Okara A.N.* Ukrainian discourses and Russian paradigm. Optimal model of relations between Russia and Ukraine as politological, culturological and social and philosophical problem // Politia. – 2007. – № 3. – P. 18.

<sup>57</sup> *Ibid.* – C. 11.

<sup>58</sup> *Ibid.* – C. 16.

Russia's, which is authoritarian. It is perceived as a regulator and protector of social relations.

To-date, the Russian idea has been implemented by Putin, despite duumvirate running in conflict with autocracy implying existence of only one top ruler. Therefore, Russian idea in its classical interpretation cannot be the ideology of a restoration project. This is why the ideological foundation of Russia's foreign policy should be the Russian World doctrine together with Eurasian civilization project.

Philosophical basis of the Russian Doctrine was borrowed from Heidegger, a German philosopher, who back in his time created the concept of Hitler's «German World». In abstract form it comes to three theses:

- acceptance of the common political format of unification within the framework of the all-national ideal (in Hitler's case it was Prussian socialism);
- language (Russian, German), as a means of internal ties in the space (Russian, German world);
- national capital which emerges from the environment of Germans (ethnic Russians) and associated Germans (Russian-speaking people) – people having a command of archaic dialects of German (Russian) language and are citizens of other countries, but in fact recognize themselves as belonging to Germany (Russia) through the format of «shared fate» of the German, Russian world.

For Heidegger this Nazi project was absolutely innovative. It «transformed the Weimar Germany (which was perceived by a big portion of its population, like modern Russia – RF, author, at most as some historical incident) into the «German World» with the common capital, common resources and common fate<sup>59</sup>.

Evidently, such philosophy is the best justification of the expansionist nature of Russia's foreign policy. «Common fate» has to become the ideological glue, which should make it possible to pull Ukraine back into the Eurasian civilization space, and into the Russian state through capturing by Russian capital of the Ukrainian economy, and through Russian language and incorporation of Ukrainian political class into a part of Russian politicum. And, most importantly, to transfer Ukrainian, at least,

<sup>59</sup> *Shevchenko M.* Russian world. Shapes of common fate // Russky Archipelag. – [www.archipelag.ru](http://www.archipelag.ru).

Russian-speaking population into a part of Russian society. «We are talking here about a possibility for the «Russian world» to form a space of common fate – within which all components of Russian world «will be ready and capable to assuming responsibility, both for their separate part of this fate, and for the whole space overall»<sup>60</sup>.

As for the separate part of this Russian world called Ukraine, the doctrine of Russian world places quite clear tasks before Russia's foreign policy. Main objective of Russia's foreign policy according to the Russian World Doctrine is the concentration. It comes in four main provisions.

1. «Formally proclaimed is the concept of the territory of Historical Russia, i.e. the natural areal of the Russian world (today's RF plus Russian ethnical enclaves – Tavria, Novorussia, Narva Oblast, Latgalia, South Siberia, Subcarpathian Rus, and territories of complimentary ethnos like Belarus, East Ukrainians, Transcarpathian Ruthenians and so on).

2. Russia steps on the path of annexation: the ideology of returning and uniting those territories of the historical Russia, which it has historical and moral title to claim and which make practical sense to return... For Russia, this is primarily the case of Belarus, Ukraine and Kazakhstan... As was noted earlier, it is important to recognize Russia's titles to a whole range of territories, like, for example, in case of Ukraine, the minimal claims could be for Donbass and Tavria (Crimea).

3. Revision is needed for some of the basic principles underlying the Belovezhska system, and which ended modern Russian in the unfavorable geopolitical situation it finds itself now. At this stage what is important for Russia is not just a change of the real status of all territories of near abroad, but rather the change of their ideological and social and psychological status from «independent» and «post-Soviet» to the interim «*post-Russian*».

4. Absolute majority of republics that have separated, had never had their own historical national statehood before XX century. This statehood was artificially created for them as part of the Soviet national policy. Revision of the second «Belovezhsky principle» should include recognition of the «daughterly» (read –

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<sup>60</sup> Shevchenko M. Russian world. Shapes of common fate // Russky Archipelag. – www.archipelag.ru.

inferior) statehood of the most separated republics in relation to the Russian statehood. These political formations should be treated as ones that were created as part of Russia-USSR for purposes of convenience of administrative management, and, consequently, which may exist only if recognized by Russia»<sup>61</sup>.

As may be seen from these four postulates of the Russian Doctrine, new independent states, including Ukraine, by no means fit into the architecture of Russian state-corporation. New realities may be brought in compliance with the architecture of the state-corporation only through absorption by Russia of the command over government and ownership in Ukraine. Therefore, a strategic objective of Russia's foreign policy in Ukraine-Russia relations is seizure of ownership and restoration of Russian political power in Ukraine. Seizure of ownership for the sake of establishment of their political power, and restoration of power for the sake of obtaining ownership. This is the true meaning of Russian state-corporation's interests in relation to Ukraine. Realization of these interests suggests «installing» of Ukrainian political class and local elite into the vertical of Russian political power, both in internal and external dimensions. However, what is first of all needed for this incarnation is the ideological denationalization of these elites, as much as denationalization of the Ukrainian economy. The ideology of denationalization of the post-Soviet elite is an important precondition for imposing of or initiation into another ideology, which is the ideology of the Russian Doctrine.

Since the ruling class depends on its constituency, Russia is forced to conduct Russification of the public mind of Ukraine's population by means of information and ideological war. However, the goal of Russia's foreign policy is not limited to restoration of the Russian world only in Ukraine. Like other CIS countries, Ukraine is viewed as a place of arms for Russia's global expansion.

As was noted in the Russian Doctrine, «Even given the independent and ambitious foreign policy, Russia's concentration on CIS issues only would not yield useful results. Russia's near abroad will begin to adjust to our interests only if we define strategic foreign policy goals and when Russia has a say in the formation of a new international hierarchy in line with contemporary needs.

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<sup>61</sup> Russian Doctrine. Sergius' Project. – <http://www.rusdoctrina.ru/index.php?subject=1>.

Keys to solutions of problems of Russia's near abroad may become two political lines, where one is more and the other is less evident: 1) it is important to recognize the so-called unrecognized states and include them into the group of Russia's satellites (Abkhazia, South Ossetia – author), 2) it is important to close full-scale strategic alliances on security and economic cooperation with India, China and Iran, and make these alliances open for other participants (including, non-Eurasian). This «alterglobalization» – creation of a sort of «bigger ties» in Eurasia around and through Russia – will be in itself the return of Russia's mission. However, what is important is that not only such strategy may become the backdrop of the problem of CIS, it may become its radical solution. CIS as «hostile near abroad» may quickly dissolve, and soon nothing will remain of it, however under one requisite condition: if the geopolicy of large clamps works. Russia has to become the brain and backbone of the new coalition (China, India, Iran and Syria), by taking key positions in it. This will be a «Northern civilization of warriors, scientists and intelligent officers» – the indispensable and irremediable (in case of any loss caused to Russia) link of the new global security system»<sup>62</sup>.

What specific interests of Russia are pursued through realization of the Russian Doctrine? Russian ideologists link the need for it with the insufficient influence exerted by Russia on the world, and with the deficit of resources primarily, human and technological available with Russia. Deficit of working population will increase year after year, and as a result, control over great Russian territories may be irreversibly lost»<sup>63</sup>.

With help of what is Russia trying to build this Russian World? First of all, by expanding Russian-speaking environment through giving the Russian language of the state language status and displacement of Ukrainian language from all areas of political, economic, everyday and cultural life of Ukraine.

Second, introduction of Russian citizenship based on Russian language command of Ukraine's population. «Introduce the notion of language citizenship: everyone who speaks Russian and wants to gain RF citizenship, is entitled to do so»<sup>64</sup>. Then the 4<sup>th</sup> principle of

<sup>62</sup> Russian Doctrine. Sergius' Project. – <http://www.rusdoctrina.ru/index.php?subject=1>.

<sup>63</sup> *Stolyarov A.* Russian World // *Rusky Archipelag.* – [http://www.archipelag.ru/ru\\_mir/history/history00-03/stolyarov-russmir/](http://www.archipelag.ru/ru_mir/history/history00-03/stolyarov-russmir/).

the Medvedev Doctrine on the protection of Russian citizens comes into force.

Third, on the basis of Russian language-speaking ability and Russian citizenship, formation on the territory of «Russian world» of the Russian World's nation, similar to the community once called «The Soviet people»<sup>65</sup>.

Fourth, fixation of the leading role of orthodoxy in political and spiritual life of countries belonging to the Russian World». «A more active missionary activity of the Russian Orthodox Church on the Post-Soviet space will lead to strengthening of Russia's positions, and in case of coordinated actions of the Church and constructive patriotic forces – to the radical turn of the social and political situation in a range of CIS countries towards inclination to Russia. Orthodoxy may and should become a powerful consolidating factor for Russian and Russian-speaking population of these countries, and a serious and long-term factor of Russian presence»<sup>66</sup>.

Fifth, formation of the elite of the Russian world. What is meant here is the incorporation of national elites into the Russian elite and Russian national interests.

As for the boundaries of the Russian World, in opinion of its ideologists they should run «wherever its citizens will live. Cultures, especially, global cultures, do not have clear cut boundaries at all. Processes of globalization wipe away differences between external and internal social and economic condition, and the perception of a state as an aggregate of specifically limited territories will gradually, still in this epoch, be replaced with the perception of a state as a group of citizens of this state. Co-existence of super-ethnoses is becoming a reality, and Russia, due to its specificity, caused by specific attributes of its historical development, has all chances to end up in the vanguard of history»<sup>67</sup>.

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<sup>64</sup> *Gradirovsky S., Pereslechin S.* Russian World: mechanisms of self-realization // *Rusky Archipelag.* – [http://www.archipelag.ru/ru\\_mir/history/histori2003/machinery](http://www.archipelag.ru/ru_mir/history/histori2003/machinery).

<sup>65</sup> *Shevchenko M.* Russian World is the shape of common fate // *Rusky Archipelag.* – [http://www.archipelag.ru/ru\\_mir/history/histori2004/shevchenko-kontur/](http://www.archipelag.ru/ru_mir/history/histori2004/shevchenko-kontur/).

<sup>66</sup> *Russian Doctrine. Sergius' Project.* – <http://www.rusdoctrina.ru/index.php?subject=1>.

<sup>67</sup> *Stolyarov A.* Russian World // *Rusky Archipelag.* – [http://www.archipelag.ru/ru\\_mir/history/history00-03/stolyarov-russmir/](http://www.archipelag.ru/ru_mir/history/history00-03/stolyarov-russmir/).

Therefore, the most acute objectives of Russia's foreign policy towards Ukraine in the humanitarian area in 2008 have been and will be the following:

1. Assign to Russian language the status of the state language in Ukraine and displace Ukrainian language from the information space and educational environment. Russia will continue holding a rigid diplomatic position towards Ukraine's information space.

2. Promote Russian citizenship amongst Ukraine's population.

3. Administer a large-scale ideological and information and cultural expansion in Ukraine.

4. Facilitate strengthening of the leading role of Ukrainian Orthodox Church of Moscow Patriarchy, as the only lawful and recognized church in Ukraine.

5. Incorporation of Ukraine's political class into Russian interests and into Russian language and cultural environment.

6. Rule out rebirth of the historical memory of the Ukrainian nation and discredit the national symbols.

7. Create in Ukraine an expert pool of political scientists and information centers, capable to promote in the Ukrainian society ideas of Russia's state ideology and policy.

To what extent has Russia managed to fulfill these objectives over 2008? This year was marked with Russia's intensive counteraction to intentions of Ukrainian government, primarily to V. Yuschenko, Ukraine President's efforts to revive historical memory of the nation by marking out the 75<sup>th</sup> anniversary of the Holodomor (Famine) in Ukraine in 1930's. Russia also refused to recognize the Famine as genocide of the Ukrainian people. Russia's Ministry of Exterior organized a counteraction plan designed to make other countries of the world not to recognize Famine of 1930's as an act of genocide against Ukrainian people. Thus, speaking at the seventh session of UN People's Rights Council in Geneva, representative of Russia once again called the UN to refrain from qualifying the mass famine of 1930's in Ukraine as genocide of Ukrainian people.

August 24, 2008, Ministry of Exterior of Russia disseminated a notice where in an unacceptably derogatory tone it commented Ukraine's intentions to deliver truth about the Holodomor of 1932–1933 to the global community. In the course of the year, Russia's leaders made significant efforts to discredit the tragedy

of Holodomor. In his letter to the President of Ukraine V. Yuschenko, President of Russia D. Medvedev noted: «The tragic events in Ukraine in early 1930's are used to achieve advantage-seeking political goals». The president of RF strongly believes that the famine of 1930's «was not aimed at the annihilation of any particular nation»<sup>68</sup>.

Russian government have actually blocked conduct in Russia of the initiative «unquenchable candle», which was held in 29 countries worldwide, requiring instead the conduct of events aligned with RF positions, or cancellation of the initiative altogether. In this way, Ukrainian public organizations in RF were suggested that they should not even mention the biggest humanitarian catastrophe in Ukraine's history which resulted in the death of millions of Ukrainian people<sup>69</sup>.

Russia Ministry of Exterior artificially forced pressure in Ukraine-Russia relations with regard to Ukrainian government's intentions to bring TV broadcasting in compliance with the language of the national law, having regularly reiterated allegations of violation of Russian-speaking population's rights and freedoms. Also, Russia's MOE harshly criticized intents of Lviv local government to build a monument to warriors of Ukrainian Rebellious Army OUN-UPA.

The quintessence of these allegations became an article by the Minister of Exterior of RF Sergey Lavrov «On the Caucasian Crisis and Russia's Ukrainian Policy», where he noted that the Russian side may not agree to the pseudo-historical interpretation by Kyiv of events, connected to 1930's Famine in USSR – as some «genocide of the Ukrainian people», which is just offensive in relation to the memory of the famine victims of other nationalities. Is it fair to do ethnical cleansing of history? How can one put up with the building images of heroes of WWII war-time criminals? With pity we may ascertain the growth of Russophobia and anti-Semite moods amongst nationalistic organizations of Ukraine»<sup>70</sup>.

