

**UKRAINE'S FOREIGN POLICY - 2007:
STRATEGIC ASSESSMENTS, FORECASTS AND PRIORITIES**

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.*

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 “Ukraine’s Foreign Policy in 2007: Strategic Assessments, Forecasts and Priorities” initiated by the Institute of Foreign Policy, Diplomatic Academy of Ukraine of the Ministry of Foreign Affairs in Ukraine, is aimed, primarily, at the domestic diplomatic corps, embassies of Ukraine abroad and foreign representations in Ukraine, and at international organizations and policy centers.

Publication of the Annual Strategic Review “Ukraine’s Foreign Policy in 2007: Strategic Assessments, Forecasts and Priorities” has already become traditional. It elicits great interest from its readership, which encompasses both 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 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 2007.

During 2007 Ukraine made major foreign policy efforts to secure itself a good place in world politics. The principal accomplishments in this area included: the increase in the volume of technical aid to Ukraine through the U.N projects line, in particular the elimination of the consequences of the Chernobyl accident and protection of the environment; broad world-wide recognition of the Holodomor tragedy of 1932-1933; active participation in international peacemaking activity and settlement of frozen conflicts; improved rapport with the Ukrainian Diaspora, and increase of attention to security of the rights and legitimate interests of Ukrainian citizens and legal entities abroad.

Our state has repeatedly confirmed its commitment to adhere to and meet its international obligations in the security sphere. Therefore, Ukraine focuses its activity on pursuit of state policy in the fields of non-proliferation, arms control and disarmament, realization of measures to strengthen confidence and security, control of exports and the promotion of international military and military-technical cooperation with foreign countries in accordance with international agreements. Nevertheless, in caring about international stability and security, Ukraine is guided primarily by its own national interests.

Notwithstanding the external and internal shocks endured by Ukraine and the EU in 2007, economic relationships between the countries were getting stronger. The trade in merchandise was growing rapidly; however, high domestic demand in Ukraine caused further dominance of import growth rates, which were twice as high as growth of exports. Almost half of imports from the EU consisted of machinery and equipment. An important achievement in 2007 was the signing and ratification of the Agreement about readmission and the simplification of the visa regime with the EU, and the Convention about the legal status of working migrants. However, notwithstanding the important accomplishments and high growth rates of economic cooperation as a whole, Ukraine's role as an EU economic partner remained smaller than was potentially possible.

Year 2007 brought Ukraine an almost 30% increase in foreign trade turnover. More than 95% of Ukrainian exporters work in the private sector. During the year we could see the reverse tendency to a credit balance increase in the trade balance of the country. One of the biggest problems of 2007 was the incomplete trade structure of foreign trade. For the last 11 years, export has been dominated by processing goods and raw materials.

In the regional context, the Russian Federation remained the key trading partner for Ukraine (the RF's specific proportion in the foreign trade turnover in goods and services amounts to 27.4%); however, in 2007 its share was smaller than trade with EU countries (33.5%). Despite the complex range of problems in Ukraine-Russia bilateral relationships during 2007, both sides managed to maintain a quite constructive political dialogue ruled by pragmatic approaches. The sides reached the greatest effectiveness in the question of delimitation of a sea border in the Azov Sea. The Parties agreed on the need to delimitate borders in accordance with international maritime law conventions.

In contents the book fully covers the major areas of the foreign policy of Ukraine. Its first section analyzes the impact of internal and external factors on the formation and implementation of Ukraine's foreign policy. In addition, it discusses Ukraine's role and place in the global international processes, and highlights trends inherent in Ukraine's foreign policy in 2007.

Section two of the yearbook explores the security dimension of the country's foreign policy. It looks at global and regional threats that were acute in terms of national and international security in the course of the year. Great attention is paid to Ukraine's intensified dialogue with NATO and Ukraine's role in the international arms control and disarmament regime. A considerable portion of

the section contemplates Ukraine's contribution, place and role in the operations of global and regional international organizations.

The third section is dedicated to the pursuit by Ukraine 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 2007.

The fourth section highlights the foreign economic activity of Ukraine. It defines economic interests and priorities in Ukraine's foreign policy, gives forecasts for their accomplishment and summarizes the results of Ukraine's participation in international economic cooperation.

The final fifth section offers to the reader important information and a systemic analysis of bilateral relations between Ukraine and foreign nations. The focus of discussion is first of all, on Ukrainian-Russian relations, the rapport of Ukraine with the USA and Canada, and relations with the major countries of Europe and the Middle East, Asia, Africa, Latin America and the Asian and Pacific region.

The annex to the Yearbook lists international multilateral and bilateral documents signed by Ukraine in 2007.

The complexity of objectives faced by Ukrainian diplomacy requires open discussion, critical rethinking and well-balanced assessments of the foreign policy of Ukraine. The Annual Strategic Review "Ukraine's Foreign Policy in 2007: Strategic Assessments, Forecasts and Priorities" aims to facilitate these processes. It combines 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 makes it an extremely valuable source of data and analysis for diplomats, experts in international relations and for Ukrainian and international communities overall.

Sincerely,

B.I. Gumenyuk

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

FOREWORD

Publication of the Annual Strategic Review “Foreign Policy of Ukraine – 2007: 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 Ukraine’s foreign policy undertaken by the nation's leading foreign affairs experts.

The unique nature of this publication emerges from the fact that it provides unbiased analysis of international events, foreign policy decisions, successes and problems in implementing foreign policy of Ukraine during the year 2007.

The value of this Annual Strategic Review lies in the way it enables readers to assess the effectiveness of exercising foreign policy interests of Ukraine on international scene, as well as define these interests in different regions of the world. It covers challenges and trends that became apparent in international community and foreign policy of Ukraine in 2007. The publication provides comprehensive assessment of Ukraine’s place and role in regional and global security systems, and its activity within the scope of international organizations.

The Annual Strategic Review analyses the outcomes of strategic trends for implementation of foreign policy of Ukraine, provides explicit characteristic of the status of Ukraine-Russian relations and trends for their further development, describes ways to resolve the problems and achieve the objectives of European and Euro-Atlantic integration of Ukraine. Based on comprehensive analysis, the publication describes possible and prospective models for implementing the foreign policy course of Ukraine in line with its national interests.

The Annual Strategic Review pays due attention to characteristic and assessment of bilateral cooperation of Ukraine with other countries. Specifically, respective chapters of the publication provide information on the status of implementing such key areas of bilateral relations as deepening of cooperation with leading EU member states, the U. S. and Canada, Russia, and countries that are regional leaders in Asia, Africa, Latin America, and the Asia-Pacific Region.

Therefore, the Annual Strategic Review is essentially a comprehensive reference book, which describes the major foreign policy events that took place in the year 2007 and provides comprehensive analysis of the key aspects of Ukrainian foreign policy.

Initiation of this publication is clear evidence of Ukraine’s aspiration towards transparent and predictable foreign policy in line with international democratic standards.

The Annual Strategic Review “Foreign Policy of Ukraine – 2007: Strategic Assessments, Forecasts, and Priorities”, initiated by Foreign Policy Research Institute of Diplomatic Academy of Ukraine under the care of Ministry of Foreign Affairs of Ukraine, is designed, first of all, for Ukrainian diplomatic corps, Ukrainian embassies abroad, foreign diplomatic missions in Ukraine, as well as international organizations and think-tanks.

General Directorate of Kyiv City Council for Servicing Foreign Representative Offices supports the publications that cover issues related to international affairs, inform Ukrainian society and international community on foreign policy of Ukraine, as well as contribute towards the establishment and promotion of positive international image of Ukraine.

Sincerely,

P. O. Kryvonos
Director General
General Directorate of Kyiv City Council
for Servicing Foreign Representative Offices

CHAPTER I

NATIONAL AND INTERNATIONAL CONTEXT OF UKRAINE'S FOREIGN POLICY

§1. UKRAINE IN THE GLOBALIZED WORLD

The main development tendency of the modern world is its all-round globalization. Year 2007 became just one more step in the evolution of this key tendency. Globalization as a process makes its way into all continents and spheres of social life: from economic and political, to security and humanitarian. Impact of the global processes can be felt in each country. This impact is very controversial and complex.

On the one hand, globalization can be perceived as the driver of progress, since it gives each country access to information technologies, and facilitates exchange of goods, services, information and capital. First and foremost, globalization means growth and worldwide sharing of knowledge, intellectual capital and progressive management practices. A country that has joined the globalization process has huge chances of enjoying its benefits and advantages for its own growth and development. On the other hand, however, globalization brings considerable threats to a nation's way of social life, traditions, ideology and social values. Globalization intensifies competition, as a result of which the countries may lose both external and home markets. In this way, globalization widens the gap between progressive, wealthy countries and disadvantaged nations.

Will it be possible for Ukraine to use the benefits of globalization and avoid threats inherent in the process? Will Ukraine be able to make use of these benefits and join the group of wealthy countries or will it remain behind in the economic and social progress? To answer these questions, one needs to analyze Ukraine's role and involvement in the global economic, political and humanitarian processes, and in the international efforts to address global threats to international security.

Ukraine in the Global Economic Environment

The level of a country's integration into the global economic processes depends on the extent to which the national economy is interwoven with the world economy. The following indicators can help to understand the extent of such integration:

- foreign trade volume to GDP ratio;

- foreign direct investments (FDI), both incoming and outgoing;
- inflow and outflow of payments connected to the transfer of advanced technologies.

Other important factors of a country's integration into the world economy also include the dynamics of the development of the national economy and its ability to adjust to international business practices.

Over the last ten years Ukraine has shaped the fundamentals of market relations and market institutions, and built appropriate legislative framework to support them. At present, the Ukrainian economy is mostly open. "We have a stable convertible national currency and the legislation in place to regulate foreign economic activity, which is increasingly matching the standards and requirements of the World Trade Organization (WTO)"¹.

However, as a sovereign state Ukraine has very limited influence on the international division of labor and on the integration processes taking place in the world economy, remaining for a long time outside the main world economic processes².

One of the main preconditions for the participation in these global economic processes is WTO membership, which was considered the top priority in Ukraine's foreign policy in 2007. What efforts were made by Ukraine towards accession to WTO?

Ukraine kept trying to become a WTO member from 1993. In 2005-2006 Ukraine's Parliament (Verkhovna Rada) adopted 38 laws required to join the Organization. The last package of documents was adopted in May, 2007. Previously, Ukraine had completed negotiations with all WTO Working Group members except Kyrgyzia, having signed 49 Protocols of Mutual Access to the Goods and Service Markets. On November 15, 2007 the last country on Ukraine's way to the WTO - Kyrgyzia – signed with Ukraine the bilateral Protocol of Mutual Access to Goods and Service Markets, i.e. the Protocol of WTO Accession. The Kyrgyz side explained its position regarding the delay in the adoption of the above mentioned document (from 2005) by citing Ukraine's economic debt to Kyrgyzstan to the amount of USD 27,000,320.44. Moreover, the Kyrgyz side said it would not sign the Protocol of WTO Accession until Ukraine paid off the debt. Ukraine agreed to pay the debt, which had accumulated in 1992-1994, as humanitarian aid to the

¹ Strategy of Ukraine's Economic and Social Development (2004-2015) «By Way of European Integration», /Corp. Authors: A. S. Halchynsky, V. M. Gheyets. - K.: State Statistical Committee of Ukraine, 2004 – p.37

² S. I. Sokolenko. Globalization and the Economy of Ukraine.-K.:Logos, 1999 – p.81

amount of 138 million UAH and cancelled antidumping duty on Kyrgyz electric light bulbs³. Ukraine also promised that after joining the WTO, it would keep the level of tariffs fixed in the Ukraine-Kyrgyz Agreement on Free Trade in 1995. Thus, Ukraine overcame the last barriers on its way to WTO membership: Kyrgyzia confirmed signing the Protocol with Ukraine and stated that the countries had no financial claims on each other. Notwithstanding all these efforts, the protocol confirmation procedure can be quite lengthy.

New barriers may arise on Ukraine's way to WTO membership, with the need to sign a bilateral protocol with Vietnam being one of them. This is due to the fact that last year, Ukraine was presented with a few new requirements by the WTO working group in Genève, including: to coordinate its home tariffs for railroad transportation with a number of countries and to agree on the control regulations over food products containing genetically modified organisms (GMO). EU countries demand the implementation of strict controls over GMO products, while the majority of country-producers of such products (including the USA) - insist on the utmost liberalization of trade with GM products⁴.

Despite the fact that Ukraine completed signing all bilateral protocols of access to the goods and service markets, the year 2007 did not see it joining the WTO. In the process of joining the international labor market, Ukraine should pursue the following strategic goals: expansion of markets for Ukrainian exports, and also, the encouragement of investments and borrowing of advanced technologies for the implementation of structurally innovative models of the development of a socially oriented national economy.

Ukraine's Role in Addressing Challenges of the Global Policy in the UN Context

³ Azarov and Yatsenyuk try to solve all WTO questions in Kyrgyzstan // NEWSru.ua // Economy // November 12 2007 Will Ukraine join the WTO in December yet? for-ua.com.; Ukraine signs a last agreement for joining the WTO //URL: <http://lenta.ru/news/2007/11/14/ukg/>.

⁴ The recently established Kyiv Security Forum (KSF) may become an effective form of building up-to-date schemes of response to new threats. In its framework in November 2007, the International conference dedicated to "Regulation of "Frozen" Conflicts in the Context of Security and Stability of the Black Sea Region" was held; more than 250 participants attended this conference including official representatives of the Black sea region countries, the EU and the USA, and 30 international experts from 22 countries. The underlying idea of KSF is facilitation of international intellectual dialogue on European security issues. Taking responsibility as the Forum organizer, Ukraine demonstrated its commitment to become the regional leader and donor of the global and European security. – //<http://lenta.ru/news/2007/10/20/foundout/>; N. Bilousova. Draft, which has to become a strategy//Day. –2007. – Dec. 11

In 2007, Ukraine's role in the global policy was most evident through its activity in the UN. It is this international organization which gives Ukraine an opportunity to participate in the process of addressing the challenges of the global policy. In 2007 these challenges included:

- climate change and worsening of global environmental security;
- non-proliferation of nuclear weapons and fighting nuclear terrorism actions;
- humanitarian disasters and children's security in armed conflicts.

During 2007, Ukraine actively participated in addressing these global challenges and proved its commitment to the international development goals stated in the UN "Millennium Declaration".

A landmark event within the framework of Ukraine's activity in the UN was the participation of a Ukrainian delegation headed by A. P. Yatsenyuk, the then Minister of Foreign Affairs of Ukraine, in a high level meeting on climate change and in a general political discussion of the 62nd session of the UN General Assembly (GA) on September 22-26, 2007. In his speech during the plenary session of the meeting dedicated to "Innovative Development of the World with Favorable Climate - the Role of Technologies and Their Expansion" A. P. Yatsenyuk emphasized Ukraine's contribution to international efforts directed at fighting climate change. He also drew attention to the problems of Chernobyl disaster relief operations, underscored the need to reinforce the effectiveness of the UN programs and the importance of giving due regard to national development programs while planning international environmental events, and highlighted international aspects of building a new sarcophagus over the Chernobyl Power Plant. Mr. V. D. Handohiy, First Deputy Minister of Foreign Affairs, tabled a motion to the UN General Assembly to support a new draft resolution "Strengthening International Cooperation and Coordination of Efforts in the Study, Mitigation and Minimization of Chernobyl Disaster Effects", which was approved by the relevant GA Resolution.

UN member-countries proclaimed the decade of 2006-2016 the "Decade of Revival and Sustainable Development of the Damaged Regions". In cooperation with other relevant organizations the UN is authorized to develop a UN Action Plan in this area for the period until 2016. The UN General Assembly also recognized the need to continue providing international aid to Ukraine in order to alleviate the effects of the Chernobyl accident, including completing the construction of the "Shelter" object and investigation of medical aspects of the tragedy.

In his speech during the general political discussion at the 62nd session of the UN GA, the Head of the Ukrainian Foreign Office emphasized that Ukraine, with its capacity as a space-faring

nation, is ready to contribute its intellectual resources to mutual scientific research aimed at understanding the on-going global processes and finding opportunities to reduce their negative impact on climate change. A. P. Yatsenyuk proposed the creation of an effective mechanism for establishing ecological liability and solidarity as a means of building a universal system of international ecological security.

Participating in the work of the session, the Minister posted for public review an International Convention on Combating Nuclear Terrorism Acts, having demonstrated Ukraine's willingness to cooperate with the international community in the development and implementation of effective practical measures to prevent this threat, and Ukraine's commitment to its obligations in the area of non-proliferation of nuclear weapons. He also posted the Stockholm Convention on Persistent Organic Pollutants (POP). Participation in this Convention will enable the raising of additional resources for the implementation of actions directed at the elimination of dangerous chemical matters and waste products of POP group, the reduction of their discharges into the environment through the modernization of the national industry and by running sustainable farming, and the rehabilitation of territories polluted by POP, which subsequently, should considerably improve the overall ecological situation in Ukraine.

As part of Ukraine's participation in the work of the 62nd GA session (September 30 – October 4, 2007) V. D. Khandohiy, the First Deputy Minister of Foreign Affairs of Ukraine made a speech during the general political debates of the session and took part in the ministerial meeting dedicated to the protection of children in armed conflicts, in the ministerial meeting “Partnership in Democratic Governance”, and in the annual coordination meeting of the Community of Democracies at the foreign affairs ministers level. During these general political debates of the session V. D. Khandohiy made the point that there was a need to join efforts to ensure effective UN response to the whole spectrum of challenges in the areas of security, development and human rights. He also emphasized the importance of reforms in the UN and the Security Council and drew attention to the importance of resolving “frozen” conflicts in GUAM.

Pursuant to point 16 of the 62nd GA session's agenda, GUAM member-countries disseminated a draft joint resolution “Protracted Conflicts in the GUAM area and their impact on international peace, security and development”.

In October 2007 Ukraine joined the “Friends' Group” of “Alliance of Civilization”, an international initiative under the aegis of the UN General Secretary. Ukraine was elected to the UN

Commission on Crime Prevention and Criminal Justice as a representative of the Eastern European Group of countries for the period from 2007 to 2009.

Year 2007 was marked with a positive dynamic in the development of relations between Ukraine and the UN organizations. The UN Development Program, UN Population Fund, and the UN Children's Fund provided our country with financial and technical aid within the framework of the cooperation programs for 2006-2010. Thanks to the efforts taken, in 2007 the list of topics of the UN programs has expanded greatly: a number of new projects were launched, including those aimed to support the public administration system, facilitate trade and investments in the Black sea basin area, and promote the development of local communities etc.

The overall budget for UN projects in Ukraine increased. While in 2006 grants for the UN programs and projects amounted to almost 33 million USD, by the end of 2007 development aid provided by the UN to Ukraine reached more than 40 million USD.

One of the highest priorities for Ukraine's participation in world policy has been and is the *building of the country's positive international image and pursuit of proactive humanitarian policy directed at the assertion of democratic values.*

Formation of the country's positive international image and pursuit of proactive humanitarian policy

In 2007, Ukraine's key objectives in this area of foreign policy were: worldwide recognition of the Famine (Holodomor) tragedy of 1932-1933 and human rights protection as a fundamental democratic principle.

The main efforts aimed at achieving the broad worldwide recognition of the 1932-1933 Holodomor tragedy were undertaken by the Ministry of Foreign Affairs of Ukraine through international organizations. The respective theses were proclaimed from the UN tribune by the Head of the Ukrainian delegation at the 62nd GA session, the Permanent Representative of Ukraine to the UN, First Deputy Minister of Foreign Affairs of Ukraine, who confirmed Ukraine's resolution to have the Holodomor tragedy of 1932-33 recognized by the UN as an act of genocide against the Ukrainian people. Public events which produced reverberations on the international arena included a thematic exhibition in the UN Headquarters and a special conference with the participation of the First Prime Minister of Foreign Affairs of Ukraine. The associated appeal of the President of Ukraine was disseminated in the UN as an official document.

The Ukrainian Diplomats performed very well while completing this complicated political assignment within the framework of such an important international organization as UNESCO. The 34th session of UNESCO General Conference (16.10.-03.11.2007) unanimously approved the resolution **“Perpetuation of the Memory of Holodomor Victims (1932-33).”**

Forty-five member-countries of the Organization demonstrated solidarity with Ukraine. Fifty more countries gave their verbal support.