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<sup>68</sup> Medvedev addressed Yuschenko on occasion of Holodomor Anniversary. – <http://lenta.ru/news/2008/11/14/medvedev/>.

<sup>69</sup> MOE of Ukraine Statement on the Conduct of an international initiative «Unquenchable Candle».

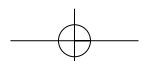
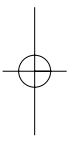
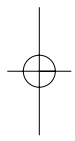
<sup>70</sup> *Lavrov S.* On Caucasian Crisis and Russia's Ukrainian Policy . – <http://smi.liga.net/articles/IT085240.html>.



If one begins assessing positive moments in the relations of two countries in the humanitarian area, they related only to a fistful of issues that did not have ideological flavor. Particularly, in early December 2008, Federal Migration Service of RF confirmed effect of the Protocol of 2004 to the Agreement on Visa Free regime, whereby Ukraine's citizens may stay 90 days on the territory of RF without registration.

Apart from the issue of Holodomor recognition and 'gas war', other most painful problems in the bilateral relations in 2008 were the parties' stances related to Russian-Georgian war and conditions of stay of the RF Black Sea Fleet on the territory of Ukraine.

However, regardless the systemic conflict of Ukraine and Russia, the parties manage to maintain amicable dialogue in Ukraine-Russia relations. Year 2008 ended with inter-agency political consultations. Particular attention was paid to the assessment of the state of bilateral relations in various areas and reasons that prevent them from onward development.



## § 2. Bilateral relations of Ukraine with leading European states

For Ukraine's foreign policy the year 2008 proved to be rather intensive and full of important events, first of all with regard to its European vector. NATO Summit in Bucharest, Ukraine-EU Summit in Paris, conflict in the Caucasus, the Meeting of Ministers of Foreign Affairs of NATO member states in Brussels and gas conflict with Russia contributed towards the formation of qualitatively new context of political relations in Europe and further aggravated those fundamental dilemmas of Ukrainian foreign policy strategy, that previously Ukraine managed to avoid. One of such dilemmas is related to the formation of key fundamentals of the bilateral level of Ukraine's foreign policy. In its turn, this requires from Ukraine to find the optimal balance between its own political ambitions and realities of European system of international relations. It is the position of European states, which tends to be decisive in determining the future place of Ukraine in political structure of continental space. Therefore, the establishment of sustainable political dialogue with these states based on common vision of further development of geopolitical, institutional, economic, and civilizational configuration of Europe is the main prerequisite for successful establishment of Ukraine as an independent and responsible player on the European scene and implementation of Ukraine's primary geopolitical potential.

Leading Western European states – France, Germany, and Great Britain – play a dominating role in this process. They are not just the most powerful European nations. These states are also ideological leaders of the continent that have a decisive impact on political organization of European continent. France is the carrier of a global political project, the constituent component of which is the establishment of unified Europe as an integral autonomous

player in a global politics. Germany has huge economic potential required for implementation of any political projects. And Great Britain is the main «link» between Europe and USA. All these states consider stable democratic Ukraine (which is developing in accordance with European values) as an important element of general European stability and security. This creates the prerequisites for the formation of respective mechanisms for engaging Ukraine in the activity of currently operating European institutions that would secure the required stability in the best possible way. This fact is of vital importance for promoting political cooperation of Ukraine with these three countries.

### **Ukraine-French Relations in 2008**

In 2008, Ukraine's relations with France gained top priority importance for foreign policy of Ukraine due to a decisive influence of this country on promoting Ukraine's cooperation with NATO and European Union, especially given the fact that in the second half of 2008 France presided in the European Council. Over the year 2008, the establishment of optimal formats of Ukraine's cooperation with leading European institutions was in the lime light of rather fruitful and effective political dialogue between Kyiv and Paris. It is worth noting that although the role of France in developing Ukraine's relations with these two institutions can seem different, in reality the actions of French democracy in both cases are based on common conceptual vision of political structure of the European continent and Ukraine's place in this structure. Therefore, the policy of France with regard to Ukraine should be considered as an integral component of a general strategy aimed at building a qualitatively new system of relations in the Great Europe.

At the beginning of 2008, the most important foreign policy issue for ruling coalition in Ukraine was accession to NATO Membership Action Plan (MAP) during NATO Summit in Bucharest in April. Before Bucharest summit French officials repeatedly spoke out against Ukraine's accession to MAP arguing that it is untimely and premature to raise this issue. They justified their position by internal unreadiness of Ukraine for transition to a new level of partnership with the Alliance and negative consequences of such step for existing balance of powers in European continent, as well as by inexpediency to use accession to

NATO as «certain instrument for resolving problems of Ukraine's relations with one of its powerful neighbors». During tense negotiations, France (along with Germany and some other European states) insisted on inexpediency for Ukraine's accession to MAP and managed to secure that final declaration included a compromise wording on the beginning of «the period of intensive interaction» to address unresolved issues related to Ukraine's and Georgia's participation in MAP, and on possibility for adoption of decision on MAP during the meeting of the Ministers of Foreign Affairs of NATO member states in December. During the press conference dedicated to Summit Results, Mr. Sarkozy declared that Ukraine and Georgia «are destined» to join NATO and this is not a political problem. The only issue is their political readiness to join NATO and the term of future accession.

Since April through December 2008, French officials have made no public assessments or comments on this issue but made it understood that the attitude of France has not changed. This situation was influenced by a series of significant factors. First, lack of internal stability in Ukraine (which is one of the main criteria of Ukraine's compliance with democratic standards of the Alliance) demonstrates low capacity of Ukrainian power to fulfill the obligations assumed by Ukraine with the purpose of approximation to NATO, specifically those related to modernization and reform of the armed forces. Second, due to the election campaign in USA, the Administration of President Bush could not promote the issue Ukraine's and Georgia's accession to MAP as actively as in Bucharest. In his interview to the newspaper «Le Monde» on November 23, answering the question whether the refusal to agree on Ukraine's and Georgia's accession to NATO would mean the concession in response to Russia's pressure, the French Minister of Foreign Affairs, Mr. Bernard Kouchner said that, on the contrary, the consent on accession of these countries to NATO would mean the concession to the US pressure, while France has its own European vision of this issue. Third, aggravation of international tension around the placement of American anti-missile defense system in Poland and Czech Republic, as well as military conflict in the Caucasus led to reconsideration of current strategic context in Europe, where the avoidance of direct confrontation with Russia and stabilization of «European periphery» transformed into the main security policy imperatives of many European states, including France.

Upon the completion of the meeting of the Ministers of Foreign Affairs of NATO member states in December 2008, Mr. Bernard Kouchner stressed that accession of any country to MAP means recognizing such country as a candidate for accession to NATO and acknowledgement of perspectives for NATO membership in the future. It was the political context of this document which made Paris very seriously consider the issue of Ukraine's accession to MAP and consequences of such step for European security.

Analyzing the attitude of France in promoting Ukraine-NATO relations, one should bear in mind the French vision of NATO reform process, giving priority to strengthening of European security mechanisms and enhancing the global role of the EU in the world, as well as aspiration to maintain the balance of forces traditionally inherent to French diplomacy. The White Book on France's foreign and European policy for 2008–2020, published in July 2008, specifies that «the process of NATO expansion must remain compatible with well-coordinated functioning of the Alliance and European political realities. Therefore, further expansion of NATO should be planned with great caution and only in long-term perspective».

It is impossible not to mention the influence of Russian factor on France's assessment of consequences of political rapprochement between Ukraine and NATO. In the person of Nicolas Sarkozy, France declared about its aspiration to establish strong cooperation links with Russia and thus promote the creation of new pan-European system of relations based on the principles of solidarity and respect of sovereignty, independence, and territorial integrity of countries. The White Book on foreign and European policy specifies three fundamental principles for the development of EU and other western institutions' relations with Russia: economic and political interdependence both on the issues of bilateral nature and with regard to settlement of certain global problems; refusal from return to geopolitical confrontation under which the common neighboring space of the EU and Russia can transform into the object of competition between them; Russia's refusal from actions, which do not correspond to international and European standards.

In addition, France is skeptical in its attitude to the use of mechanisms of Euro-Atlantic integration of Ukraine and Ukraine's accession to NATO for promoting Ukraine's integration in the EU. It is «European identity» of Ukraine, which must serve

as a fundamental basis for its comprehensive rapprochement and integration into the European community. This political signal became the leitmotif of the activity of French diplomacy during negotiations regarding the parameters of a new enhanced agreement between Ukraine and the EU.

The starting point for these negotiations became the initiative of French leaders regarding the introduction of conceptually new status of Ukraine – «Associated Partner of the EU» – the details of which were specified in the Position Document «Ukraine – Associated Partner of the EU» developed in December 2007. This proposal reflected the attempts of France to find the compromise between rhetorical French support of Euro-integration efforts of Ukraine and general attitude of France to deepening of Ukraine-EU relations in the tideway of European policy of neighborhood without clear articulation of EU membership perspectives in the wording of a new enhanced agreement.

In this document France supported the aspiration towards comprehensive rapprochement of Ukraine to the European Union, affirmed its assistance in developing privileged relations between Ukraine and the EU, and proposed to formalize the above aspects by signing the Association Agreement, which would serve as a new and significantly enhanced legal framework of these relations. As viewed by Paris, the Agreement could include compromise wording regarding the ultimate goal of Ukraine-EU relations with due account of both European identity and Euro-integration aspirations of Ukraine, and approaches of EU institutions to promotion of cooperation with Ukraine in the context of European neighborhood policy. The document specified that Paris wants to achieve political consensus regarding the wording of Association Agreement within the framework of EU-Ukraine Summit in September 2008 during French chairmanship in the EU. With this objective in mind, it was proposed to take the issues on the establishment of free trade zone between Ukraine and EU outside the scope of the Association Agreement, since respective negotiations require more time.

The logic of this document is fully in line with the provisions on the EU expansion outlined in the White Book on foreign and European policy. The White Book specifies that the process of EU expansion must be «more transparent, better justified and politically governed» and, most importantly, «must overcome the logic, under which the expansion of the European Union is the best

instrument of its foreign policy» since it weakens political unity and internal integrity of the EU. Given the fact that «neither Russia, nor part of its neighbors or Northern Africa states are destined to join the EU» France aspires to establish with these countries close solidarity and cooperation links, which would contribute towards strengthened stability and increased welfare of these states. The White Book also includes a series of principles for further expansion of the EU, specifically strict compliance with the established criteria for EU membership; capacity of the EU to «absorb» new members; and clear understanding by potential EU members of objective for the establishment of political union.

Ukraine's reaction to the proposals of France was ambivalent by nature and was mostly predetermined by political considerations. On the one hand the President of Ukraine repeatedly declared that Ukraine is ready to sign a separate political agreement if it clearly specifies the perspective of Ukraine's accession to the EU. On the other hand, without the above mentioned provision Ukraine was not inclined to accelerate signing of the agreement with the EU, even if it was the Association Agreement. Kyiv was waiting for further signals from the EU and possible alternative proposals from other member states.

Nevertheless, France continued to express serious determination to achieve significant progress in relations with Ukraine during the period of its chairmanship in the European Council. However, given the course of internal European discussions and dynamics of negotiations France had to adjust its previously declared plans. In its statement dedicated to the 5<sup>th</sup> Yalta European Strategy annual meeting on July 11, 2008, President Sarkozy expressed his hope that during the future Summit Ukraine and EU «will be able to sign historic agreements on principles, objectives, scope, and constituent elements» of partnership for subsequent years, and that the Summit will secure the decisive momentum for negotiations on a new agreement to be concluded at the beginning of 2009. He also stressed that a new agreement will establish the free trade zone between Ukraine and the EU.

The most difficult component of Summit preparation was related to the achievement of consensus between EU member states and European Commission regarding the acceptable formulation of principles for further development of cooperation with Ukraine based on the proposals of France. The name of future agreement, provision on



recognition of European identity of Ukraine, and terms for initiating the dialogue on visa-free regime stirred up controversies. In this context it is worth acknowledging that French diplomacy made outstanding efforts to elaborate consensus on the most ambitious level. Of course, these efforts were motivated not just by favorable attitude to Ukraine, but first of all by aspiration to secure practical implementation of its own position declared long before the Summit, and to affirm the leadership of France in Eastern vector of EU foreign policy, which was perceived as the priority area for the activity of other EU member states, specifically Germany and Poland.

Ukraine-EU Summit held on September 9, 2008, formalized political compromise between positions of France and its EU partners, on the one hand, and between positions of the EU and Ukraine, on the other hand. In Joint Statement on EU-Ukraine Association Agreement the parties declared that Ukraine, as a European country, has common history and common values with the EU member states, and that European Union recognizes European aspirations and welcomes European choice of Ukraine. It was agreed that «new agreement between the European Union and Ukraine will be the association agreement, which leaves the way free for further gradual development of relations between Ukraine and European Union». It will strengthen political association and economic integration between Ukraine and European Union due to mutual rights and obligations and will create a solid foundation for further rapprochement between Ukraine and the EU in the area of foreign policy and security. Paris also managed to lay the foundation for further practical cooperation between Ukraine and the EU in the area of energy, protection of environment, transport, security and defense, and frontier infrastructure. Development of the project of Eastern partnership between the EU and Eastern Europe countries currently involved in European policy of neighborhood was also intensified during the chairmanship of France in the European Council.

During Ukraine-Russia gas conflict that flared up at the end of 2008, France tried to take a neutral position and together with Czech Republic (which is next to preside in the EU) made a joint statement, in which it called the parties to mutual understanding and settlement of this commercial dispute, as well as to fulfillment of respective obligations assumed by the parties. On January 8, during a joint press conference with German Chancellor, Angela Merkel, the

President of France, Nicolas Sarkozy stressed that having given Ukraine the privileged partnership «Europe has done a lot for Ukraine», and «reliability of Ukraine as the partner of Europe» is currently at stake, especially given its Euro-integration ambitions.

Representatives of French administration repeatedly called the parties to achieving mutual understanding and the soonest possible renewal of gas supply to European countries, at the same time maintaining the position that Ukraine-Russian dispute is purely bilateral and mostly commercial by nature.

In 2008, economic exchange between Ukraine and France continued to grow and the volume of bilateral trade increased by 17% and exceeded \$ US 2 bln. However, negative balance of trade between Ukraine and France already exceeds \$ US 1 bln. As of October 1, 2008, the volume of direct French investments in Ukrainian economy totaled nearly \$ US 1.2 bln (ranks 8<sup>th</sup> among EU member states).

### **Ukraine-German Relations in 2008**

In 2008, relations between Ukraine and Germany were characterized by a number of changes, which, apparently, will become decisive for bilateral relations over the next several years. The most important factors include the following. First, German leaders are convinced that political instability in Ukraine is getting a permanent nature and Ukraine lacks unity on fundamental principles and priorities of foreign policy. Second, the formation of special Russian-German relations has been completed and can be generally described as «political concessions in exchange for cheap energy resources». Third, in German society and its ruling elite there is a consensus that it is time to stop the process of EU and NATO expansion, since Ukraine's and Georgia's accession to these structures will result in both internal overpressure of these integrational alliances and further complication of already troublesome relations with Russia. And finally, under conditions of global financial crisis, reduced volume of investment resources, aggravation of negative trends on labor market, and due to unfavorable internal investment climate German businesses mostly ceased to consider Ukraine as a place for profitable investment projects. Accordingly, this does not contribute towards deepening of both political and economic cooperation.

The perception that development of Ukraine is characterized by political instability is determinative in the attitude of German politicians to the events in Ukraine and Ukraine's foreign policy aspirations. As viewed by German analysts, Ukrainian politicians, irrespective of the parties that they represent (and due to specifics of Ukrainian political system, which is characterized by the struggle of ambitions, lack of constructive dialogue and stability) are not interested in the issues of internal economic and political development in line with European models.

Germany views stability as one of the key eligibility criteria for membership in the EU and NATO. Therefore, Germany's conclusion is univocal – policy line towards European and Euro-Atlantic integration does not correspond to internal political development of Ukraine. This explains Germany's opposition to NATO expansion attempts. Specifically, during NATO Summit in Bucharest on April 3, 2008, it was categorical opposition of Germany and France that made other NATO member states, including USA, abandon the idea of Ukraine's accession to MAP and limit by the Declaration, which specifies that «Ukraine and Georgia will become NATO members» in undetermined perspective. On the eve of NATO Summit in Bucharest German Chancellor, Angela Merkel, declared that Ukraine's accession to MAP is premature.

Position of Germany during Bucharest NATO Summit provoked general dissatisfaction in wide circles of Ukrainian society. This made Germany to somewhat adjust its own position. On July 21, 2008, Angela Merkel for the first time visited Ukraine. During this visit Angela Merkel met with both, President of Ukraine, V. Yuschenko, and Prime Minister, Y. Tymoshenko. During negotiations with the President of Ukraine the parties agreed to develop «the assistance plan... of Ukraine's rapprochement with NATO» or «navigation plan related to technical and military issues». According to Angela Merkel, this plan will be implemented by the Ministries of Foreign Affairs and Ministries of Defense. Angela Merkel also emphasized that it is very important for her that the discussion should be based on the fact that «some day Ukraine will become NATO member».

In August 2008, Western press accused Angela Merkel that it was hostile attitude of Germany to Ukraine's and Georgia's accession to MAP that served as one of the reasons of Russia's military aggression against Georgia. Change of public opinion made Angela

Merkel declare that Ukraine and Georgia must join MAP. However, subsequent events (an attempt of the President of Ukraine to dissolve the Parliament and resultant constitutional crisis) served as an argument for Angela Merkel that in the eyes of public opinion justified her return to previously taken attitude. As a result, upon the insistence of Germany the issue of Ukraine's and Georgia's accession to MAP was not included in the agenda of NATO Council Meeting on the level of Ministers of Foreign Affairs, which was held in Brussels on December 2, 2008. Instead, Ukraine and Georgia were offered Annual National Reform Programs the fulfillment of which will be annually assessed by the Alliance. This new form of cooperation is called, on the one hand, not to reject «new democracies», and on the other hand, to pacify Russia.

As for Euro-integration perspectives of Ukraine, Germany believes (as expressed in the letter of the European Commission dated November 5, 2008 «Expansion Strategy and Major Challenges in 2008–2009») that currently the EU is not ready to integrate Ukraine or Turkey, which is already in the process of negotiations regarding the EU membership. These two countries are too big for effective integration in institutional framework of the European Union. Moreover, Europe has to first resolve its internal institutional issues related to ratification of Lisbon agreement dated December 13, 2007. Therefore, currently the EU has to focus on Balkan states, which are small, geographically close, and are actually surrounded by EU member states.

During Ukraine-EU Summit in Paris on September 9, 2008, Germany jointly with France contributed towards clear formulation of perspective format of relations between Ukraine and EU: a new Agreement must be concluded, which will be called the Association Agreement, but will not include the provision on prospective membership in the EU. Instead, it will deal with issue on creation of free trade zone. It is worth noting that this is exactly the approach, which was offered by German politicians back in nineties of the last century. Simultaneously the parties will start negotiations on gradual termination of visa regime for Ukrainians.

Germany actively supported the initiative of the so-called «Eastern Partnership» (proposed in May 2008 by Poland and Sweden), which was formalized in the letter of the European Commission dated December 3, 2008. Actually, Eastern Partnership must facilitate further progress of Ukraine on its way to

European integration without specifying the perspective of EU membership. In March 2009, the EU and Ukraine must conclude the Agreement on the so-called «new practical instrument», which will replace the EU-Ukraine Action Plan.

Thus, in 2008 Germany contributed in determining future development of relations between the EU and Ukraine and the ways of European integration of Ukraine: instead of chances for perspective EU membership Ukraine received a set of new mechanisms for European integration.

Serious organizational mistakes of Ukrainian leaders had a negative impact on the development of Ukraine-German relations. The biggest of these mistakes is actual destruction of bilateral consultations' mechanism, which was established over the period of Leonid Kuchma presidency. No consultations were conducted over the last five years (the last fifth Ukraine-German consultation took place in February 2004 in Berlin). The 6<sup>th</sup> political consultation was permanently postponed by Germany. There was also personal factor involved, related to refusal of Ukrainian leader to visit Berlin after Angela Merkel took the office of German Chancellor in November 2005. A significant mistake was also the fact that in 2008 the position of Ukrainian Ambassador to Germany (which is a key position for relations between the two countries) remained vacant for a long period of time. However, in organizational area there were certain achievements. Specifically, in July 2008 Honorable Consulate of Germany was opened in Odessa.

By the volume of foreign trade operations with Ukraine, Germany ranks second after Russia, and ranks first among European countries. Over the period of January-October 2008 trade turnover between Ukraine and Germany totaled \$ US 7.907 bln., including export – \$ US 1.630 bln. (120% increase compared to the same period of 2007), import – about \$ US 6.277 bln. (135% increase compared to the same period of 2007). Bilateral trade balance is negative and totals – \$ US 4.646 bln.

As of October 1, 2008, Germany invested in Ukrainian economy \$ US 6.826 bln., which constitutes 18.1% of total direct foreign investment in Ukrainian economy. By the volume of direct foreign investment in Ukrainian economy Germany ranks second among the world countries (after Cyprus – \$ US 8.534 bln., or 22.7%).

Thus, it is possible to say that in the person of Angela Merkel Germany put on the agenda the issue of political stability in Ukraine,

consensus in Ukrainian society regarding Ukraine's accession to NATO, and diplomatic coordination of such steps with Russian Federation. Germany extrapolates to Ukraine its own approaches and vision regarding the necessity of wide public consensus on the most important issues of both domestic and foreign policy.

### **Ukraine-British Relations in 2008**

Current status of Ukraine-British relations is characterized by rather high level of mutual understanding, including that on the issue of practical implementation of Euro-integration policy line of Ukraine, as well as development of interaction in political, economic, military, and cultural areas. Great Britain is consistent in its positive assessment of consistency and predictability of foreign policy of Ukraine, and considers Ukraine to be a key state called to play an important role in maintaining security in Europe. In this respect Great Britain highly appreciates foreign policy efforts of Ukraine and perceives them as an important factor of stability in modern system of international relations, including regional system where Ukraine made a significant contribution in settlement of crisis situations in Transnistria, Transcaucasus, and the Balkans.

Ukraine's relations with Great Britain significantly intensified in 2008, which is evidenced by regular contacts on the highest level to coordinate the position on vital issues of Ukrainian foreign policy. However, the effectiveness of Ukraine-British relations in terms of implementing the declared foreign policy objectives of Ukraine remained insufficient. This was greatly predetermined by the fact that current rapprochement between Ukraine and Great Britain occurred mostly under the influence of current international factors, existing trends in British foreign policy (specifically its relations with Russia), and general situation in the EU.

At the beginning of 2008 the main topic in political dialogue between the parties was Ukraine's aspiration to get the approval for accession to MAP during NATO Summit in Bucharest.

National security strategy of Great Britain (which was made public on March 19, 2008) stipulated that strengthening of the EU and NATO contributes towards European regional security supplementing the activity of global institutions. Therefore, Great Britain will further support their expansion and closer cooperation. This

explains favorable attitude of Great Britain to Euro-Atlantic ambitions of Ukrainian leaders, although during the discussions on the eve of the Summit Great Britain was not among the most active lobbyists and advocates of Ukraine.

On February 21–25, 2008 Vice Prime Minister of Ukraine on European and International Integration, H. Nemyrya, visited Great Britain. During this visit he took part in Investment forum «Ukraine-2012» dedicated to organization of Euro Football Cup in 2012, and met with the State Minister for Europe of the Ministry of Foreign Affairs of Great Britain, J. Murphy to discuss the prospects of European and Euro-Atlantic integration of Ukraine. Touching the topic of NATO, Mr. Murphy stressed that no third country has and will ever have the right to veto Ukraine's aspiration to become NATO member. According to Mr. Murphy, NATO allies agree that Ukraine will be in NATO and «we have to assist Ukraine in achieving this objective as soon as possible».

On March 11, 2008, the Minister of Foreign Affairs of Ukraine, V. Ohryzko, visited Great Britain with a working visit. During this visit Mr. Ohryzko met with the Secretary of State for Foreign and Commonwealth Affairs, D. Milliband, «shadow» minister of foreign affairs of Great Britain, William Hague, and deputies of Great Britain's Parliament – members of multi-party parliamentary group for relations with Ukraine.

The visit of the President of Ukraine, V. Yushenko, which took place on May 14–15, became the key event in Ukraine-British relations in 2008. During this visit the joint statement was made public, which declared strategic nature of bilateral partnership and witnessed common position of the parties on a number of priority issues of Ukraine's foreign policy, such as integration to European structures, reform in the area of defense and modernization of Ukrainian armed forces, energy security of Ukraine, settlement of conflict in Transnistria, promotion of democratic development in Belarus, and commemorating 1932–1933 Holodomor in Ukraine. It was specified in the Statement that «Great Britain believes that the next step for the EU and Ukraine must be the conclusion of Association Agreement, including enhanced free trade zone». Actually, the leaders of Great Britain expressed their agreement with French initiative regarding further development of relations between the EU and Ukraine, which was proposed several months before the visit.

Within the framework of his working visit to Great Britain President of Ukraine, V. Yuschenko, also made a speech at Royal Institute for International Relations «Chatham House» on the topic «Progress of Ukraine after Orange Revolution» and took part in the presentation of exhibition «Hunger Murder: Unknown Genocide of Ukrainian People» organized at the House of Lords of British Parliament.

On August 27, 2008, during the Secretary of State for Foreign and Commonwealth Affairs, D. Miliband's visit to Kyiv, the parties discussed situation in Georgia and possible ways for conflict settlement and formation of unified position of European states regarding stabilization of situation in the region. President Yuschenko stressed one more time that Ukraine does not support the decision of Russia on recognizing the independence of South Ossetia and Abkhazia. In its turn Mr. Miliband stressed that Great Britain is «outraged by the actions of Russia over the last two weeks». President Yuschenko also thanked Mr. Miliband for support «that Ukraine feels on the part of Great Britain regarding European aspirations of Ukraine» and expressed hope that Great Britain will support the position of Ukraine with regard to political part of a new enhanced agreement between Ukraine and European Union during the 12th Ukraine-EU Summit.

Political dialogue between Ukraine and Great Britain received further impetus during the visit of President Yuschenko to London on October 6, 2008, where he met with Gordon Brown and discussed the issues of bilateral cooperation, specifically in the area of trade, economy, investments, energy, liberalization of visa regime for Ukrainian citizens, as well as prospects of European and Euro-Atlantic integration of Ukraine, strengthening of regional security in the context of Russian-Georgian conflict, etc. Joint Statement was made public based on the results of this meeting.

On October 24, 2008, Prince Andrew, the Duke of York, arrived at Kyiv with official two-day visit. He met with the President of Ukraine, Vice-Speaker of Ukrainian Parliament, and Vice Prime Minister of Ukraine to confirm that Great Britain supports Ukraine in its aspirations to European and Euro-Atlantic structures and discuss reforms required for achieving this objective. During his visit Prince Andrew also met with the Minister of Foreign Affairs of Ukraine and visited the round table on global warming issues organized by the British Council. Prince Andrew



also paid the tribute to the memory of Holodomor victims near the commemorative sign on the Mykhaylivska Square.