The resolution states that the Holodomor, which was caused by the brutal policy of Stalin’s totalitarian regime, should become a warning to present and future generations encouraging them to maintain and promote democratic values, human rights and the rule of law. The General Conference honored the memory of the fallen victims and expressed sympathy to the survivors of the Holodomor in Ukraine of 1932-33. UNESCO’s highest governing body also welcomed Ukraine’s initiative in organizing events in memory of the 75th anniversary of the Holodomor in Ukraine of 1932-33 and invited member-countries to consider their participation in the memorial events.

In addition, the General Conference encouraged member-countries to facilitate remembrance of the Holodomor by including this information in educational curricula and scientific-research programs, so that future generations could learn about these tragic historical lessons.

The UNESCO Resolution was the first resolution about the Holodomor in Ukraine approved within the framework of a universal international organization. The term “Holodomor” was fixed in this resolution for the first time.

Taking into consideration that UNESCO operates as a special body focusing on science, culture, education and information, the adoption of the resolution is an efficient mechanism to disseminate information about the Holodomor in Ukraine in 1932-33 throughout the world community. It gives opportunities to implement specific steps aimed at the spread of information about the Holodomor at the worldwide level and at the formation of a favorable international opinion to run follow-up work on the recognition of the fact of Holodomor of 1932-33 in Ukraine as genocide against the Ukrainian people. Meanwhile, it should be noted that the delegation of Ukraine did not pursue the goal to make UNESCO recognize the Holodomor as genocide as was reported by many mass media. UNESCO is not a political or international legal organization and as such is not competent to make such pronouncements. In the meantime, in the course of 2007

Holodomor was recognized as an act of genocide against the Ukrainian people by: the Congress of the Republic of Peru, Senate of the National Congress of the Republic of Paraguay, National Congress of the Republic of Ecuador, Chamber of the Parliament Members of the Czech Republic, Legislative Assembly of the State of Parana (Brazil), City Council of Berisso town (Buenos Aires province), Argentina. In connection with the 75th anniversary of the Holodomor of Ukraine in 1932-1933 the related resolutions were adopted by the Espluges de Llobregat City Council (a satellite city of Barcelona, autonomous region of Catalonia, Spain), Members of the Argentinean Chako Province Parliament Chamber.

The following dates proposed by Ukraine to be celebrated by the UNESCO in 2008-2009 were approved for inclusion in the General Conference anniversaries list:

- *200th-anniversary of the birthday of M. Gogol, a famous Ukrainian and Russian writer (2009);*
- *100th-anniversary of the birthday of L. Landau, a famous Russian and Ukrainian physicist (2008);*
- *100th-anniversary of the birthday of M. Prymachenko, a famous Ukrainian painter (2009).*

As part of the General Conference's work, UNESCO held elections to its intergovernmental bodies. Ukraine was elected to the International Council of the "Mankind and Biosphere" program (MAB) and Intergovernmental Committee for Physical Education and Sport (CIGEPS).

On November 30, 2007, the 15th meeting of the OSCE Council of Ministers in Madrid approved and promulgated a mutual statement "About the 75th-anniversary of the Holodomor of 1932-1933 in Ukraine". The document was co-authored by such influential member-countries as Canada, the Czech Republic, France, Germany, Hungary, Poland, Spain, the UK and the USA.

In 2007, Ukraine made a considerable contribution to rights protection on the international level. Within the framework of the UN rights protection bodies Ukraine reported on the completion by the state of the fundamental documents outlining general principles in this area:

- at the 39th session of the Committee on economic, social and cultural rights, Ukraine defended its 5th report on fulfillment of the International Pact on Economic, Social and Cultural Rights;

- at the 38th session of the UN Committee Against Torture Ukraine defended the 5th report on fulfillment of the Convention Against Torture and Other Cruel, Inhuman or Humiliating Kinds of Punishment;

- at the 45th session of the Committee on Children's Rights Ukraine presented a report on fulfillment of the Optional Protocol to the Convention on the Rights of the Child, on the sale of children, child prostitution and child pornography.

Ukraine also fulfilled previously-undertaken voluntary obligations by means of active participation in the establishment of the Universal periodical review mechanism and, also, by sending an open invitation to all special RPL procedures to visit Ukraine. During 2007 this invitation was accepted by: O.Ibeanu, a Special reporter on issues of the harmful effects the illegal transportation and burial of toxic and dangerous products and waste have on the realization of human rights (January 22-30, 2007), and A. Ligabo, a Special reporter on issues of security and the expansion of the right to express intellectual freedom. (May 14-19, 2007)⁵.

The protection of Ukrainian citizens abroad and the rights of the Ukrainian Diaspora is a permanent priority of national foreign policy and an area of special attention for diplomatic and consular institutions of Ukraine in the international arena.

Protection of Ukrainian Citizens Abroad and the Right of Ukrainian Diaspora.

One of the most important objectives of the Ukrainian MFA in 2007 was the realization of state policy of cooperation with Ukrainians staying abroad, directed at providing assistance in securing their rights in the countries of their permanent and temporary residence, the creation of favorable conditions to preserve, develop and exhibit the ethnic, cultural, linguistic and religious uniqueness of the Ukrainian national minorities, meeting their national, cultural and other demands, use of the foreign Ukrainians' potential in the interests of Ukraine and the reinforcement of the country's positive image abroad. In particular, to implement the State Program of Cooperation with Ukrainians Abroad until 2010, the Ministry coordinated the realization of appropriate activities by central and local government authorities and Ukrainian NGOs working with Ukrainian

⁵ Information based on the materials provided by the MFA of Ukraine

communities abroad. To do that, the MFA held interdepartmental coordination meetings, assisted the Ministry of Education and Science (MES) and TV and Radio Committee in implementing the respective programs funded from the national budget.

Meanwhile, since, unlike in 2006, the MFA was not allocated specific funding from the budget for the implementation by the MFA in 2007 of the program 1401150 “Actions towards establishment of relations with Ukrainians living outside Ukraine”; the realization of the State program was less successful in the reporting period. In particular, no financial support was provided for the activity of foreign Ukrainian NGOs through Ukrainian diplomatic institutions in the various countries, which usually contract these NGOs for the conduct of the specific activities. To improve the situation and facilitate further realization of the State Program, and upon numerous requests from foreign Ukrainian communities, the Ministry is taking steps to renew and secure this program in the budget starting from 2008. Despite the acute political crisis in the country, in 2007 the MFA of Ukraine made efforts to improve the legislative framework in the area of cooperation with Ukrainians abroad. To this end the Ministry initiated and drafted the Law of Ukraine “On Cooperation with Ukrainians Abroad”. Pursuant to the Presidential Decree, the Ministry drafted a Resolution of the Government “On the Development of Relations with Ukrainians Living outside Ukraine, in the area of Preservation, Protection and Popularization of the Cultural Heritage of Ukrainian Community in the Global Civilization Space” with approval of the Priority Action Plan for 2008 – 2009. Moreover, the Ministry drafted a Resolution of the Cabinet of Ministers of Ukraine on the creation of the renewed Interdepartmental Coordination Council on Securing the Development of Relations with Ukrainians Abroad, under the Presidency of the Minister of Foreign Affairs of Ukraine. The work on the draft resolution of the Cabinet of Ministers of Ukraine “On Changes to the CMU’s Resolution № 1024 dated August 10, 2004 “On Establishing of the National Committee on Issues of the Ukrainians Abroad” is in progress.

During 2007 the MFA of Ukraine made specific efforts to facilitate contacts of foreign Ukrainians with their historical homeland. The Directorate on Issues of Ukrainian Communities Abroad arranged for the smooth operation of the National Committee on Issues of Foreign Ukrainians under the Cabinet of Ministers of Ukraine. By the end of 2007 the Committee had held seven meetings, reviewed and satisfied more than 1700 applications to be assigned the status of a foreign Ukrainian. This status makes a person eligible to obtain a multiple five-year entry visa to Ukraine free of charge. Notwithstanding the difficulties in preparing the relevant certificate forms

caused by redistribution of the respective budget program among central government authorities in 2007, all applicants were provided with these documents. 831 certificates of Foreign Ukrainians were issued in the reporting year.

Year 2007 saw the reinvigoration of the activities of the Ukraine-Hungary Intergovernmental Committee on Issues of Securing National Minorities' Rights (the XIII meeting was held in Budapest in July 2007), and the Bilateral Ukraine-Slovakia Committee on National Minorities, Education and Culture Issues (the VII meeting was held in Kyiv in September 2007). Within the framework of the Mixed Ukrainian-Romanian Intergovernmental Committee on Issues of Securing Rights and Freedoms of Representatives of the National Minorities, the second stage of the joint Ukraine-Romania monitoring of the well-being of Ukrainian minorities in Romania (in Maramuresh district) and Romanian minorities in Ukraine (in Zakarpattia region) was held in May-June 2007, with the participation of international experts from the OSCE and the CE. The third concluding stage of the monitoring is scheduled for 2nd quarter of 2008⁶.

At present, negotiations are in progress for the creation of similar bilateral committees with Belarus, Moldova and other countries. To this end, the draft interstate Agreement on Cooperation in Securing Rights of People Belonging to the National Minorities, between Ukraine and the Republic of Moldova is at the stage of final preparation. The draft of the Agreement foresees the creation of a Mixed Intergovernmental Ukraine-Moldova Committee on Securing National Minorities' Rights.

In 2007 the MFA of Ukraine teamed up with other ministries and public organizations in the realization of joint projects on assisting and giving financial aid to Ukrainians abroad. Thus, the foreign policy agency provided comprehensive assistance to a newly established educational institution of the MES of Ukraine, the *Ukrainian International School* (UIS). The purpose of this school is to promote the educational rights of children living with their parents outside Ukraine and to give them an opportunity, with the help of modern electronic media for distance learning, to obtain a good education and later on, get an appropriate state education certificate. Through the diplomatic institutions the MFA notified Ukrainian communities in full detail about the activity of

⁶ Information based on materials provided by the MFA of Ukraine

the UIS, and contributed to arranging and holding a special seminar with the participation of 27 teachers from Ukrainian Secondary schools from 11 countries.

From November 30 to December 1, 2007, Kyiv hosted the First Economic Forum of Ukrainians of the World, arranged by the Ukrainian World Coordination Council (UWCC) and the “Fourth Wave” International Non-government Organization, with the assistance of the MFA of Ukraine. About 200 participants and Forum guests took part in this public event, including 32 foreign Ukrainians from 12 countries of the world, in particular from Switzerland, Canada, Russian Federation, Moldova, Spain, Italy and other countries. Following the Forum it was decided to hold such events annually and to create a standing Coordinating Committee of the Economic Forum of Ukrainians of the World under the UWCC.

The MFA made a considerable contribution to searching, collecting, systematizing and processing entries for the future museum “Ukrainians in the World”. As of December 2007, the MFA received and processed materials sent by Ukrainian diplomatic institutions from 39 countries of the world. Ukraine’s foreign policy agency provided diplomatic support to the procedure of awarding foreign Ukrainians with state, governmental and departmental prizes and rewards. During 2007 more than 80 Foreign Ukrainians were recommended for awards. As of December 15, 2007, 43 people had been awarded⁷.

Protection of rights and legitimate interests of Ukrainian citizens and legal persons abroad is one of the key priorities of the country’s foreign policy in the international arena.

In 2007, the MFA of Ukraine took a number of steps to improve the procedure for reviewing applications from citizens, and for providing our compatriots with high-quality legal assistance and protection. Thus, the Ministry kept running the Community liaison office, which provided hands-on free advice on consular and legal issues through daily personal or telephone interviews and by regular and electronic mail. The Center of Aid to the Citizens of Ukraine Abroad kept operating as part of the Department of Consular Service within the MFA structure; its branches operated under Ukraine’s foreign diplomatic institutions and in MFA regional offices in Ukraine.

⁷ Information based on materials provided by the MFA of Ukraine

Effective June 1, 2007, a contact-center under the MFA of Ukraine began working. Its responsibilities include fulfillment of the assignments related to urgent consideration of applications filed by citizens of Ukraine and legal entities regarding protection of their rights and interests, prevention of human trafficking, provision of explanations and reference information.

The MFA of Ukraine made steps towards the protection of the rights of Ukrainian labor migrants. In 2007, the consular presence of Ukraine in European countries expanded, with two new consular institutions launching their operations: a General Consulate in Naples (Italy) and a Consulate in Marseilles (France). Besides, non-professional consular institutions of Ukraine play an active role in the protection of the rights and interests of our compatriots abroad. In 2007, five Honorary Consulates of Ukraine started their activity abroad: in Argentina, Poland, Turkey, Philippines and Chile.

During 2007, the MFA of Ukraine made sure a timely and high-quality response is given by the consular institutions in cases of detention or arrest of Ukrainian citizens abroad; moreover, it made active and consistent efforts on the reinstatement of any violated rights of our compatriots. Ukraine's consular officials helped to release and return home 80 Ukrainian sailors, 9 Ukrainian vessels. Two hundred and sixty-two Ukrainian citizens were assisted in getting a total of 1,145,571 USD of salaries in arrears paid⁸.

In accordance with the requirements of the current legislation, the MFO supervised and made sure that rights of 17,353 Ukrainian children adopted by foreign citizens were duly respected.

Analysis of the protection practices applicable to the rights and interests of Ukrainian citizens and legal entities and the ways of improving this important area of consular work were the topics for discussion during 25 rounds of bilateral and multilateral consultations on consular-legal issues in 2007.

As one of the key activities in the prevention and avoidance of difficult and force-majeure situations in which Ukraine's citizens may find themselves while staying abroad, the MFA continued running public awareness campaigns aimed at raising the citizens' awareness on the migration and labor legislation of foreign countries, and self-help actions in typical difficult situations. With this purpose the MFA of Ukraine and a number of Ukraine's foreign diplomatic

⁸ Information based on materials provided by the MFA of Ukraine

institutions prepared and produced printed information materials on consular matters for Ukrainian citizens.

In 2007 the Consular Service secured the implementation of the functions fixed in the Consular Regulations of Ukraine, to the maximum. Thus, Ukraine's foreign diplomatic institutions implemented more than 430,000 consular actions and charged over 22 million USD in consular fees⁹.

In addition, the MFA coordinated activities of foreign diplomatic institutions of Ukraine, representative offices of the MFA of Ukraine on the territory of Ukraine and, wherever needed, of Ukrainian ministers and departments, and central government bodies at the local level, particularly in connection with such events as: escalation of the situation in the Republic of Guinea, the Islamic Republic of Iran and possible evacuation of the citizens of Ukraine; evacuation of 100 citizens of Ukraine from Palestine; repatriation of the remains of dead Ukrainians; recall of Ukrainian fishing boats which illegally stayed within Georgia's exclusive (sea) economic zone in December 2006 – January 2007; prevention of the illegal stay of Turkish fishing boats within Ukraine's exclusive (sea) economic zone etc.

One of the important ways of safeguarding the rights and legal interests of Ukrainian citizens employed abroad is by strengthening the relevant international legislation base. To this end, during 2007, a number of draft bilateral and multilateral agreements on employment and social security were prepared. In particular, in order to coordinate draft bilateral agreements, the MFA, jointly with the Ministry of Labor and Social Policy of Ukraine, held regular rounds of negotiations with Spain, Italy, Libya, Germany, Poland and Romania.

Work is still in progress on the following drafts: Ukraine-Israel Agreement in the Area of Social Service regarding pension transfer, Ukraine-Georgia Agreement of Mutual Employment and Social Security, Ukraine-Estonia, Ukraine-Portugal, Ukraine-Turkey, and Ukraine-Hungary Agreements on Social Security Issues. Also, work is underway on making revisions to the Ukraine-Czech Protocol on Making Changes to the Agreement of Social Security, Ukraine-Spain and Ukraine-Slovakia Agreements of Social Security, Ukraine-Libya Agreement of Cooperation in Labor and Employment Area, and the Ukraine Poland Agreement of Mutual Employment.

⁹ The Information is provided by the materials of the MOFA of Ukraine

As part of work aimed at securing the rights of Ukrainian citizens to freedom of travel, by streamlining the travel regime of the citizens going to other countries, the MFA plays a very important role in expanding the respective legislation base on visa and readmission issues. That is why, on March 16, 2007 the Cabinet of Ministers of Ukraine and the Government of the Kingdom of Denmark signed an Agreement on Simplification of Visa Issuance. A milestone in this area was the signing of the Ukraine - EU Agreement on Visa Issuance Simplification on June 18, 2007. The Cabinet of Ministers of Ukraine had to devote a lot of time and effort to negotiating with the Government of the Kingdom of Norway the signing of the Agreement on Visa Issuance Simplification. On November 7, 2007 the text of this Agreement was initialed in Oslo. Drafts of the respective Agreements on visa issue simplification were presented to British, Irish and Icelandic sides.

Due to new countries joining the Schengen zone, the need arose to modify standing bilateral agreements with Lithuania, Latvia, Poland, Slovakia and Hungary on the mutual travel regime of citizens. On November 30, 2007 the Cabinet of Ministers of Ukraine and the Government of the Republic of Poland signed a Protocol on Making Changes to the Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Poland on Travel Conditions of Citizens effective from 30.07.2003, whereby Ukrainian citizens were accorded a wide range of privileges.

To implement the agreements reached with the signing of the Ukraine-EU Agreement on Visa Issuance Simplification, Ukraine began negotiations with neighbor countries - Community members- regarding the signing of bilateral agreements on the rules of local cross-border travel. On September 18, 2007 in Uzhhorod city, the Cabinet of Ministers of Ukraine and the Government of the Republic of Hungary signed an Agreement on Local Border Movement Rules, which fixed a simplified procedure for crossing the Ukraine-Hungary border for residents of 50km border zones provided they have special permission, issued by consular institutions of both sides.

Ukraine and Slovakia held two rounds of negotiations on the above-mentioned problem. As a result of the second round, the text of the Agreement was coordinated and initialed, and the parties began preparations for its signing. In November 2007, the Cabinet of Ministers of Ukraine and the Government of the Republic of Paraguay signed an Agreement on Visa Cancellation. A similar draft of Ukraine-Argentina Agreement on Visa Free Travel was reviewed at the interdepartmental level and presented for consideration by the Argentinean side.

Conclusion

During 2007, Ukraine made outstanding foreign policy efforts to secure itself a worthy position in world policy. The most successful directions of this activity were: increase in the volume of technical aid to Ukraine within the UN projects, particularly regarding the elimination of the effects of the Chernobyl accident and boosting environmental protection; worldwide recognition of the Holodomor tragedy of 1932-1933; active participation in the international peace-making activity and settlement of frozen conflicts; improvement of relations with the Ukrainian Diaspora and paying greater attention to the protection of the rights and legitimate interests of Ukrainian citizens and legal persons abroad.

However, the national political crisis, the unbalanced activity of the main branches of central government and other national and international factors did not help Ukraine to improve its international image and fully realize its national interests in the international arena in 2007.

§2. KEY TRENDS IN UKRAINE'S FOREIGN POLICY IN 2007

During 2007, Ukraine cooperated on a multilateral and bilateral basis with virtually all nations of the world. Ukrainian diplomacy took an active part in finding solutions to major issues on the international agenda. However, pressured by the domestic policy crisis in the country, Ukraine's foreign policy was rather controversial. Initially, the country faced confrontation between the Cabinet of Ministers headed by Viktor Yanukovich, backed by the Parliamentary majority, and the President of Ukraine Viktor Yushchenko. The trend to pursue "two foreign policies" each backed by the above mentioned politicians, evolved into an "undeclared war" between them. The struggle for influence in foreign policy, which began with the dismissal of Boris Tarasyuk, the Minister of Foreign Policy of Ukraine, continued when the majority of Verkhovna Rada of Ukraine strongly objected to the candidacy of Volodymyr Ogryzko, proposed by the President of Ukraine for the post of the head of the Foreign Office.