On December 2–3, 2008, Foreign Office Minister for Europe, Karoline Flint, visited Ukraine. Within the framework of this visit she met with the President of Ukraine V. Yuschenko, Vice Prime Minister of Ukraine, H. Nemyrya, Deputy Minister of Foreign Affairs of Ukraine, K. Eliseev. Karoline Flint also paid the tribute to the memory of Holodomor victims by lighting the candle near the commemorative sign on the Mykhaylivska Square.

At December Summit of the Ministers of Foreign Affairs of NATO member states the position of Great Britain with regard to Euro-Atlantic perspectives of Ukraine and Georgia was rather reserved and fully in line with general attitude of other European states. On the eve of the Summit Mr. Miliband said that «the vital issue now is not the adoption of decision on membership. Today our task is to decide how to help these countries improve and developed their own armed forces so that they would have the nature of positive presence and would serve as a positive force for achieving and maintaining stability».

Thus, during 2008 political contacts between Ukraine and Great Britain have significantly intensified. However, their importance for achieving strategic goals of Ukrainian foreign policy should not be overestimated. Great Britain continues to declare favorable attitude to EU and NATO expansion, affirming that Ukraine can become the EU member if it meets the established criteria and that successful implementation of internal reforms is a prerequisite for promoting European and Euro-Atlantic perspectives of Ukraine. However, ambivalent position of Great Britain in Euro-integration community and general problems of European integration currently make British leaders attach secondary importance to the issue of Ukraine's accession to the EU. This explains explicit statements that Ukraine should focus on effective use of opportunities for deepening of cooperation proposed by the EU within the framework of European policy of neighborhood and Eastern partnership. London calls Ukraine not to view these projects as an alternative for Ukraine's accession to the EU, but rather consider them as an instrument for broadening the spectrum of ways for engagement in integration processes, including those in the context of preparation for the EU membership.

According to Caroline Flint, British Minister of State for Europe, London took gas conflict between Ukraine and Russia as «very disturbing and unacceptable». Great Britain expressed its support to the actions of the European Commission and Czech Republic (that presided in the EU) aimed at settlement of this conflict. Kyiv should not use current difficulties in British-Russian relations as a platform for strengthening its partnership with Great Britain. This would neither contribute towards constructive rapprochement with European security institutions, nor strengthen the status of Ukraine in Europe.

Over the last year economic cooperation between Ukraine and Great Britain was characterized by continuous growth. In January – November 2008, the volume of bilateral trade exceeded \$ US 1.8 bln. Trade balance over that period was negative for Ukraine and totaled \$ US 11 mln. Great Britain ranks 5<sup>th</sup> by direct foreign investment in Ukrainian economy, the volume of which over the first nine months of 2008 totaled over \$ US 2.3 bln. The total of 1 048 Ukrainian enterprises from such sectors as energy, real estate, and agriculture received British investments.

### **Ukraine-Polish Relations in 2008**

In 2008, among all bilateral relations, Ukraine-Polish relations proved to be the most fruitful. Intensive contacts between Ukrainian and Polish leaders serve as the evidence of a high level of relations between the two countries. In 2008, eleven President level meetings took place, including: three visits of the President of Ukraine, V. Yuschenko to Poland, on March 13–14, April 14, and November 11; and four visits of the President of the Republic of Poland, L. Kaczynski, to Ukraine: on May 23, July 20, and October 29. During his last visit on November 22, 2008, President Kaczynski took part in commemorative events dedicated to 75<sup>th</sup> anniversary of Holodomor in Ukraine. Another four meetings between Ukrainian and Polish Presidents took place within the framework of international events (on June 30 – July 1 – at Batumi GUAM Summit, on August 12 – during their visit to Tbilisi, in September during General Assembly of the United Nations Organization, and on November 14 – during Baku energy summit).

On Prime Minister level three visits took place in 2008. Specifically, the Prime Minister of Poland, Donald Tusk visited

Ukraine with an official visit on March 28, 2008, and also with a working visit on September 19, 2008. The Prime Minister of Ukraine, Y. Tymoshenko, visited Poland on July 14, 2008.

Cooperation between the Ministries of Foreign Affairs of Poland and Ukraine was also rather intensive. In this respect significant events included an official visit of the Minister of Foreign Affairs of the Republic of Poland, Radosław Sikorski, to Ukraine on January 29, 2008, a working visit of the Minister of Foreign Affairs of Ukraine, V. Ohryzko, to Warsaw on March 4, 2008, as well as the establishment of qualitatively new mechanism of bilateral cooperation – the meeting of joint Council (Collegium) of the Ministries of Foreign Affairs of Ukraine and Poland, which was held in Warsaw on December 10, 2008.

Fruitful cooperation was established between the Council of National Security and Defence of Ukraine and National Security Bureau of the Republic of Poland. In 2008, the heads of these agencies exchanged visits (on April 22–23, the Secretary of the Council of National Security and Defense of Ukraine, R. Bohatyryova, visited Poland, and on October 15–17, the Head of National Security Bureau of Poland, W. Stasiak, visited Ukraine).

On the line of inter-parliamentary relations, the Marshal of Polish Sejm, B. Komorowski, visited Ukraine on March 6–7, 2008, and on June 16, 2008, Kyiv hosted the constituent conference of Ukrainian-Polish-Lithuanian inter-parliamentary assembly.

Ukraine and Poland have a series of institutional mechanisms for bilateral cooperation. Specifically, the meeting of the Advisory Committee of the Presidents of Ukraine and Poland was held on June 9–10, 2008 in Vinnytsya. The meeting of inter-governmental commission on economic cooperation was held in Warsaw on March 19–20, 2008. Donetsk became the place for holding of Economic Forum «Ukraine-Poland» (October 28–30, 2008) and Permanent Conference of the heads of oblast state administrations of Ukraine and heads of Polish provinces. On October 7–8, 2008, Lutsk hosted the meeting of Intergovernmental Coordination Board on the issues of inter-regional cooperation. And on March 31, 2008, Kyiv hosted the meeting of Permanent Conference on the issues of European integration.

Ukraine and Poland continued active work on organizing the final part of Euro Football Cup in 2012 and signed intergovernmental agreement on cooperation in preparing for Euro-2012.

A special Ukraine-Polish committee on preparation for Euro-2012 was established and conducted two meetings chaired by the Ukrainian and Polish Prime Ministers.

In 2008, measures were taken aimed at minimizing negative consequences for Ukraine resulting from Poland's accession to Schengen zone. Specifically, Ukraine and Poland signed intergovernmental agreement on the rules of small trans-border movement. However, proper implementation of this agreement requires further attention, as well as resolution of problems related to restoration of joint customs and frontier control at Ukraine-Polish border and opening of new crossing points.

Economic cooperation was marked by strengthening trend towards growth of bilateral trade. Specifically, based on 10 months results of 2008, bilateral trade volume increased by 62.8% compared to the same period of the previous year and totaled \$ US 5.907 bln. Export to Poland totaled \$ US 2.038 bln. (50.6% increase), and import to Ukraine totaled \$ US 3.868 (70.1% increase). Major factors that predetermined significant increase of bilateral foreign trade turnover in 2008 included active investment cooperation and interpenetration of capital, Ukraine's accession to WTO, favorable price situation, intensification of joint production activity, as well as improved competitiveness of Ukrainian and Polish products.

The development of investment cooperation was also intensive. As of July 1, 2008, the capital of Polish investors in Ukraine totaled \$ US 730.5 mln., which is 2% of the total volume of direct foreign investment in Ukraine. As of October 2008, the volume of direct investment of Ukrainian businesses in Polish economy (trade, repair of cars and home appliances, etc.) totaled \$ US 47.4 mln.

Priority issues, which are currently on the agenda of Ukraine-Polish relations in cultural and humanitarian area, include simplification of the procedure for legal employment of Ukrainian citizens in Poland, implementation of agreements on protection of memorable places and burials of war and political repressions' victims, continuation of reconciliation process, and transformation of European collegium of Ukrainian and Polish Universities in Lublin into Ukrainian-Polish European University.

### **§ 3. Ukraine's relations with United States of America and Canada**

#### **Ukraine – USA**

United States of America occupies a special place among strategic partners of Ukraine. Ukraine-US bilateral relations were exemplary from the point of view of mutually beneficial, practical, and multi-level cooperation.

In 2008, Ukraine-US political dialogue was the most active over the entire history of bilateral relations between these two countries. US President, George Bush, visited Ukraine with a state visit, and Ukrainian President, V. Yuschenko, had two working visits to USA. Vital and effective bilateral decisions were adopted on the highest level. Specifically, the *Road Map on priority areas of bilateral cooperation* was signed during George Bush visit to Ukraine. This Road Map affirms the strategic form of Ukraine-US relations and clearly specifies the areas for cooperation in the near future. An important role in practical implementation of agreements is played by the existing bilateral mechanisms, first of all by Interagency coordination group, a regular meeting of which was held in 2008 in Ukraine.

In 2008, USA was in the vanguard of the countries, which assisted Ukraine in resolving the issues which tend to be of vital importance for our country. Among these issues, special attention in the second half of 2008 was paid to security related problems. It is illustrative that in the context of Caucasian events Washington clearly stated its support of sovereignty, territorial integrity, and independence of Ukraine. President Yuschenko visit to Washington and New-York in September 2008 resulted in deepening of policy and security related dialogue between Ukraine and USA. Security related issues are paid much attention in the provisions of

*Ukraine-USA Charter on Strategic Partnership* signed by the heads of foreign policy agencies of Ukraine and USA during a working visit of Ukraine's Minister of Foreign Affairs, V. Ohryzko, to USA in December 18–19, 2008.

USA provided significant support to Ukraine's attempts under its policy line towards European and Euro-Atlantic integration, as well as assisted Ukraine in obtaining a full-fledged membership status in WTO. It was very important in terms of international integration of Ukrainian economy and further development of market-driven fundamentals of its functioning.

As for *economic component of Ukraine-USA bilateral cooperation*, in 2008, for the first time in the history of independent Ukraine, the US Minister of Trade visited Kyiv. Constituent documents on the format of further interaction between economic authorities of the two countries were signed during this visit.

In 2008, Ukraine and USA concluded the *Agreement on Trade and Economic Cooperation*. The Council on the issues of trade and investment (the first meeting of which was held in October in Kyiv) was created to implement the provisions of this Agreement. In 2008, trade turnover between Ukraine and USA is expected to double as compared to the previous year. Given the results of bilateral trade between USA and Ukraine for 9 months of 2008, positive dynamics was observed on all major statistical indicators of bilateral trade. *Compared to the previous year, general trade turnover increased by 69%*. Bilateral trade balance totals \$ US 245 mln. Import of American products increased by 54% or \$ US 515 mln. and totaled \$ US 1.466 bln. Export of Ukrainian products increased by 84% or \$ US 780 mln. and totaled \$ US 1.710 bln.

USA remains the largest foreign donor of technical assistance to Ukraine. USAID and Millennium Challenge Corporation assist in implementation of economic and social reforms in Ukraine.

Commercial agreements in the area of nuclear energy concluded with American counterparts are extremely important in terms of energy security of Ukraine. These agreements are aimed at diversifying the sources of nuclear fuel supply. Underway is cooperation on improving nuclear safety and implementing international projects at Chornobyl Nuclear Power Plant. The goal of this cooperation is to put nuclear reactors out of cooperation and transform the object «Shelter» into ecological system. The agreement on

creation of bilateral Group for energy issues is also very important in the context of energy security challenges faced by Ukraine.

Ukraine also maintained fruitful cooperation with USA within the framework of G8 initiative «Global Partnership Against Dissemination of Mass Annihilation Weapons and Respective Materials». American partners also assisted Ukraine in receiving international financial and technical assistance aimed at implementing a series of important projects, such as strengthening of state frontier regime, improving security of storage facilities for hazardous materials, and refining of national legislation in the area of nuclear security.

Over many years USA has been providing significant support to Ukraine in the area of science. Currently USA is financing the implementation of a number of research and scientific projects, which engage more than 100 Ukrainian scientific institutions. USA remains one of the most important international partners of Ukraine in the area of medicine, specifically with regard to fighting HIV/AIDS and target-oriented assistance to afflicted persons.

In the area of international humanitarian cooperation quite illustrative was US support of Ukraine's candidacy to the UN Council on human rights. Membership in this Council enables Ukraine to make a significant contribution in this important area. USA also provided significant assistance in securing international recognition of Holodomor. Specifically, in 2008 Ukraine received a permit to use a land plot not far from Capitol in Washington to build a memorial to Holodomor victims. In December 2008 the place of the future memorial was sanctified.

## Ukraine – Canada

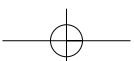
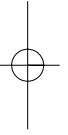
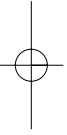
The development of Ukraine-Canadian relations in 2008 proved their correspondence to the declared status of special partnership. The year 2008 was characterized by productive cooperation between Ukraine and Canada in the priority areas, active dynamics of bilateral political dialogue, and restoration of exchange of visits on the highest level. *On May 26–28, 2008, for the first time over the last 14 years, the President of Ukraine paid a state visit to Canada.* President Yuschenko visited Ottawa, Winnipeg, and Toronto and conducted negotiations with the Governor-General of Canada, Michaëlle Jean, the Prime Minister of Canada, Stephen Harper, and leaders of Canadian Parliament. A special level of Ukraine-Canadian relations was evidenced by the fact that President Yuschenko made a speech at a joint meeting of Canadian House of Commons and Senate. Over the last 10 years this right was granted to the leaders of only 6 countries. During this visit the following important documents were signed: Memorandum of understanding between the Government of Ukraine and Government of Canada on reform of personnel management in the system of state service of Ukraine; Memorandum of understanding between Dnipropetrovsk Oblast State Administration and Manitoba Province; was initialed the Memorandum of understanding between the Ministry of Fuel and Energy of Ukraine and public corporation «Atomic Energy of Canada» regarding cooperation in the area of nuclear energy, which was signed in November 2008 by the above mentioned Canadian company and «UkrEnerhoAtom».