The confrontation which resulted in the severe domestic policy crisis, stemmed from the constitutional reform, according to which, the role of the Head of the Government, to whom all ministries report, was supposed to grow significantly, but management of the country's foreign policy was to remain in the hands of the President. In particular, the President was responsible for setting the goals and objectives of Ukraine's foreign policy. Thus, the Strategy of Ukraine's National Security, approved by the President's Decree of February 12, 1997, included an objective to form a safe international environment around Ukraine, strengthen the system of collective security in the European and Transatlantic space; develop relationships and cooperation in the global and regional dimensions; protect and support Ukrainian citizens and their interests abroad¹⁰.

In early summer of 2007, the domestic policy crisis reached its climax, so the decision was made to hold pre-term elections to the Parliament as a way of resolving the crisis. Exacerbation of the political crisis in Ukraine was caused by the intentions of the anti-crisis coalition to create a constitutional majority in an illegitimate way. This brought about a real threat of replacing democracy in Ukraine with an authoritarian regime. Escalating confrontation between the

¹⁰ On the Strategy of the National Security of Ukraine. Decree of the President of Ukraine № 105/2007 of February 12, 2007. Official internet-representation of the President of Ukraine. – Access mode: <http://www.president.gov.ua>.

Parliamentary majority and the government, on the one hand, and between the opposition and President of Ukraine, on the other, observed in the first three months of 2007, eventually led to action being taken. President of Ukraine Viktor Yushchenko by his Decree of April 2, 2007, stripped the Verkhovna Rada of Ukraine of its authority. The political crisis in Ukraine attracted a lot of attention from the global community - primarily, from Europe- to the domestic political situation in Ukraine

The process of regulating the political crisis produced major effects on the re-distribution of policy-making authority between the main branches of Ukraine's public administration. While at the outset of the crisis, the main power in the country was held in hands of V.Yanukovich's Government and the Parliamentary Majority, at the end of the political crisis, key areas of authority were taken over by the President of Ukraine as the winner in this political conflict. Consistent with the new redistribution of authority, the balance of policy-making influence of each of these branches of the public administration changed too. Thus, in the beginning of the crisis, in March 2007, almost 91.5% of experts interviewed believed that Yanukovich's government had the biggest influence on Ukraine's foreign policy (see Table 1). Financial and industrial groups from the East of Ukraine, whose interests were first of all backed by the Government of Yanukovich, were believed to be the second most powerful. This was reported by 51% of the experts surveyed. Correspondingly, the influence of the Verkhovna Rada was also quite notable (40.4%).

The President of Ukraine ranked only third in the rating of influence on foreign policy (46.8%), despite the fact that management of the country's foreign policy activity falls within the purview of his constitutional powers. Consequently, influence on the foreign policy exercised by the major foreign policy agency, accountable directly to the President of Ukraine, was also insignificant (14.9%).

As the political crisis ended, the situation regarding the level of influence exercised by domestic actors on the foreign policy of Ukraine changed fundamentally. Rating of the President of Ukraine Viktor Yushchenko, as the winner of the political crisis, went up from third to first rank. It grew from 46.8% in March to 88.2% in December 2007. Consequently, the role of the Ministry of Foreign Affairs in the foreign policy decision-making also went up from 8.5% in March to 44.4% in October 2007. Similarly, the influence on foreign policy decision-making of the narrow, informal circle in the President's environment has also strengthened. Thus, while in March 2007, this figure was 8.5%, in December 2007, it reached 33.3%. By contrast, influence of the Head of

the Cabinet of Ministers and that of Verkhovna Rada of Ukraine on the foreign policy of Ukraine dropped, respectively, from 91.5% in March to 52.7% in December, 2007, and from 31.3% in March to 7.8% in December, 2007¹¹.

Naturally, this drastic change in the level of influence of domestic policy players on the country's foreign policy was reflected in the volatility of the foreign policy course of the country. While the political crisis was on-going, programs of the factions inside the "anti-crisis" coalition treated Ukraine's relations with the Russian Federation as the top priority, while the so-called Western vector stagnated. With the reinstatement of power in the country in the hands of democratic forces, the Western vector was reinvigorated, and this was reflected, particularly, in the enlivening of the processes of European and Euro-Atlantic integration, and the greater attention to the Baltic and Black Sea vector.

Table 1

What institutes and groups of elites inside Ukraine have the biggest influence on Ukraine's foreign policy today? (the total percentage exceeds 100, because experts could choose up to three options):					
	December 2006	March 2007	June 2007	September 2007	December 2007
President of Ukraine and its Secretariat	29.4%	46.8%	83.3%	85.2%	88.2%
Head of the CMU	70.5%	91.5%	80,9%	74%	52,9%
Financial and Industrial groups	49%	51%	38.1%	35.2%	35.3%
Ministry of Foreign Policy	41.1%	14.9%	35.7%	44.4%	25.5%
Verkhovna Rada of Ukraine	31.3%	40.4%	14.3%	0	7.8%
Narrow informal circle of people in the President's environment	27.4%	8.5%	14.3%	20.4%	33.3%
National Security and Defense Council	3.9%	0	7.1%	9.2%	5.9%
Independent analysts, experts, journalists	0	4,2%	0	0	3,9%

¹¹ The data presented in this table and below were derived as a result of the survey of experts, conducted by the Center of Peace, Conversion and Foreign Policy of Ukraine (O. Potyekhin, N.Parkhomenko) by the standard methodology among four groups of people professionally engaged in analysis, planning and review of foreign and security policy of Ukraine, and policy-making (employees of government bodies and state analytical institutions)

Regional leaders	7,8%	4,2%	0	1,8%	3,9%
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European and Euro-Atlantic Integration. WTO Accession

In the year when the national diplomatic service celebrated its 90th anniversary, it is worth remembering Oleksandr Shulgin, the first Head of Ukraine's Foreign Policy Office, as saying back in 1930, that "Ukraine, when it becomes free, should join the European Union, because it will be there". Notwithstanding all contradictions, year 2007 witnessed Ukraine growing closer to the EU. In spring negotiations of the New Reinforced Agreement instead of the Partnership and Cooperation Agreement (PCA) began. However, the negotiations were brought to a halt by the Ukrainian political crisis. It is interesting to note that during this political crisis, political opponents did not seek support for their arguments in Moscow, but rather, in Brussels and Strasbourg. The free and honest pre-term parliamentary elections demonstrated the commitment of our country to the political priorities of the Ukraine-EU Action Plan. Results of the elections pointed to the irreversibility of the Ukrainian people's choice in favor of democratic and European values, and the strengthening of democratic institutions in the context of making way to the common European family.

The European direction maintained its importance even in the conditions of the crisis. A Resolution of the CMU of April 26, 2007 approved steps aimed at fulfillment in 2007 of the Ukraine-EU Action Plan, which was the document underpinning our cooperation with this international institution. Implementation of this document was objectively consistent with the strategic goal of our country, which is the integration with European economic and social entities, and helped to bring Ukrainian legislation closer to European norms and standards. The list of these steps included reinforcement of Ukraine's cooperation with European countries in overcoming common threats to security, including the fight against terrorism, non-proliferation of weapons of mass destruction, prevention of illegal export of arms, elimination of conflicts and regulation of crisis situations. Ukraine continued taking part in the EU police missions in Bosnia and Herzegovina, and in the Republic of Macedonia.

The XI Ukraine-EU Summit was held on September 14, 2007 in Kyiv. The Ukrainian side was pleased to hear our key priorities stated within the framework of preparation for the New Agreement. Issues of cooperation, outlined in this document, were the focus of attention for the Summit

participants. The participants discussed security policy (including nuclear security), ecology, and economic cooperation, to name a few. They also exchanged information on the internal situations in the EU countries and in Ukraine. On behalf of the Ukrainian government and the nation, the President V.Yushchenko thanked the EU for its kind attitude to our country in the period of political crisis. "We felt the deep, consistent, democratic and open position, taken by the EU and member-countries to the democratic way of overcoming parliamentary crisis in Ukraine".

European integration included specific actions, such as liberalization of the visa regime and creation of a free trade zone. Within the framework of the Eighth Meeting of the Heads of Foreign Diplomatic Missions in Ukraine, a group session entitled "European Dimension: Ukraine-EU Negotiation Process on the New Framework Agreement on the Free Trade Zone Creation" was held. Participants paid specific attention to the issues of the reinforcement of organizational and institutional procurement of the Euro-Integration course of Ukraine; the MFA's coordination role and its having in place effective mechanisms of cooperation between central government bodies and Ukraine's embassies in EU member-countries as part of the work on the New Enhanced Agreement; expansion of provisions on the free trade zone between Ukraine and EU taking into consideration the interests of Ukraine's commodity-producers; implementation of the Ukraine-EU Treaty on Simplification of Visa Regime; improving access of Ukrainian goods to the EU markets; effective use of EU aid provided to Ukraine under the European Neighborhood and Partnership Policy.

Kostyantyn Yeliseyev, the Deputy Minister of Foreign Affairs, on December 14, 2007 extended a hearty welcome to three Ambassadors of the European Union – Ambassador of Portugal, as the country chairing the EU, Ambassador of Slovenia which will be chairing next, and the Representative of the European Commission in Ukraine. Mr.Yeliseyev congratulated representatives of the EU on signing the EU Reform Treaty, which took place during the European Council's meeting on December 13, 2007. This event was the unanimous achievement of all European countries, without exception. It marked the establishment of a new stage in the development of the expanded EU, which will now be functioning on the basis of better institutional capacity, effectiveness and sustainability. As was noted by the Ukrainian side, the most important thing is that the Reform Treaty will eliminate barriers to further expansion of the EU, which should leave doors open for countries meeting membership eligibility criteria.

Successful termination of the negotiation process with WTO member-countries at the end of the year and adoption of a number of laws set real preconditions for Ukraine's joining the WTO in

early 2008. As soon as Ukraine acquires WTO membership, the prospects of creating a free trade zone between Ukraine and EU may look more realistic. That Ukraine has an acute need for joining these international institutions was supported by surveys of Ukrainian experts. Traditionally, the large majority of Ukrainian experts agreed that Ukraine needs to join the EU, while an even bigger portion supported Ukraine's WTO accession (see tables 2- 4.).

Table 2.

Does EU Accession meet Ukraine's national interests?					
	December 2006	March 2007	June 2007	September 2007	December 2007
Yes	66.8	78.7	88.1	75.9	76.5
Rather yes, than no	27.4	17	7.1	16.7	19.6
Rather no, than yes	3.9	4.2	0	3.7	3.9
No	0	0	4.8	1.8	0
Difficult to say	1.9	2.1	0	1.8	0

Table 3

Does WTO accession meet Ukraine's national interests?					
	December 2006	March 2007	June 2007	September 2007	December 2007
Yes	78.4	91.5	90.5	79.6	80.4
Rather yes, than no	17.6	6.4	4.8	12.9	11.8
Rather no, than yes	3.95	0	4.8	5.5	3.9
No	0	2.1	0	1.8	3.9

Changes in experts' assessment of barriers hindering Ukraine's European integration were most notable.

Table 4

What presents the biggest barrier for Ukraine's European Integration (the total percentage exceeds 100, because experts could choose up to three options)					
	December 2006	March 2007	June 2007	September 2007	December 2007
1 Legacy of the Soviet-era mindset and system of social organization	25.5	14.9	38.1	37	35.3
2 Leaders of the nation's incapability to determine and pursue strategic priorities	62.7	80.9	54.8	74	60.8
3 Corruption and organized crime	31.3	34	23.8	16.7	29.4
4 Influence of Left Political forces	3.9	0	4.8	5.5	0

5 Professional incompetence of diplomatic service	3.9	2.1	0	0	0
6 Influence of the “Russian Factor”	54.9	34	40.5	38.9	41.2
7 Slow economic reforms	39.2	29.8	40.5	42.6	33.3
8 Weak civil society institutes	11.7	4.2	19	7.4	21.6
9 Human rights violation	1.9	2.1	0	1.8	0
10 Governing Elite’s Reluctance to Integrate	29.4	44.7	21.4	18.5	25.5
11 EU Government indifferent to Ukraine and hindering the process	19.6	36.2	35.7	40.7	35.3
12 No barriers	0	0	0	0	3.9

Ukraine-NATO Relations.

Of all the objectives of the ‘Intensified dialogue’ with NATO, in 2007 Ukraine performed most successfully on the reform of the security sector based on democratic principles. However, because of the political turmoil, the Cabinet of Ministers of Ukraine approved the Target Plan for 2007 within the Ukraine-NATO Action Plan only in early June 2007. At the same time, in relations with NATO, Ukraine behaved rather as a passive “candidate” and made no efforts to become an active player in the international discussions related to the reform of the Euro-Atlantic commonwealth. In the course of the year, particularly on the eve of the pre-term parliamentary elections, the foreign policy topics became the object of political manipulation and were used for escalating confrontation between East and West of Ukraine.

Commenting on warnings by Volodymyr Putin, President of the Russian Federation, that Russia could point its missiles at “new targets in Europe” in response to placing elements of the USA Anti-Ballistic Missile System in Poland and the Czech Republic, the head of the Ukrainian state emphasized that such statements only increased his country’s desire to gain NATO membership as soon as possible and hide under the Alliance’s “security umbrella”. V.Yushchenko noted that “our security and defense doctrine has been formally stated in the law and that the key

aspect of this doctrine is to secure Ukraine's accession to the EU and NATO"¹². In Ukraine's relations with NATO, year 2007 was unusual because it was the 10th anniversary of the signing the Charter on a Distinctive Partnership between the North Atlantic Treaty Organization and Ukraine. The MFA of Ukraine forwarded to the NATO HQ in Brussels a joint letter signed by the President of Ukraine V.Yushchenko and Prime-Minister V.Yanukovich dated March 27, inviting Mr. Y.Skhefer, the NATO Secretary General, and the NATO North-Atlantic Council to visit Ukraine from July 8-10, 2007 to mark the anniversary. However, the political situation in Ukraine hampered the visit. In order to mark the 10th anniversary of the Charter in Ukraine, Viktor Yanukovich, the Prime Minister of Ukraine issued an order dated May 22, 2007 №16120 whereby he approved an interagency plan of action. According to the Plan, there was a proposal to hold a formal meeting of the Civil Council within the Ministry of Foreign Affairs of Ukraine, and invite politicians, outstanding public figures, experts and representatives of NGOs to participate - particularly those who directly contributed to initiating the relationship between Ukraine and the Alliance and to closing the Ukraine-NATO Charter on a Distinctive Partnership between Ukraine and NATO. It was planned to organize a whole range of information measures on a national scale. The list of these measures included organizing in the country regions "round tables", public hearings, seminars, briefings, TV debates, and discussions of outstanding issues of Ukraine's Euro-Atlantic integration.

On July 9, 2007 in NATO HQ in Brussels, a special meeting of the Ukraine-NATO Commission was held at the level of ambassadors, dedicated to the 10th anniversary of the signing of the Charter on a Distinctive Partnership between Ukraine and NATO. Speaking to members of the North Atlantic Council, the ambassadors of NATO member-countries, Head of the Mission of Ukraine to NATO (MUN) K.Morozov emphasized the importance of a distinctive partnership between Ukraine and NATO, reaffirming the consistency of Ukraine's Euro-Atlantic course aimed at achieving its strategic goal, i.e. attaining full membership in the Alliance. In this context, Head of the MUN reassured the allies of the on-going processes of reform in the country, and the intensification of mutually beneficial cooperation with NATO designed to secure peace and stability in the region. It was the strong belief of the Ambassador of Ukraine, that the military and technical cooperation between Ukraine and NATO was unprecedented. Since 2005, Ukraine has

¹² Mackinnon M. Putin 'not kidding' on missile threat, Yushchenko warns. In: The Globe and Mail Print Edition 12/06/07.

been implementing the largest project in NATO history: the Trust Fund NATO/PZM on the utilization of obsolete weapons and ammunition. As a result of the meeting, a Joint Statement was issued explaining that at the meeting in Brussels on July 9, 2007, Ambassadors of the Commission Ukraine-NATO marked the 10th anniversary of the Charter on a Distinctive Partnership between Ukraine and the North-Atlantic Treaty Organization, and this was signed on July 9, 1997 in Madrid.

In the course of the past 10 years, the distinctive partnership between Ukraine and NATO under the Charter has strengthened security on the Euro-Atlantic terrain. The Trust Fund NATO/PZM on the utilization of obsolete weapons and firearms, movable anti-aircraft missile facilities, and on the retraining and civil adaptation of former military personnel, have contributed to a real strengthening of Ukraine's national security. Active participation of Ukraine in NATO peace-making operations and missions became a notable contribution to securing international peace and stability. In spring 2007, The NATO Information and Documentation Center in Kyiv also marked its 10th anniversary. Opened in Kyiv on May 7, 1997, it served evidence of the importance of establishing cooperation between NATO and Ukraine. Ukraine was the first ex-Soviet country where the Alliance's Mission was established.

During the year, Ukraine felt the effective support of leading countries of the Alliance. In particular, President of the USA, George Bush, signed the NATO Freedom Consolidation Act. This document confirmed the compliance of Albania, Georgia, Macedonia, Ukraine and Croatia with the requirements of the American Law on NATO Membership of 1994 and these countries' eligibility for US financial aid to support their integration into the Alliance. Ukraine's Foreign office expressed gratitude to the American side for supporting our country's Euro-Atlantic course, emphasizing the reasoning of this step, which is due to the distinctive partnership between Ukraine and NATO, and demonstrates the appreciation of Ukraine's contribution to securing regional security. Official Kyiv stressed that respecting the regional interests and based on the current legislation, Ukraine is committed to active continuation of the Intensified Dialogue with NATO, fulfillment in full scope of the objectives of the Annual Target Plan within the Ukraine-NATO action plan, implementation of the far-reaching reforms in the security and defense sectors, reconstruction of the military and industrial complex, and running effective information and public awareness campaigns.

President of Ukraine Viktor Yushchenko, on May 4, 2007, signed a Decree to approve the Provision on the national coordinators of cooperation between Ukraine and NATO and to make changes to the decrees “On the National System of Coordination of Ukraine’s Cooperation with the North Atlantic Treaty Organization” and “On the Inter-agency Commission on Preparation of Ukraine to Membership in NATO”. The provision particularly concerned the specially authorized individuals, whose responsibilities were aimed at realization of the state policy in the area of North-Atlantic integration. It established that the national coordinators of Ukraine’s cooperation with NATO must be members of the Inter-Agency commission in charge of preparing Ukraine for NATO membership and must personally attend its meetings. Therefore, they are not entitled to delegate their authority to anyone. National coordinators are supposed to manage and run inter-agency task forces in the defined areas, approve their composition, conduct meetings of the said task forces on an ‘as needed’ basis, - however, at least once per month - and report on accomplishments. National coordinators were also to help central government bodies, and government agencies to fulfill their tasks in the relevant areas of cooperation between Ukraine and NATO, including all matters regarding the preparation of Ukraine for NATO membership within the framework of the Intensified dialogue of Ukraine with the Alliance¹³.

The Cabinet of Ministers of Ukraine on April 26, 2007 issued an order whereby they approved the action plan on the fulfillment in 2007 of the State Public Information program on issues of Euro-Atlantic Integration of Ukraine for 2004-2007. Main goals of this framework document were: to increase the awareness of Ukrainian citizens on the Euro-Atlantic course, ongoing transformations of the North Atlantic Treaty Organization and benefits of NATO membership for Ukraine; improving awareness of young people on the progress of our country towards European integration; engagement of the citizen and public and political figures of Ukraine, representatives of NATO and the Alliance’s country-members in the discussion of outstanding issues, directions, organizational forms of cooperation with NATO; ensuring grass-root support for the Government’s Euro-Atlantic Integration Policy. This plan included over 70 points which covered a broad spectrum of organizational aspects related to coverage of Euro-Atlantic processes, contributing articles to electronic and printed mass media on the progress made, assessments and prospects of pursuing policy in this area, as well as on our nation’s activity within

¹³ Issues of the National Coordinators of Ukraine-NATO Cooperation. Decree of the President of Ukraine № 380/2007 of May 4, 2007. Official internet-office of the President of Ukraine. – Access mode: <http://www.president.gov.ua>.

the framework of cooperation with NATO. In particular, stress was placed on the need to prepare, publish and disseminate appropriate information on the regional level¹⁴.