Over 2008, actively developed Ukraine-Canadian contacts on the level of foreign policy agencies. On May 26, 2008, separate bilateral negotiations between the Minister of Foreign Affairs of Ukraine, V. Ohryzko, and Minister of Foreign Affairs of Canada, Maxime Bernier, were held within the framework of a state visit of the President of Ukraine to Canada. On September 2, 2008, Canada's State Secretary for Foreign Affairs and International Trade, Helena Guergis, paid a working visit to Ukraine during which the parties emphasized the unity of Ukraine's and Canada's attitude to the ways for settlement of Russian-Georgian conflict. On October 31, 2008, Ottawa hosted Ukraine-Canadian political consultations on the level of Deputy Ministers of Foreign Affairs.



Fruitful cooperation between Ukraine and Canada within the framework of international organizations is evidenced by Canada's support of Ukraine's election to the UN Council on human rights in May 2008, and Ukraine's support for electing Canada to serve as non-permanent UN Security Council in 2010. High level of Ukraine-Canadian partnership was proved by the fact that Canadian Government recognized 1932–1933 Holodomor in Ukraine to be the act of genocide against Ukrainian people, which was stipulated in a special law that came into force on May 29, 2008. *Thus, Canada became the first of the world developed countries, which recognized Holodomor to the act of genocide.* Moreover, on May 7, 2008, Legislative Assembly of Saskatchewan Province, and on October 30, 2008, Legislative Assembly of Alberta Province approved respective local laws on establishing Memorial Days for 1932–1933 Holodomor and Genocide in Ukraine. Canada became the co-author of Resolution of the Parliamentary Assembly of OSCE (adopted on July 3, 2008, in Astana) on paying the tribute to the memory of 1932–1933 Holodomor victims in Ukraine. Canadian delegation, headed by Jason Kenney, the Minister of Citizenship, Immigration and Multiculturalism, took an active part in International Forum on commemorating 75<sup>th</sup> anniversary of Holodomor, which was held on November 22, 2008, in Kyiv.

Deep economic cooperation and intensification of contacts between Ukrainian and Canadian businesses is witnessed by successful conducting of Ukraine-Canadian business summit in Dnipropetrovsk (March 2008 ) and business forum in Toronto (May 2008), as well as planned forum in Edmonton (to be held in spring 2009). These forums resulted in a number of agreements on cooperation in energy, aerospace, and agro-industrial sectors. According to the State Statistics Committee of Ukraine, over 9 months of 2008 total *trade volume between Ukraine and Canada increased by 77.4% compared to the same period of 2007* and totaled \$ US 299.3 mln. Ukrainian export to Canada decreased by 32.3% and totaled \$ US 101.7 mln. Canadian import to Ukraine increased by 2.5 times and totaled \$ US 197.5 mln. Negative trade balance totals \$ US 95.8 mln.



## § 4. Ukraine's relations with countries of Middle East, Asia, Africa, Latin America, and Asian-Pacific region

### Ukraine and Countries of Eastern, Southern, and Central Asia

*Political dialogue.* In political area, the most large-scale events with Central and South Asian countries included the official visits of the President of Ukraine, V. Yuschenko, to **Kazakhstan** (on March 5–6, 2008) and **Tajikistan** (on March 6–7, 2008), and the state visit of the President of Tajikistan, E. Rakhmon, to Ukraine (on December 3–5, 2008). Within the framework of Ukrainian President's visit to Kazakhstan the opening ceremony of Ukraine's Year in Kazakhstan took place, Action plan between the two states for 2008–2009 («Road Map 2») was signed, and Ukraine-Kazakh business forum (attended by the two Presidents) was held.

During negotiations of the President of Ukraine, V. Yuschenko, and the President of the Republic of Tajikistan, E. Rakhmon, in Dushanbe and Kyiv main attention was paid to the issues of deepening bilateral cooperation in political, economic, and humanitarian areas, determining the mechanisms for development of cooperation in the area of energy and construction. The work on strengthening legal framework for cooperation with the countries of the region continued. Specifically, the following documents were signed: Measures to Inter-State program of long-term economic cooperation between Ukraine and Tajikistan for 2009–2012; a number of intergovernmental and inter-agency agreements with Tajikistan on cooperation in the area of construction, agro-industrial complex, air traffic, culture and arts, physical training and sports, tourism, and inter-region-

al cooperation; agreement on scientific, educational, and cultural cooperation between Kyiv National University after Taras Shevchenko and Tajik National University.

Intensification of political cooperation with the countries of Central and Southern Asia was facilitated by the visit of the First Deputy Secretary of Ukraine's National Council for Security and Defense, S.Havrysh, and the Head of Parliamentary Committee for Foreign Affairs, O. Bilous, to **India** in summer 2008, as well as visits to Ukraine of the Minister of Foreign Affairs of **Afghanistan**, R. Spanty (on May 23, 2008), and Deputy Minister of Foreign Affairs of **Pakistan**, A. Zeba (in June 2008). In 2008, Ukraine-Sri Lankan, Ukraine-Uzbek, Ukraine-Indian, and Ukraine-Kazakh political consultations were conducted to secure bilateral political dialogue.

Lack of political problems serves as a solid foundation for further deepening of bilateral partnership between Ukraine and Turkey. Positions of Ukraine and **Turkey** mostly coincide on many important problems of international life. Ukraine and Turkey actively cooperate within the framework of international organizations, and, as a rule, support each other during the elections to management bodies of these organizations. Since 2003, Turkey's foreign policy concept has been defining Ukraine as a state for priority development of bilateral relations. Mutually beneficial partnership with Ukraine corresponds to the interests of Turkey, first of all in the sector of stability and security in the Black Sea region.

Over the last years Ukraine's relations with Turkey were marked by a high level mutual understanding and willingness of the parties to take concrete steps aimed at deepening bilateral partnership. In 2008 the following official visits took place: the official visit of the President of Ukraine, V. Yuschenko, to Turkey (October 27–28), the official visit to Ukraine of the Speaker of the Grand National Assembly of Turkey K. Toptan (June 25–27), the official visit to Turkey of the Minister of Defense of Ukraine, Y. Ekhanurov (September 23–24), and working visits to Ukraine of the Minister of Foreign Affairs of Turkey, Ali Babacan, who took part in the Meeting of the Ministers of Foreign Affairs of EU member states and countries of Black Sea Region (February 14) and the Meeting of the Council of Ministers of OBSEC member states (April 17). On May 6 the Fourth round of Ukraine-Turkish political consultations on the level of Ministers of Foreign Affairs was held in Kyiv.

Ukraine and Turkey continued a fruitful dialogue on mutual support within the framework of international organizations and exchange of information regarding European and Euro-Atlantic integration of Ukraine. Turkey supports Euro-integration and Euro-Atlantic aspirations of Ukraine. In this respect the issues of political support and political interaction are put by Turkish partners in direct dependence on resolution of issues related to cooperation in economic area (for example, conclusion of free trade agreement).

Significant strengthening of political positions of Turkey both in the region and in the world, positive assessment of Turkish initiatives on resolution of the most vital issues of international agenda by the key global players, active position of Turkey within the framework of multilateral forums, significant military power and dynamically growing economy (Turkey ranks 17<sup>th</sup> among the world economies) make Turkey a very important partner for Ukraine.

*Economic component* of Ukraine's cooperation with countries of Eastern, Central, and Southern Asia strengthened. Over 9 months of 2008, trade turnover between Ukraine and countries of Central and Southern Asia increased by 56% and totaled \$ US 12.643 bln (compared to \$ US 8.103 bln. for the same period of the previous year). Special attention was paid to the development of cooperation in fuel and energy sector. VIII meeting of joint Interstate Ukraine-Kazakh commission on economic cooperation was held in November 2008 to discuss the issues of further strengthening of trade and economic relations between the two countries.

In Eastern Asia, Turkey is one of the key trade and economic partners of Ukraine. Over the last years trade turnover between Ukraine and Turkey has been growing by 35–45% annually, and export – by 45–50%. Just over 9 months of 2008 the volume of bilateral trade between Ukraine and Turkey totaled \$ US 5.5 bln. Over the last years Ukraine's export to Turkey tripled and was bigger than, for instance, Ukraine's export to Germany and Poland taken together.

Investment area is an important sector of bilateral cooperation with Turkey. Currently 564 Turkish companies are operating in Ukraine. The volume of Turkish investment over 9 months of 2008 totaled \$ US 131.8 mln. compared to \$ US 116.5 mln. in 2007. Within the framework of these investment projects representative offices of two banks were opened in Kyiv (Turkish bank

«FinanceBank» opened the affiliate «Credit Europe Bank», and Turkish holding «Altynbash» opened «West Finance and Credit Bank»). One of the promising Turkish investment projects in Ukraine is related to creation of the network of a new cell communication operator «Astelit». This is a joint Ukrainian-Turkish venture where 51% of shares are owned by Turkish company «Turkcell». During the first stage of project implementation Turkish company plans to invest \$ US 250–300 mln. Currently preparatory work is underway to implement a number of joint large-scale projects in strategically important areas of bilateral cooperation, specifically with State Design Bureau «Pivdenne» in aerospace area.

During 2008 Ukraine took an active part in *international stabilization efforts in Afghanistan*. On March 28, 2008, at NATO Headquarters in Brussels the Agreement was signed between the Alliance and Ukraine on Ukraine's participation in operation of International Forces for promoting security in Afghanistan, as well as Financial Agreement between Ukraine and NATO related to Ukraine's participation in the above mentioned operations in Afghanistan. Signing of the above agreements «de-jure» formalized Ukraine's status of contributor-state to NATO operations in Afghanistan.

On May 23, 2008, in Kyiv, the Minister of Foreign Affairs of Ukraine, V. Ohryzko, held negotiations with the Minister of Foreign Affairs of Islamic Republic of Afghanistan, R. Spanta, during which the parties discussed the participation of Ukrainian troops within peace making forces in Afghanistan.

Pursuant to the Decree of the President of Ukraine №47/2007 dated January 26, 2007 «On Sending Peace Making Personnel of Ukraine to Participate in Operations of International Forces for Promoting Security in the Islamic Republic of Afghanistan», 10 Ukrainian peacemakers arrived at Province Gor in Afghanistan to participate in peace making operations of Lithuanian forces.

During 2008, 37 Ukrainian peacemakers participated in *stabilization efforts in Iraq*. Major tasks of Ukrainian peace making personnel were: planning and implementation of training program for Iraq enforcement agencies; training of instructors and provision of support to coalition of Multinational forces with regard to formation of military training institutions and training of newly created defense and law enforcement agencies of Iraq; training of specialists for work in Iraq public administration

institutions; provision of professional assistance to Iraq defense and law enforcement agencies regarding operation and maintenance of military equipment.

Three Ukrainian servicemen continue their service in NATO Training Mission in Iraq. Currently negotiations are underway on possible assignment of Ukrainian instructors to train Iraq police and military personnel in Province Kadasia.

The year of Ukraine in Kazakhstan was of great importance for further development of Ukraine-Kazakh relations and expansion of cooperation in **humanitarian area** in 2008. The following events took place within the framework of the year of Ukraine in Kazakhstan: Youth information forum of young journalists and representatives of youth mass media; scientific and practical conference «Modern space technologies»; Days of Odessa culture in Almaty; Round Table «Perspectives of partnership between Ukraine and Kazakhstan under new geopolitical and geo-economic conditions».

The decision was adopted to establish the diplomatic mission of Ukraine in Tajikistan and Tajik diplomatic mission in Ukraine, and to create cultural and information centers at diplomatic missions of the two countries. In 2008, due to natural disasters in Central and Southern Asia, Ukraine provided humanitarian assistance to Afghanistan, Kyrgyzstan, and Tajikistan.

### **Ukraine and Countries of Middle East and Africa**

*Political dialogue.* In 2008, the most important events related to the political dialogue included: the official visits of the President of Ukraine V. Yuschenko to Arabic Republic of Egypt (April 8–10) and Socialist People's Libyan Arab Jamahiriya (April 7–8); working visit of the President of Ukraine to Israel (May 13). Another significant event was the state visit to Ukraine of the Leader of Libyan Revolution, M. Kaddafi, which took place on November 4–6, 2008.

The mechanism of political consultations with foreign policy agencies of Middle East countries was properly used in 2008. Specifically, political consultations were conducted with the Ministry of Foreign Affairs of Oman, United Arab Emirates, Qatar, and Bahrain. In order to develop political dialogue with Qatar, on July 17, 2008, the Acting First Deputy Minister of

Foreign Affairs of Ukraine, Y. Kostenko, visited Doha. During the meeting with Deputy Minister of Foreign Affairs of Qatar, Mohammed Abdullah Mutib Al Rumaihi, the parties discussed major aspects for cooperation in political, trade, economic, investment, military and technical areas.

In addition to cooperation on bilateral level, Ukraine and Qatar effectively interact in international organizations. Specifically, in May 2008 in accordance with previously reached agreement Qatar supported the candidacy of Ukraine at the elections to the UN Council on human rights for the period of 2008 through 2011.

As of December 2008, only one intergovernmental agreement on economic, trade, and technical cooperation was concluded between Ukraine and Qatar. This agreement was signed in January 2002 and came into effect in December 2004. In general, this agreement is being properly fulfilled and there have been no complaints from either of the parties. However, it is worth noting that just one acting agreement in trade and economic area between Ukraine and Qatar to some extent slows down a full-fledged implementation of potential cooperation opportunities in this area. Currently the parties consider draft agreements on avoidance of dual taxation, mutual protection of investments, air traffic, cooperation in the area of education, technology, science, healthcare and medical science, as well as draft Memorandum of understanding on cooperation between the Ministries of Foreign Affairs of Ukraine and Qatar.