It is worth noting that Ukraine-NATO cooperation was the most concerted area where Ukraine contributed to global and regional security. In particular, as part of the NATO's anti-terrorist operation in the Mediterranean Sea, "Active Endeavor", on the basis of the HQ of Naval Forces of Ukraine in the city of Sevastopol, the first national contact point of this operation was established. Ukraine became the second NATO non-member-country after the Russian Federation, to have joined the operation "Active Endeavor". The main forms of Ukraine's Military Forces' participation in this transaction were an exchange of information within the operation through the Contact point on the basis of the HQ of Ukraine's Naval Forces; sending a Ukrainian officer of communication to the HQ of the operation (Naples, Italy); engagement of military personnel of Ukraine's Armed Forces in inspections of suspicious vessels; forwarding ships and subdivisions of the Naval Forces of Ukraine to joint forces assigned for participation in the operation "Active Endeavor". On May 2007, the Ukrainian corvette "Ternopil" began the fulfillment of assignments as part of an anti-terrorist operation run by the Alliance in the Mediterranean Sea "Active Endeavor". In autumn "Ternopol" was joined by the second corvette "Lutsk" sent by the naval forces of Ukraine.

So, even under conditions of political confrontation between the President and the Government of Ukraine, the Euro-Atlantic direction of foreign policy, no matter how paradoxical it may sound, was filled with concrete actions of public administration. In this context, it would be worth noting, that Ukrainian experts continued perceiving preparation for membership in NATO as the main priority in collaboration with the Alliance (see Table 5). Only a negligible number of experts expressed their preference for an out-of-bloc and neutral status of Ukraine.

Table 5.

Which areas of cooperation with NATO represent top-ranking priorities for today's Ukraine? (%) (total percentage exceeds 100, because respondents could choose up to three options)					
	December 2006	March 2007	June 2007	September 2007	December 2007

¹⁴ On approval of the action plan to fulfill in 2007 the State Public information program on issues of Euro-Atlantic Integration of Ukraine for 2004-2007. Order of the Cabinet of Ministers of Ukraine of April 26, 2007 #N 230-p/
Access mode: <http://www.km.gov.ua>.

None, cooperation with NATO is not needed	0	0	0	1.8	1.9
Building preconditions for Ukraine joining NATO in the long run	23.5	23.4	14.3	14.8	17.6
Building preconditions for Ukraine joining NATO in the short run	47.1	61.7	76.2	61.1	62.7
Joint development of conceptual principles of military policy	11.7	12.7	9.5	16.7	13.7
Straight way to help military reform	33.3	29.8	38.1	40.7	39.2
Help to create a system of democratic civil control over the armed forces	29.4	27.6	40.5	24.1	21.6
Granting additional guarantees to security of Ukraine	37.2	48.9	59.5	51.8	43.1
Coordination of military and technical policy, support of Military Industrial complex	35.3	21.2	19	14.8	21.6
Trade with weapons, machinery, military and technical services	13.7	8.5	11.9	14.8	11.8
Staff training	13.7	21.2	16.7	16.7	23.5
Joint exercises	17.6	19.1	26.2	14.8	17.6
Participation in peace-making operation	13.7	21.2	0	3.7	9.8

Regional Policy

An active regional policy of Ukraine was believed to be the precondition for successful realization of the strategic course towards European and Euro-Atlantic integration. Ukraine actively cooperated with the OSCE. It strengthened interaction with the Bureau of democratic institutions and human rights and with other institutes of the Organization in the humanitarian area. Domestic diplomatic service ensured in 2007 active participation in OSCE seminars and meetings on issues of “human” dimensions, initiatives to fight anti-Semitism and other forms of intolerance. Ukraine productively worked with OSCE institutes on issues regarding preparations for conducting parliamentary elections and assisted in the roll-out of the OSCE mission of observers for the pre-

term parliamentary elections in Ukraine. For the second time in the history of Ukraine, elections of parliament deputies were recognized by international experts as meeting obligations undertaken by Ukraine within the OSCE, Council of Europe and other international organizations.

Ukraine developed cooperation with the OSCE also in economic and environmental dimensions. Work was in progress on the OSCE project related to the elimination of Ukraine's stock of environmentally hazardous liquid rocket propellant "mélange". Ukraine teamed up with the OSCE in the political and military dimension, particularly within the OSCE forum on issues of cooperation in the area of security, Advisory Committee of the Open Sky Treaty, and the joint advisory group of the Treaty on Conventional Armed Forces in Europe. Resolute actions aimed at the completion of the transformation of the post-soviet political and economic legacy, and Ukraine's constructive role in the region facilitated recognition of the European identity of our country.

Main areas of regional policy in 2007 were: active role in regulation of "frozen conflicts", first and foremost in the Transdnistria; support and promotion of regional alliances and initiatives underpinned by European standards and values, primarily the Organization for Democracy and Economic Development – GUAM; participation of Ukraine in international regional unions (CEI, OBSEC, Visegrad Four, Weimar Triangle etc.) as part of the diversification of international contacts and cooperation in the EU integration of the Region.

Main regional priorities for Ukraine in 2007 included: realization of large-scale transport projects and strengthening of security in the region, creation of the Black Sea free trade zone; development of international dialogue. These were voiced by the President of Ukraine Viktor Yushchenko in his speech on June 25, 2007 at the plenary meeting of the 15th summit of the Organization of Black Sea Economic Cooperation, held in Istanbul. Ukraine emphasized the need for "on-going control" over a number of such hot issues, as fighting terrorism, combating illegal migration and human trafficking, and illegal sale of drugs and weapons. One of the most acute problems for European security remains the final resolution of "frozen" conflicts. In this context one should remember the First Kyiv Security Forum "Regulation of "Frozen" Conflicts" in the context of security and stability in the Black Sea Region" which was held in mid-November 2007. The Forum was arranged by the Institute of Foreign Policy of the Diplomatic Academy of Ukraine with the MFA of Ukraine, jointly with the Fund "Discover Ukraine" and in partnership with a number of NGOs. The Forum ran under the aegis of the Ministry of Foreign Affairs of Ukraine and

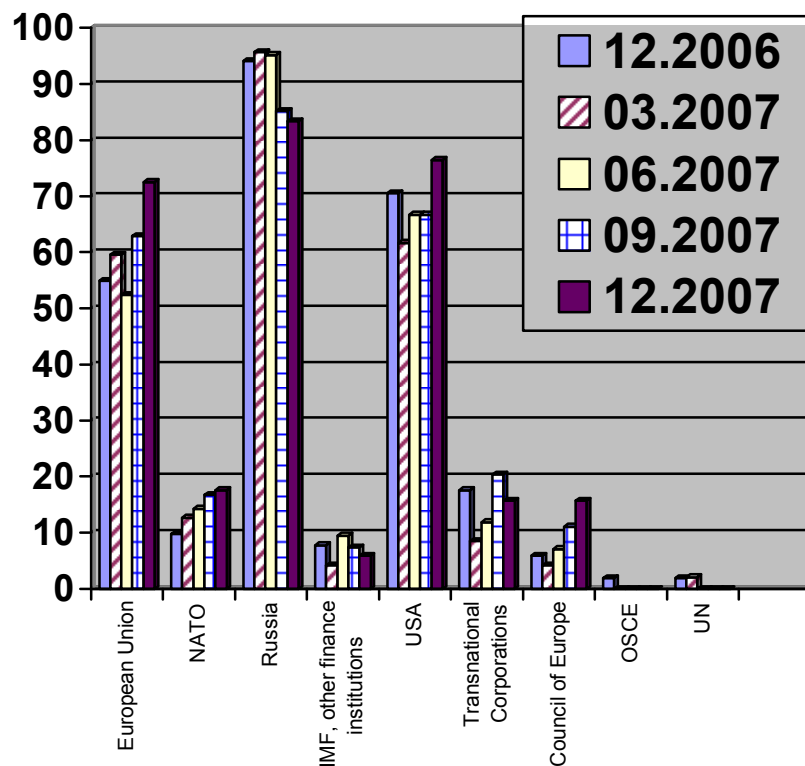
with support of the Viktor Pinchuk Fund, the NATO Center of Information and Documentation and the F. Ebert Fund. The goal of the Forum was to analyze the effectiveness of the existing mechanisms of regulating “frozen” conflicts in the Black Sea Region and find proactive strategies to resolve this important international problem.

Ukraine continued making efforts in the context of Transdnestrian regulation, provided for by the Plan announced by President Yushchenko according to the formula “regulation through democracy”. Yushchenko’s plan remained the only framework document which was supported by all stakeholders. The Mission of European Commissions to help Ukraine and the Republic of Moldova address the border issues was working from the end of 2005. These actions were evaluated positively by the worldwide community and made it possible to put the fight against smuggling on a systematic foundation.

Ukraine paid specific attention to the issue of strengthening the Organization for democracy and economic development – GUAM. In 2007, one of the topics at the GUAM summit held from June 18-19 in Baku (Azerbaijan) was the formation of GUAM peace-making contingent to participate in peace-making operations in the zones of “frozen conflicts”. As a result of the GUAM summit, a declaration was signed, which, inter alia, expressed the firm belief that interaction between member-countries will help to find fair solutions to regulate conflicts and reintegrate areas engaged in conflict into the political, legal, social and economic systems of the countries.

Bilateral Relations

In the system of bilateral relations, the biggest influence on decision-making in Ukraine was believed to be exerted by the Russian Federation. The USA ranked second in the rating of influence, while the EU, slightly behind the USA, ranked third. Other international organizations, as findings of various surveys prove, produced insignificant influence on the politics of the Ukrainian state.



Experts pointed out that the top ranking partners of Ukraine in its foreign policy have continuously been four leaders: EU, USA, NATO and Russia. Meanwhile, compared to the December 2006 survey, in 2007 the gap between the EU and the USA has shrunk. The role of NATO as Ukraine's top priority foreign policy partner has increased considerably, thus removing Russia from the second rank to the fourth. Other countries, organizations and institutions have traditionally enjoyed a considerably smaller degree of experts' preference.

Ukraine made special efforts to optimize relationships in the Eastern direction, primarily in contacts with its strategic partner the **Russian Federation**. These efforts were directed at building mutually beneficial, constructive and transparent rapport. Ukraine tried to build relations with Russia from the standpoint of a consistent assertion of its own national interests, benchmarking them against the top foreign policy priority – integration to the European and Euro-Atlantic entities.