Within the framework of political dialogue with the **Kingdom of Saudi Arabia**, during the Third Meeting of Intergovernmental Commission on April 8–9, 2008 in Riyadh, the Head of Ukrainian delegation the First Vice Prime Minister of Ukraine, O. Turchynov met with the King of the Saudi Arabia, Abdullah. Relations between Ukraine and Saudi Arabia are based on a rather well developed legal framework. It includes the following currently effective documents: Agreement on trade, economic, science and technical, and investment cooperation; Agreement on promotion and mutual protection of investment; Protocol between the State Committee of Ukraine for Nationalities and Migration and the Ministry of Hadj of the Kingdom of Saudi Arabia; Memorandum of understanding between the Chamber of Commerce and Industry of Ukraine and the Council of the Chamber of Commerce and Industry of the Kingdom of Saudi Arabia and the establishment of Ukraine-Saudi Arabian business council.



Documents which are currently under development include the Agreement on avoidance of dual taxation, the Agreement on cooperation in the area of education and technologies, the Agreement on cooperation in the area of culture, the Agreement on cooperation in the area of health care and medicine, the Agreement on cooperation in fighting crime, the Agreement on commercial shipping, and the Agreement on international air traffic.

Within the framework of intergovernmental contacts, in February 2008 Vice Prime Minister of Ukraine, I. Vasyunyk, visited Israel. In April 2008, the second meeting of the working group was held on the level of Deputy Ministers of Foreign Affairs of Ukraine and Israel dedicated to the issues of fulfillment of agreements achieved during the state visit of the President of Ukraine to Israel. Institutional bodies for high level bilateral relations are Intergovernmental Israel-Ukrainian commission on trade and economic cooperation and Intergovernmental Ukraine-Israel commission on military and technical cooperation.

Legal framework of Ukraine-Israel relations includes 33 bilateral agreements and 4 joint declarations that regulate practically all cooperation areas. Specifically, some of these documents are: Memorandum on understanding and key principles of cooperation dated January 12, 1993; Agreement between the Government of Ukraine and the Government of Israel on promotion and mutual protection of investment dated June 16, 1994; Convention between the Government of Ukraine and the Government of Israel on avoidance of dual taxation and prevention of tax evasion with regard to income tax and capital tax dated November 26, 2003. Important documents, which are currently under development include: new wording of Agreement between the Government of Ukraine and the Government of Israel on promotion and mutual protection of investment; Protocol of amendments and alterations to Intergovernmental Agreement on air traffic; Intergovernmental agreement on cooperation in the area of agriculture; Agreement between the Cabinet of Ministers of Ukraine and the Government of Israel on international truck haulage and transportation of passengers.

Unresolved problematic issues of bilateral relations in humanitarian area include: negative attitude of Israeli public to commemorating OUN-UPA soldiers and awarding the title of the Hero of Ukraine to R. Shukhevych; Israel's unwillingness to recognize 1932–1933 Holodomor in Ukraine to be genocide of Ukrainian

people. In its turn Israel insists on signing the agreement under which Ukraine must pay pension coverage to Ukrainian citizens residing in Israel.

Over 2008, certain measures were taken to optimize diplomatic presence of Ukraine in Middle East countries, specifically, General Consulate of Ukraine was opened in Haifa (Israel) and Ukrainian Mission was opened under Palestine National Administration in Ramallah.

**Trade and economic cooperation.** The development dynamics of Ukraine-Qatar relations proves that at current stage all required pre-requisites have been created for the establishment of effective cooperation between Ukraine and Qatar in trade, economic, investment, industrial, and tourist areas. Trade turnover between Ukraine and Qatar over 10 months of 2008 totaled \$ US 22.8 mln. (855% increase compared to 2007). Major export items to Qatar include agricultural and metallurgical products.

Over 10 months of 2008 Ukrainian export to the Kingdom of Saudi Arabia totaled \$ US 703.73 mln., and import to Ukraine totaled \$ US 7.86 mln. Compared to the same period of 2007, Ukrainian export increased by 158.6%, and import from Saudi Arabia increased by 272.1%. The main items of Ukrainian export included grain crops- 59.51% (\$ US 311.5 mln.), ferrous metals – 27.56% (\$ US 144. 3 mln.), fats and oils – 5.38% (\$ US 28.2 mln.), and products manufactured from ferrous metal – 3.29% (\$ US 17.2 mln.). The structure of Saudi Arabian import included polymer materials – 34.6% (\$ US 1.37 mln.), furniture – 29.4% (\$ US 1.16 mln.), electric machines – 12.9% (\$ US 0.5 mln.), volatile oil – 6% (\$ US 0.24 mln.).

Since 2000, product mix of bilateral export-import operations practically has not expanded. Agricultural products (barley), metals and metal products remain the main items of Ukrainian export to Saudi Arabia. Products imported from Saudi Arabian mostly include chemical industry products, volatile oil, and products manufactured from plastic materials.

Significant misbalance between export and import (in favor of Ukraine) is a characteristic feature of trade turnover between Ukraine and the Kingdom of Saudi Arabia. Low level of Saudi Arabian import to Ukraine is explain by the fact that oil and oil products (in which Ukraine so far expressed no interest) represent the main part of Saudi Arabian export.

Over the last three years export of services from Ukraine mostly included transportation services, traveling, and various business and professional services. Import included public services, which do not refer to other categories of services.

Over 10 months of 2008 Ukrainian export to Kuwait totaled \$ US 39.331 mln., and import from Kuwait – \$ US 966 thousand. Compared to the same period of 2007 Ukrainian export increased by 177%, and import – by 138%. In 2007 Ukrainian export to Kuwait totaled \$ US 25.387 mln., and import from Kuwait – \$ US 206 thousand.

The main items of Ukrainian export to Kuwait include metal products, pipes, and barley. In 2008, despite strict requirements of Kuwait legislation and tough competition, Ukrainian food products (canned tomatoes, ketchup, mineral water) for the first time appeared in Kuwait market. Ukrainian technological equipment also for the first time entered the Kuwait market. Despite significant growth, the volume of export-import operations between Ukraine and Kuwait may not be considered satisfactory, just as the structure of Ukrainian export to Kuwait mostly composed of steel products. In light of existing opportunities, investment cooperation is also just at the initial stage.

Ukraine has significant prospects for cooperation with Oman. Over 10 months of 2008 the volume of bilateral trade totaled \$ US 199.9 mln. Ukrainian export to the Sultanate of Oman totaled \$ US 199.1 mln., and import from Oman – \$ US 863 thousand. Compared to the same period of 2007 Ukrainian export increased by 301%, and import from Oman – by 440%.

Ferrous metals are the main Ukrainian export product. The structure of Ukrainian export requires expansion and should include Ukrainian products with high added value. The trend towards growing trade turnover between Ukraine and Oman will preserve due to permanent Omani demand for traditional Ukrainian export products – metals and metal products. Oman is interested in importing Ukrainian metals, various types of metal working and machine building equipment, agricultural products, equipment for power plants, new technologies with the use of water resources, and special equipment.

Over 10 months of 2008, total trade turnover between Ukraine and Israel totaled \$ US 544.7 mln. Export share is \$ US 406.5 mln. Major export items included metals, agricultural

products, chemical industry products, and food products. Israeli import to Ukraine totaled \$ US 138.2 mln. The main import items included rubber and plastic products, machine building products, chemical products, and metals.

In 2008, trade and economic mission was opened at Ukraine's embassy in Lebanon. In pursuance to the Program of cooperation with African countries for 2006–2008, Ukraine has started the process of preparation to opening of trade and economic missions at Ukrainian embassies in Gabon, Nigeria, Republic of South Africa, and Tunisia.

Intergovernmental commissions established by Ukraine with many countries of Middle East and Africa served as an effective mechanism for elaboration of mutually acceptable and effective decisions aimed at enhancing cooperation in various areas. Joint meetings of Ukraine-Syrian, Ukraine-Kuwaiti, Ukraine-Egyptian, and Ukraine-Tunisian commissions on trade and economic cooperation were successfully held in 2008.

In 2008, Middle East and African regions remained an important sales market for Ukrainian products. Over 9 months of 2008 trade turnover with African countries totaled \$ US 4.52 bln., and with Middle East countries – \$ US 11.157 bln.

***Cultural and humanitarian cooperation*** with the countries of the region was also characterized by active development. Specifically, in 2008 the Ministry of Foreign Affairs of Ukraine initiated and the Cabinet of Ministers of Ukraine approved the allocation of 345 state scholarships for students from African countries who study in Ukrainian higher education institutions. Upon the initiative of the Ministry of Foreign Affairs the Cabinet of Ministers of Ukraine resolved to form a database of graduates of Ukrainian higher education institutions from among the citizens of African countries. Another important event in 2008 was opening of cultural center at Ukrainian embassy in Israel.

Ukraine and Morocco completed elaboration of the series of measures aimed at mutual expansion of presence in information and cultural areas, specifically, through raising awareness about Ukraine in the countries of Northern Africa and dissemination of Muslim culturological programs in Ukraine. In 2008 the Ministry of Foreign Affairs of Ukraine actively worked on securing that the countries of Middle East and Africa support Ukraine's initiative on commemorating the victims of Holodomor in Ukraine

through the adoption of respective commemorating resolution by 63<sup>rd</sup> Session of the UN General Assembly.

### Ukraine and Latin American Countries

**Brazil.** This Latin American country was one of the first countries in the world to recognize Ukraine's independence (26 December 1991). Diplomatic relations were established on 11 February 1992. 3 Honorary Consulates of Ukraine work in Brazil – in the cities of San Paulo (state of San Paulo), Paranaguá (state of Paraná) and Blumenau (state of Santa Catarina), and there is the Honorary Consulate of Brazil in Ukraine (Lviv).

Positive dynamics of political dialogue on the inter-state and inter-government levels was registered in the course of the second official visit to Brazil of the President of Ukraine on 20–22 October 2003. High level of political understanding between the two countries was confirmed by the agreements on deepening of interaction in the international organizations, in particular, in the issue of exchange of mutual support of candidacies in the elections to the relevant UN bodies. Specifically, on 17 March 2008, the Brazilian side accepted proposal of the Ukrainian side on mutual exchange of support for candidacies from the countries, and informed that it supports the candidacy of Ukraine to UN Human Rights Council.

Since 1996, the groups of *inter-parliamentary cooperation* worked in the National Congress of Brazil and the Verkhovna Rada of Ukraine (Ukrainian Parliament). In 2008, the Brazilian members of Parliament visited Ukraine. On 24 May 2007, the parliamentary group of the National Congress on inter-parliamentary relations with Ukraine resumed its work in the new convocation of the Brazilian Parliament. Activities of the similar group in the Verkhovna Rada of Ukraine were resumed in February 2008. In June 2008, delegation of the Brazilian congressmen visited Kyiv, and in the course of this visit they took part in the III meeting of the Ukrainian-Brazilian Inter-Governmental Commission on Trading-and-Economic Cooperation on 5–6 June. Also, the meeting between the leaders of parliamentary groups acting in the highest legislative bodies of two countries was held. The parties confirmed their readiness to assist in activation of inter-parliamentary cooperation. As of

today, there exists an agreement in principle on the visit to Brazil of the Chairman of the Verkhovna Rada of Ukraine.

Generally, wide contractual-and-legal framework was created for development of the bilateral relations. As of November 2008, 71 bilateral document was signed (including 8 inter-state, 12 inter-governmental and 51 inter-ministerial documents), and 70 of them have already come into effect which allows to improve significantly cooperation in the areas most important for both countries. About another 20 bilateral documents are on the stage of preparation.

*Trade and economic cooperation.* Not only active development of the bilateral political cooperation but also significant revival of the Ukrainian-Brazilian trading-and-economic relations is observed in the latest period of development of the Ukrainian-Brazilian relations. In 7 months of 2008, bilateral trade turnover was \$ US 625.2 million. Ukrainian export – \$ US 345.8 million (growth by 235.1% compared to the similar period of 2007), import – \$ US 279.4 million (growth by 148.1%).

The key growth indicator in the volume of Ukrainian-Brazilian trade was revival of interaction between the business structures of both countries interested in cooperation which is confirmed by increased exchange of delegations in this area, as well as by results of the Third meeting of the Ukrainian-Brazilian Inter-Governmental Commission on Trading-and-Economic Cooperation which was successfully held in Kyiv on 5–6 June 2008.

On the bilateral level, especially active is cooperation in the sphere of metallurgy, oil and gas extraction, nuclear energy, aircraft industry, agriculture and rocket-and-space industry. As of 2008, realistic and promising projects of bilateral cooperation in trading-and-economic and scientific-and-technical areas which are already on the stage of their implementation are the joint project in the area of peaceful use of space «Cyclone-4 – Alcantara» and cooperation between the pharmaceutical company State JSC «Indar» and Brazilian state pharmacological company «Fiocruz» regarding establishment of a joint venture to start production in Brazil of insulin according to the Ukrainian technologies.

For implementation of the space project, a binational enterprise «Alcantara-Cyclone-Space» was established in 2007. Right now, there is a realistic prospect of the first launch of the carrier rocket «Cyclone-4» in the first half of 2010 which must place into

orbit the geostationary satellite to ensure flight safety, services in the area of communication and conducting meteorological research. Implementation of the space project is decisive and important not only in the context of preservation and modernization of the domestic aerospace complex of this country, but also acquires more and more features of Latin American and even global scale. In case of its successful implementation, not only Brazil, Ukraine and USA but also other countries of Latin America will have access to practical use of outer space, and it will be sort of a push for further development of others.

In addition to the aforesaid joint projects based on use of new technologies, key attention should be focused in future on the following directions of communication:

- joint production with participation of the Brazilian company «Vale do Rio Doce» and «Industrial Union of Donbas» of iron ore mixtures for further use by metallurgic producers;
- involvement of the Brazilian state oil extraction company «Petrobras» in works on exploration of hydrocarbon deposits on the Ukrainian part of the Black Sea shelf, conclusion of long-term contracts for supply to the indicated Brazilian company of Ukrainian pipes and equipment for construction of gas and oil pipelines, as well as sheet steel for construction of oil transporting tankers;
- cooperation in energy sector, energy machine construction and production of biofuel;
- joint production of transport aircrafts based on «Antonov» model with participation of the Brazilian company «Embraer» and organization of cooperation in shipbuilding industry.

The contractual-and-legal framework for the Ukrainian-Brazilian cooperation includes 69 bilateral documents.

One of the most important directions of bilateral communication which both countries believe to have significant prospects is *inter-regional cooperation*. Mutual exchange of delegations took place in the previous years. In particular, Ukraine was visited by the delegations from states of Rio de Janeiro, Paraná, Amazonas, Santa Catarina. Brazil was visited by the delegations of Kyiv region, Lviv Regional State Administration and Kharkiv region. On 14 April 2008, municipal council of Paranaguá (state of Paraná) adopted the Law which pronounced the city of Paranaguá a sister city of the Ukrainian city of Mariupol, and prepared the draft Protocol on Intentions regarding cooperation between the two cities.

**Cuba.** On 6 December 1991, the Republic of Cuba was one of the first to recognize independence of Ukraine. Protocol on establishment of diplomatic relations between the two countries was signed on 12 March 1992 in Kyiv. General Consulate of Cuba in Ukraine was turned in 1992 into the Embassy of the Republic of Cuba in Ukraine. Since September 1993, the Embassy of Ukraine is functioning in Havana.

Important place in bilateral relations belongs to *political dialogue*. Significant benchmarks of such dialogue in the Ukrainian-Cuban relations were visits to Cuba by the President of Ukraine (2000), Chairman of the Verkhovna Rada of Ukraine (1997), Ministers of Foreign Affairs of Ukraine (1998 and 2002), visits to Ukraine of the Ministers of Foreign Affairs of Cuba (1995 and 2003), heads of the Ministries and bodies of executive power of both countries. Today, the parties are in mutual search for acceptable directions and forms of cooperation, despite differences in approaches to international cooperation in human rights area, and strengthening in the Cuban foreign policy of the trends on priority development of cooperation with the countries having similar ideological likings.

One of the key directions of cooperation is interaction of the two countries in the international organizations. Havana has given lately a number of important supports to Ukraine. In particular, this concerns support by Cuba of the Resolution «Remembrance of 1932–1933 Holodomor Victims in Ukraine» at the 34<sup>th</sup> UNESCO General Conference, as well as support of Ukraine's candidacy during election to the UN Human Rights Council. This is especially important taking into account that Cuba is chairing the Non-Aligned Movement. Ukraine traditionally supports UN resolutions against economic, trading and financial blockade of Cuba by the USA.

Positive role in development of bilateral cooperation was played by holding after a certain break of the IX sitting of the Inter-Governmental Ukrainian-Cuban Commission on Trading-and-Economic and Scientific-and-Technical Cooperation (Kyiv, October 2007). After completion of management replacement in the Cuban Foreign Ministry European Department, it would be expedient to resume the practice of holding bilateral consultations between the Ministries of Foreign Affairs which was interrupted in 2005.

***Trade and economic cooperation.*** According to data of the State Committee on Statistics of Ukraine, bilateral trade turnover



with Cuba in January-July 2008 was \$ US 25,803,700 (for the similar period of 2007 – \$ US 21,434,900). This includes Ukrainian export worth \$ US 23,746,000, and import from Cuba – \$ US 2,057,700. Insignificant growth of export and import is observed (for the similar period of 2007, export to Cuba was 19,631,800, and import – \$ US 1,803,100).

The Ukrainian enterprises «KRAZ» and «Spektr» are represented in Cuba today. The issue of cooperation in the sphere of production of medicines and medical products is being considered. A contract with «KRAZ» on supply of automobiles and establishment of repair enterprise in Cuba is being prepared for signing. Promising is also cooperation on repair and modernization of aircrafts manufactured by Antonov plant; tractors by PMZ and HTZ; railway locomotives, cars and cisterns; energy blocks for heat electric stations with participation of the state enterprise «Ukrinterenergo» and Open JSC «Turboatom»; organization of assembling production of «Nord» refrigerators.

There are certain opportunities to diversify Ukrainian export products. For instance, negotiations were conducted with the state companies ALIMPORT and ECOSOL, and they confirmed interest of the Cuban side in purchase from Ukraine of food products, in particular, sunflower oil, cereal grain etc.

Tourist potential may become a priority in bilateral relations. Cuba was visited in 2007 by about 8,000 tourists from Ukraine. The organized and mass tourism of the Ukrainians could be promoted by resolution of the issue of direct air flights (maybe in combination with the Dominican Republic) and non-visa regime for the citizens of Ukraine. Both these issues, for example, have been resolved for the citizens of the Russian Federation.

An important direction of the Ukrainian-Cuban humanitarian cooperation is rendering medical assistance for over 18 years now at the Treatment and Recreation Center (TRC) «Tarara» to the children from Ukraine who suffered as a result of Chernobyl disaster. This assistance is being rendered on the basis of the relevant Cuban (since 1990) and Ukrainian (since 2001) state programs. In total, over 23,000 citizens of Ukraine received a treatment course in TRC «Tarara» during the whole period of the program. During this time, the Cuban side has spent significant amounts of money for treatment and recreation of the Ukrainian children. The Embassy believes that Ukraine should consider a possibility of

paying certain compensation to the Cuban side in the form of goods, food products in exchange for medical help given by the Government of Cuba in treatment of the Ukrainian children.

As of 1 July 2008, 378 citizens of Ukraine had consular registration with the Embassy of Ukraine in the Republic of Cuba. This includes 304 persons on permanent registration and 74 – on temporary registration. Total number of the Ukrainian citizens in Cuba is about 1,000. Most of them (about 60%) reside in the city of Havana and in Havana province.

In connection with complicated transport problems, regular communication with the citizens of Ukraine is problematic. At the same time, the Embassy is making significant efforts in order to resolve the problem of «detachment» of the Ukrainian citizens. The Embassy regularly organizes visits to the provinces in order to inform on the current situation in Ukraine, resolving of consular matters, rendering of the necessary assistance. Problem issue is low level of salaries in Cuba because of which most of the Ukrainian citizens are unable to visit Ukraine. Lack of possibility to use Internet services also plays a negative role in everyday life of the Ukrainians in Cuba.

A promising direction may be scientific-and-technical cooperation in the area of medicine, bio-technology and pharmacology. Cuba has a powerful base for production of vaccines and medical products: against meningitis, hepatitis B, flu, leukemia, alopecia, oncology diseases. But the restraining factor for wide use in Ukraine of the Cuban medicines is the fact that the Agreement between the Government of Ukraine and Government of Cuba on Mutual Recognition of Pharmaceuticals Registration remains unsigned.

**Peru.** The contractual-and-legal framework for the Ukrainian-Peruvian relations are the following key documents: Agreement on Friendly Relations and Cooperation, inter-governmental Trade and Economy Agreement, inter-governmental Agreement on Mutual Recognition of Documents on Education and Scientific Degrees, Protocol on Mutual Access to the Markets of Goods and Services within WTO, inter-governmental Agreement on Cancellation of Visas for Diplomatic and Service Passports. The following documents are on the stage of preparation: inter-governmental Agreement on Military and Technical Cooperation, inter-

governmental Agreement on Cooperation in the Area of Education, Science and Culture, Agreement on Legal Assistance in Criminal Cases, Agreement on Extradition and Agreement on Transfer of the Convicted Persons.

The main contents of the Ukrainian-Peruvian relations is in development of *trading-and-economic cooperation*. Primary interests of both countries are concentrated exactly in this sphere. For the purpose of development of economic cooperation, in March 2008 the Minister of Industrial Policy of Ukraine V. Novitsky made a visit to Peru. In the course of his visit, a Protocol of intention to conclude the Agreement on Cooperation and Technical Provision in Civil Aviation Industry was signed for establishment of the center for technical maintenance of the aircrafts produced in Ukraine. It was agreed to consider a possibility of holding in the Republic of Peru of a bilateral business forum, and to begin negotiations on signing of the inter-governmental Agreement on mutual protection of investments.

Activities of the Inter-Governmental Commission on Trading-and-Economic Cooperation are aimed at deepening of economic relations between the two countries. The first sitting of the Commission took place in Lima on 17–19 March 2008. The minutes of the first meeting of the Ukrainian-Peruvian Inter-Governmental Commission on Trading-and-Economic Cooperation were signed.

Export of the Ukrainian goods and services to Peru increased in 2008 by 20.2% and was \$ US 31.2 million. Import of goods and services to Ukraine increased by 52.8% and was \$ US 2.7 million. Positive balance for Ukraine was \$ US 28.5 million.

Key items of the Ukrainian export to Peru were mineral fertilizers, polymer materials and plastics, air-navigation equipment and parts to it, boilers, machines, apparatuses and mechanical equipment. The basis of the Peruvian import to Ukraine were fish and shellfish, pharmaceutical products, products of inorganic chemistry, coffee, tea, spices, knitted fabric, fruit and nuts. According to data of the State Committee on Statistics of Ukraine, as of 1 January 2008, 19 enterprises with Peruvian investments were registered in Ukraine.

But despite high mutual interest of both countries, there is a number of unresolved problems in the area of trading-and-economic cooperation. Practice in the sphere of initiation of specific

economic projects shows that in many cases the Ukrainian entrepreneurs are not prepared to fulfill the forms of supply of equipment and means of production accepted in Peru and in Southern America in general, to exercise large projects envisaging financing by a foreign partner (lease, foreign loans etc.), as well as to take part in tenders. Usually, the Ukrainian companies require advance payment from the buyer for production and supply of equipment or goods which is viewed by the Peruvian business circles as non-compliance with the existing standards and rules of trade. In this context, one of the key objectives for development of the trading-and-economic relations between Ukraine and Peru is overcoming of passive attitude of the Ukrainian business circles to access to extremely promising markets of the South-American region.

Negative influence on Ukraine's cooperation with the countries of the Andes region is made by their strong financial and economic dependence on USA and Western Europe. The factors which restrain development of trading-and-economic relations are as follows: severe competition in the South-American markets from the Western firms; lack in the countries of the Andes region and in particular in Peru of representative offices of the Ukrainian companies; inactivity of the Ukrainian enterprises with regard to participation in the leading exhibitions in order to familiarize possible potential partners with their products; retardation of competitiveness level of the Ukrainian machine-and-technical and science-intensive products in comparison with the similar goods of foreign production, including in amount, delivery terms, terms of crediting, service etc.; insufficient provision by the Ukrainian exporters of information with respect to the market of potential partners, their export and import peculiarities, interests and opportunities.

In 2008, activities of the Ministry of Foreign Affairs of Ukraine in *Latin-American* direction were focused, first of all, on activation of political dialogue with countries of the region, ensuring growth of trading-and-economic and investment cooperation. Mechanism of political consultations and inter-governmental economic commissions was used actively.

Therefore, the most important events in development of relations between Ukraine and Latin American countries during the year were the following:

- official visit to Ukraine of the Minister of Foreign Affairs of Paraguay R.D. Ramirez Lescano (February);

- Third joint sitting of the Inter-Governmental Ukrainian-Brazilian Commission on Trading-and-Economic Cooperation (June);
- working visit to Ukraine of the Minister for Strategic Issues at the Administration of the President of Brazil (analogy of the Secretary of SNSD of Ukraine) R. Mangabeira Ungera (November), special attention in the course of which was devoted to the situation with implementation of a joint space project «Cyclone-4 – Alcantara», possible use of Brazilian experience in the area of biofuel production and support by the Brazilian side of Ukraine's efforts on international recognition of Holodomor (Great Famine) of 1932–1933 in Ukraine;
- cancellation of mutual trading restrictions and suspension of anti-dumping investigations regarding export of the Ukrainian fertilizers and chemical products to Brazil;
- First joint sitting of the Ukrainian-Peruvian inter-governmental commission on trading-and-economic cooperation (March);
- regular political consultations between the MFA of Ukraine and, accordingly, MFA of Brazil, Guatemala and Argentina.

In 2008, *further development of the contractual-and-legal framework* for relations with Latin American and Caribbean countries was ensured, in particular, an inter-governmental Ukrainian-Paraguayan agreement on trading-and-economic cooperation was ratified, inter-ministerial agreements on cooperation in environment protection and scientific, technological and logistics cooperation in Antarctic research were signed with Argentina. The second round of negotiations on the level of experts was conducted for approval of the draft inter-governmental agreement with Mexico on promotion and mutual protection of investments.

Dynamic growth of trade volumes with Latin American and Caribbean countries continued. In 10 months of 2008, total volume of Ukraine's trade with the countries of this region exceeded \$ US 2 billion which is 20% more than in the similar period of 2007. The highest indicators of trading-and-economic cooperation were registered with Brazil, Mexico and Argentina.

In the context of efforts of this country regarding commemoration of Holodomor victims, it is necessary to mention approval by the Parliament of Mexico of the Resolution on recognition of 1932–1933 Holodomor in Ukraine to be the act of genocide, as well as holding of numerous «Everburning Candle» events in many countries of the region.

## Ukraine and Countries of the Asian-Pacific Region

In 2008, ensuring support of the Ukrainian national interests in the Asian-Pacific region remained an important component of foreign policy of this country. Main attention was focused on increase of cooperation in political, trading-and-economic, military-and-technical, scientific-and-technical and humanitarian areas.

Despite lack of the highest level visits, *political dialogue* with countries of the region was marked with a number of important events. Working visits of Vice Prime Minister I. Vasyunyk and Minister for Family, Youth and Sports Yu. Pavlenko to China, Minister of Foreign Affairs V. Ogrzyzko to Japan, Chairman of the State Committee on Fishery of Ukraine V. Volkov to Vietnam, and a number of visits on the level of Deputy Ministers to Brunei, Malaysia, Singapore and Vietnam took place.

Visits to Ukraine were made by Deputy Ministers of Foreign Affairs of Japan K. Sasae, and of the Republic of Korea Ho-Yun An, as well as parliamentary delegations from China and Vietnam. The following events were held in 2008: 10<sup>th</sup> sitting of the Inter-Governmental Ukrainian-Chinese Commission on Trading-and-Economic Cooperation (Beijing), 2<sup>nd</sup> sitting of the Ukrainian-Japanese Committee on Cooperation (Tokyo), 4<sup>th</sup> sitting of the Ukrainian-Korean Joint Committee on Trade (Kyiv), 9<sup>th</sup> joint sitting of the Ukrainian-Vietnamese Inter-Governmental Commission on Trading-and-Economic and Scientific-and-Technical Cooperation (Hanoi), 7<sup>th</sup> sitting of the Ukrainian-Chinese Commission on Scientific-and-Technical Cooperation (Beijing), 6<sup>th</sup> sitting of the Sub-Commission on Cooperation for Research and Use of Outer Space for Peaceful Purposes (Kyiv), working consultations with representatives of the Ministry of Foreign Affairs of Japan (on the level of Deputy Ministers and Heads of Departments), China (Deputy Ministers) and Indonesia (Department Directors), 5<sup>th</sup> sitting of the Special Committee on the Issues of Ethnical Koreans.

Permanent attention was paid to activities aimed at development of the *contractual-and-legal framework* for relations with countries of the region. In particular, the following documents were signed: Agreement on Cooperation for Research and Use of Outer Space for Peaceful Purposes with Indonesia, Agreement on Cooperation in Sports with the People's Republic of China, two Ukrainian-Singapore Memoranda of Understanding in Investment

Cooperation, Memorandum on Cooperation in Exchange of Financial Information with Philippines. Agreements on readmission of citizens and protection of secret information with Vietnam, and Memorandum on Cooperation in Defense with Malaysia were ratified. Agreement with Thailand on non-visa visits for the holders of diplomatic and service passports came into force. Third round of negotiations on conclusion of the Agreement on Free Trade with Singapore took place.

***Trade and economic cooperation.*** In 2008, in this sphere of relations, there appeared a positive trend of rapid growth of the volumes of trade between Ukraine and countries of the Asian-Pacific region. For instance, trade turnover in nine months of 2008 was \$ US 11.78 billion and increased almost two times (by 95%) compared to the similar period of 2007. At the same time, special attention is required by the issue of growing Ukrainian export and overcoming of trade misbalance. Export from Ukraine to countries of the Asian-Pacific region in 2008 was \$ US 2.27 billion, negative balance – \$ US 7.24 billion. The key trade partners for Ukraine were China, Japan and the Republic of Korea.

Attraction of the Japanese loan for the amount \$ US 170 million started implementation of the project on reconstruction of Boryspil airport. A contract was signed for purchase by Thailand of 96 armored personnel carriers BTR-3E1 made in Ukraine for the total amount of \$ US 120 million. The Ukrainian carrier rocket Dnipro placed into orbit Thai satellite «THEOS». The measures were taken for development of cooperation in the area of nuclear energy (PRC, Republic of Korea, Japan), aircraft industry (PRC), extraction industry (Vietnam), hydropower industry (Laos).

Work was conducted with foreign partners regarding attraction into Ukraine of investments from countries of the Asian and Pacific region, in particular, within the framework of preparation for a football championship EURO-2012. Also, consultations were conducted regarding joint actions in connection with the global financial crisis.

In ***cultural-and-humanitarian area***, Ukraine was giving humanitarian help to China and Myanmar to overcome the aftermath of earthquake in Sichuan province and typhoon Nargiz. In 2008, a cultural-and-information center was opened at the Ukrainian Embassy in PRC («Ukrainian House»), as well as T. Shevchenko monument in Beijing. The Ukrainian sportsmen

were successful at XXIX Olympics (11<sup>th</sup> place) and XIII Paralympics (4<sup>th</sup> place) in China. Active work was conducted for dissemination in countries of the Asian-Pacific region of the truth on 1932–1933 Holodomor in Ukraine. The Chamber of Representatives of the Australian Parliament adopted a statement in which it condemned Holodomor as genocide of the Ukrainian nation. A symbolic alley of trees devoted to commemoration of Holodomor victims was planted in Auckland (New Zealand). The Days of Ukrainian culture were organized in Singapore.

Therefore, due to systemic and multipurpose activities of the Ministry of Foreign Affairs of Ukraine and Ukrainian diplomatic missions abroad in 2008, bilateral cooperation of this country with countries of the Asian-Pacific region was filled with specific contents, and it has good prospects.



## Afterword

The Publication «Foreign Policy of Ukraine – 2008: Strategic Assessments, Forecasts and Priorities» prepared by the Foreign Policy Research Institute includes a comprehensive analysis of the outcomes of the country's foreign policy activity for one year. The scientific analysis prepared in the format of the Annual Strategic Review is typical for many countries of the world. The predictive value of this publication is that, based on the comprehensive assessment of the past, it enables us to look into the future, see the outcomes of the decisions made on foreign policy issues, foresee the future challenges and suggest the timely preventive actions.

The Annual Strategic Review combines the scientific and analytical part represented in conclusions and estimations of the leading experts in international relations, and information materials provided by the Ministry of Foreign Affairs of Ukraine. The analysis of Ukraine's foreign policy for 2008 made by the team of experts in international relations gives reason to make such conclusions.

During 2008 Ukraine made significant foreign policy efforts to secure an honorable position in world politics. The most advanced directions of foreign policy activity were as follows: wide international recognition of the 1932–1933 Holodomor tragedy; active cooperation with international financial organizations; implementation of the Kyoto Protocol requirements; and development of relations with the Ukrainian Diaspora. Ukraine remains an important link in providing the European consumer market with fuel and energy resources. In this context, during 2008 Ukraine took all necessary measures aimed at integration into the European Energy Community. This year was also remarkable for Ukraine's accession to the World Trade Organization. The

outcomes of the country's foreign policy activity in 2008, combined with the enhanced cooperation of Ukraine with the USA, the EU and NATO, preserve some historic chances for our country.

However, the internal political and financial and economic crisis, disbalance of activity of the main branches of power and other internal and external factors did not allow Ukraine to improve considerably its international image and to realize fully its national interests in the international arena in 2008.

In the international context, the year 2008 was marked by further deterioration of the international security environment around Ukraine. First of all, this became evident in the weakening of transatlantic links and strengthening of the EU's geopolitical ambitions what is quite dangerous for the Euro-Atlantic area and poses a serious challenge for European security in general and for Ukraine's national security in particular. On the other hand, the inter-civilization conflict combined with the aggravation of geopolitical confrontation between Russia and the West considerably complicates Ukraine's position which found itself in the buffer zone. Aggravation of such geopolitical and inter-civilization confrontation makes Ukraine meet more large-scale challenges and external and internal threats for its national security. Postponing the decision on Ukraine's NATO membership prospect for an indefinite term deprives our country of the opportunity to defend its security through joining the collective defense system of the democratic countries.

It is also necessary to mention the other global threats which directly influenced on Ukraine's security in 2008 such as the aggravation of the problem of international maritime piracy and the global spread of HIV-infection. In 2008 Ukraine took one of the first places in the world by the speed of growth of this epidemic. This year was marked by escalation of the new «gas war» with Russia what posed a real threat for Ukraine's energy security. The war in the Caucasus between Russia and Georgia, as well as the world financial and economic crisis, became the direct threats for Ukraine's national security.

The information expansion of foreign countries still remains a great threat for the country's national security. Conducting of information and psychological campaigns by them, also with the help of secret services, encourages the reappearance of separatist trends in Ukraine.

The main problem in realization of the course for Euro-Atlantic integration of Ukraine is a low public support and lack of political elite which is able to put the national interests before the corporate and personal ones. In consequence of the policy of destroying the Ukrainian identity it turned out to be too difficult and unusual for the part of Ukrainian population to consider Ukraine as an independent country. There is a numerous group of people in Ukraine which has no clearly defined Ukrainian national identity and is ruled in its attitude to NATO first of all by the habit, the cultural or language feature, desire to reach the certain level of well-being or by situational influence.

Despite the internal and external shocks which were faced by Ukraine and the EU in 2008, economic relations between the countries continued to develop. The most important thing which distinguishes the year 2008 from the previous years is the change in philosophy of understanding by the Government of European integration as an internal policy priority and as an instrument of reforms in Ukraine. In the frames of this new approach an effective institutional mechanism for coordination and realization of European integration was created. But the most important thing was to approve the formula of the new Agreement that would stipulate the **political association and economic integration of Ukraine with the European Union**. Approximation of positions of Ukraine and the EU in all security issues, Ukraine's involvement into direct participation in the EU policies, agencies and programmes are in the basis of political association. Economic integration will be built through the creation of a deep and comprehensive free trade area based on four freedoms that will open Ukraine's access to the internal market of the European Union.

In the system of bilateral relations, cooperation of Ukraine with the United States of America was the most fruitful one. In particular, in 2008 the Road Map of priorities for bilateral cooperation was signed in which the strategic format of relations was confirmed, the directions of cooperation were clearly mentioned in the long-term prospect. During 2008 the USA were in the forefront of the countries which provided assistance to Ukraine in resolving the issues which were of vital importance for our country.

Regarding these issues, special attention in the second half of 2008 was paid to the range of security problems. Much attention was paid to these problems in the provisions of the United States –

Ukraine Charter on Strategic Partnership signed by the Heads of Ministries of Foreign Affairs of Ukraine and the USA.

The Russian Federation remained the second key trading partner for Ukraine after the EU. However, in 2008 the sudden reduction of trade volumes in relations with the Russian Federation took place in consequence of what its portion in Ukraine's overall turnover of goods reduced even more and amounted to only 23%. Concerning the political sphere, the main milestones in development of Ukrainian – Russian relations in 2008 were as follows: prolongation of the Treaty of Friendship, Cooperation and Partnership between Ukraine and the Russian Federation (the Grand Treaty) for 10 years and election of D. Medvedev as the President of Russia, as well as the Russian – Georgian conflict which negatively influenced upon the state of bilateral relations.

Unfortunately, relations between the two countries continued to have the openly confrontational character during 2008. This confrontation was caused not only by external factors, but also by the processes of internal transformation of both countries. Relations between Ukraine and Russia in humanitarian sphere turned out to be the most critical ones in 2008. They transformed into the real ideological war. The main object of this war is the *problem of rebirth of Ukrainian nation and Ukrainian identity*. However, despite the system conflict, Ukraine and Russia manage to maintain a dialogue in Ukrainian – Russian relations and the necessary level of economic cooperation.

In general, despite the considerable complication of international and internal political situation, Ukraine managed to preserve the stability of its foreign policy course directed to realization of its national interests in 2008.

**Annex.****List of Multilateral International Documents signed by Ukraine in 2008**

№	Title of the international treaty	Date of signing	Date of coming into force
1.	Memorandum on mutual understanding between the Ministry of Labour and Social Policy of Ukraine and International Labour Organization on Decent Work Programme for 2008–2011	09.06.2008	
2.	Financing Agreement (EUBAM)	Ukraine: 02.07.2008 EU: 25.08.2008	Effective as on: 25.08.2008
3.	Financing Agreement (Twinning)	Ukraine: 02.07.2008 EU: 25.08.2008	Effective as on: 25.08.2008
4.	Agreement of financing of foreign assistance programme of EU – «Support of Ukraine's energy strategy introduction»	Ukraine: 19.09.2008 European Community: 29.09.2008	Effective as on: 29.09.2008
5.	Letter of commitment for subscription of shares to the capital increase of the Black Sea Trade and Development Bank	15.07.2008 – Ukraine, 01.08.2008 – Bank	
6.	Loan Agreement (Municipal Infrastructure project) between Ukraine and the IBRD	26.05.2008	18.10.2008
7.	Loan Agreement (State Finance Modernization project) between Ukraine and the International Bank for Reconstruction and Development	25.03.2008	23.10.2008
8.	Loan Agreement (Third Development Policy Loan) between Ukraine and the IBRD	22.12.2008	23.12.2008
9.	Memorandum on mutual understanding between the Government of Ukraine and EBRD concerning holding an annual EBRD meeting in Kyiv	31.01.2008	
10.	Loan Agreement (750 kV Rivne-Kyiv High Voltage Line Construction Project) between Ukraine and the European Bank for Reconstruction and Development	28.02.2008	

*Continuation Annex*

<b>№</b>	<b>Title of the international treaty</b>	<b>Date of signing</b>	<b>Date of coming into force</b>
11.	Additional Protocol to the Memorandum on Mutual Understanding between the Government of Ukraine and the North Atlantic Treaty Organization (NATO) in Ukraine concerning Foundation of the NATO Information and Documentation Center in Ukraine	04.04.2008	
12.	Additional Protocol to the Memorandum on Mutual Understanding between the Government of Ukraine and the North Atlantic Treaty Organization (NATO) concerning Appointment of NATO Liaison Officers in Ukraine	04.04.2008	
13.	Memorandum on mutual understanding concerning encouraging the civil trans-border transportations of the 13 <sup>th</sup> of September 2006	06.10.2008	06.10.08
14.	Memorandum of Understanding between the Ministry of Defence of Ukraine, the Ministry of Defence of the Republic of Hungary and the Supreme Headquarters Allied Powers Europe (SHAPE) on Ukraine's participation in NATO's Air Situation Data Exchange (ASDE) programme between the Air Command and Control unit (Lviv, Ukraine) and the NATO Control and Reporting Centre (Veszprem, Hungary)	13.06.2008	13.06.2008
15.	Protocol on Conservation and Sustainable Use of Biological and Landscape Diversity to the Framework Convention on the Protection and Sustainable Development of the Carpathians	19.06.2008	
16.	Agreement between the Government of Ukraine and the European Space Agency on cooperation in peaceful space uses	25.01.2008	
17.	Agreement (in the form of exchange of letters) between the Government of Ukraine and the European Commission on export duty	01.04.2008	
18.	A) Joint Statement on the Caspian - Black Sea - Baltic Energy Transit Space B) Joint Statement Regarding the Euro-Asian Oil Transportation Corridor (documents of the Energy Summit, Kyiv, 23.05.2008)	23.05.2008	23.05.2008

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