In August, MFAs of Russia and Ukraine finally agreed to fully eliminate “black lists” of “persona non-grata”, which were prohibited from entering one country from the other. Despite the rather challenging relationship between Ukraine and the RF, some positive results have been

attained in the bilateral relations: the parties completed delimitation and began demarcation of the mainland section of the Ukraine-Russia state border, and reached a compromise in the area of natural gas trade.

On June 7, 2007 the second meeting of the Subcommittee on international cooperation within the Ukraine-Russia interstate commission under the presidency of the Minister of Foreign Affairs of Ukraine Arseny Yatsenyuk, and Minister of Foreign Affairs of the RF Serhiy Lavrov was held in Moscow. The parties discussed in every detail a number of issues of bilateral relations, particularly those concerning visa and consulate areas, trans-border cooperation, delimitation of sea borders in the Azov Sea and in the Kerch Strait, regulation of regional conflicts, including Transdnistriean, and cooperation in international organizations and interaction in response to new challenges.

Among other things, the interlocutors reached a decision to organize a discussion on the topic: "What threats may Ukraine's NATO membership pose to Russia? "We do not need tension on our Eastern borders, and direct threats which Russia is likely to perceive from Ukraine's membership in NATO, should be assessed clearly, point by point," said the Head of Ukraine's Foreign Office. He also expressed an opinion that disputable issues with regard to Russia's Black Sea Fleet and its sojourn in Ukraine could be regulated in one or two-year's time provided the regulation process proceeded dynamically.

Vladimir Putin, the President of the Russian Federation, at the end of the year, accused Ukraine of inflating cultural distinctions with Russia. He declared this in his message to the Head of Ukrainian state Viktor Yushchenko. In particular, Putin stressed that interaction between Russia and Ukraine in the humanitarian area is a very important component of the strategic partnership between the two countries. "State of affairs in this area is a clear indicator of the general dynamics of bilateral relations," said the President of the RF.

The Ukrainian government recognized that tension in the Ukrainian-Russian relationship is capable of tarnishing the positive format of Ukraine's cooperation with NATO and the EU.

The "Partnership for Democracy" declared by Ukraine and the USA, the goal of which is to promote in the international arena the principles of freedom, democracy and global human values, serves as a pledge of the further integration of Ukraine into the world's economic and civilization systems and recognizes its aspirations for membership in the EU and NATO. In early 2007, the Minister of Foreign Affairs Arseny Yatsenyuk paid a visit to the United States of America, the

agenda of which included a number of important events. Specifically, he met with Condoleezza Rice, US Secretary of State, and negotiated a range of issues concerning bilateral relations, and problems of global policy. In the course of the meeting, they exchanged views on ways of strengthening the strategic partnership between Ukraine and the USA in new conditions, the facilitation by the USA of Ukraine's integration into European and Euro-Atlantic institutions, realization of projects in the area of further democratization of the Ukrainian society and development of economic cooperation.

Other high priority countries for Ukraine in the system of bilateral relations in 2007 were **Poland** and **Georgia**. This trend was supported by the findings of the expert's survey (see Table 6). Answering the question on the most successful development of relations between Ukraine and other foreign policy players, experts once again gave the championship to Poland with more than half of the respondents recognizing Ukraine's western neighbor as the most successful partner. This is related not only to the steady position of Poland as the lobbyist of Ukraine's interests in the EU and NATO, it also is related to the on-going joint Poland-Ukrainian projects, implementation of which should promote the role and authority of both countries (not of the least importance is the joint application to host EURO 2012 Soccer Championship, which the countries were awarded in Cardiff on April 18, 2007).

Table 6.

Name three to four participants of international relations (countries, alliances, international organizations etc.), with whom Ukraine's relations have been recently developing most successfully (%)?	December 2006	March 2007	June 2007	September 2007	December 2007
1. Poland	54.9	59.6	64.3	62.9	68.6
2. Georgia	31.3	53.2	47.6	64.8	72.5
3. USA	33.3	42.5	28.6	62.9	74.5
4. NATO	> 1	> 1	26.2	27.5	43.1
5. EU	37.2	21.2	38.1	44.4	47
6. Lithuania	5.9	17	11.9	> 1	1.9
7. Turkey	> 1	> 1	9.5	> 1	> 1
8. RF	17.6	12.7	0	7.4	3.9
9. Moldova	1.9	8.5	4.8	5.5	5.5
10. Georgia	> 1	> 1	> 1	42.6	13.7
11. WTO	13.7	8.5	4.8	11.1	23.5

12. Slovak Republic	25.5	10.6	4.8	7.4	5.9
13. Hungary	> 1	> 1	> 1	1.8	9.8
14. GUAM	17.6	4.2	11.9	16.7	9.8
15. CIS	> 1	> 1	4.8	> 1	> 1
16. Belarus	7.8	4.2	4.8	> 1	> 1
17. Council of Europe	> 1	2.1	4.8	> 1	> 1
18. None	11.7	12.7	> 1	9.2	7.8

In the same way as most countries of Central-Eastern, Northern Europe and the Baltic, Poland helped our country to carry out joint efforts in implementing the Ukraine-EU Action Plan, supported Ukraine in the course of negotiations with the EU on closing a new treaty to replace the PCA, stood for the need to preserve an asymmetric visa regime for traveling citizens after the countries of the region joined the Schengen Treaty, and shared its experience in the adaptation of legislation to EU requirements.

In maintaining bilateral relationships with countries of the world, particularly with all its neighbors, Ukraine demonstrated in practice its readiness to nurture mutually beneficial partnerships and cooperation. Ukrainian diplomacy cooperated both with geographically proximate partners and with more distant ones. It made huge efforts to further promote relations with countries of the Asian and Pacific Region, the Middle East and Africa to utilize the robust potential of trade and economic, scientific, technical and humanitarian cooperation.

Conclusions

Foreign policy activity in 2007 was directed at strengthening Ukraine's status as a nation which is pursuing a proactive, well-balanced and productive foreign policy. Constructiveness, responsibility and carefulness were the distinctive features of Ukraine's efforts in building friendly relations with countries of the world and its teamwork within international organizations.

As a bearer of democratic ideas, Ukraine was the driving force behind enrooting and expanding European values in the Baltic-Black Sea-Caspian region. Ukraine's European vocation is proven by its actions aimed at gaining membership in the EU and NATO. Evidence of a renewed foreign policy for Ukraine included actions of its government which became more predictable and open, and more oriented to the national interests of Ukraine. However, experts still point at opaque

and non-transparent policy and decision-making processes in this area. Key risks for Ukrainian foreign policy in 2007 remained the following:

- Exaggerated expectations that the accumulated foreign policy problems may be resolved quickly;

- Low efficiency ratio of the existing foreign policy model;

- Lack of effective diplomatic management;

- Lack of clear coordination of the actions of the foreign policy agency and other agents of foreign relations;

- Inadequate response to new challenges and opportunities for Ukraine brought about by changes in the geopolitical and geo-economic map of the world.

The problem of achieving concerted foreign and domestic policies still needs to be resolved. The society failed to realize that policies of European and Euro-Atlantic integration are not foreign policies but rather domestic policy. Effectiveness of foreign policy depends not least on clear staffing policy, especially in strategically important areas.

The holding of extraordinary parliamentary elections that met all democratic requirements, the formation in the Verkhovna Rada of Ukraine of the coalition of democratic forces and the election of a new government instills hopes for further development of the country, and a steady advance towards European and Euro-Atlantic integration. Celebration of the tenth anniversary of the Charter on Specific Partnership between Ukraine and NATO facilitated more active dialogue between the government and the society on various aspects of national security. Shifting emphasis in running public awareness campaigns regarding Ukraine-NATO cooperation to the regional level helped to launch an unbiased exchange of opinions between plain citizens, NGOs and local government, in connection with our country's ambitious EU integration plans.

In conclusion it should be noted that the foreign policy course of Ukraine in 2007 remained unchanged and irreversible. Active dialogue between the government and the society with regard to issues of the foreign policy was the key component of Ukraine's democratic transformations.

Some quality changes for the better may be observed in the international community's perception of our country, which treats Ukraine as an equal fully-fledged actor in international relations. The priority objective of foreign policy in 2007 remained: comprehensive protection of the rights and interests of Ukrainian citizens abroad, consistent realization of European and Euro-

Atlantic aspirations of our country, and effective political and diplomatic support of the foreign policy interests of our country.

The main foreign policy accomplishments in 2007, combined with the reinforced cooperation of Ukraine with EU and NATO, include in essence the long-awaited invitations presented to our country to be an equal partner in the civilized world of democracy and market economy. For us it is our historic chance, objective and great responsibility.

CHAPTER II

SECURITY DIMENSION OF UKRAINE'S FOREIGN POLICY

§I. UKRAINE AND NEW SECURITY CHALLENGES

Has the world become a more secure place in 2007? Likewise for many other countries of the world, for Ukraine this question stands as acute as before. The more a country opens to the world and the more it integrates into the world community, the more it becomes prone to threats and challenges coming from this international environment. Speaking about the most actual threats of 2007 at the **global level**, we would first of all refer to the *global warming, energetic dependence and terrorism*.

Global threats

Findings of international surveys demonstrate that for Europeans the greatest threat to the world in 2007 was the global warming (according by 87 % of respondents), then energetic dependence (recognized by 78%) and the international terrorism (66%). The Americans also ranked terrorism third among the greatest threats to the humanity (74%). Thus, in 2007 the terrorism shifted from the first to the third rank and was no longer considered threat number one to the world. Meanwhile, for Americans, energetic dependence appeared the most important (88%) and slowdown of the economic development was second most important (80%)¹⁵. Obviously, this change in the configuration of graveness of the global threats in 2007 was caused by three key global trends in the area of international security.

The first tendency implies a growing technological pressure on the environment, as a result of greater volumes of production and economic development of the mankind. The carbon dioxide emissions into the environment result in the greenhouse effect and produce ozone holes, all of which translate into the climate change on the planet. It is demonstrated through higher air temperature, drastic increase of floods, hurricanes, typhoons, fires and other natural disasters.

The second tendency. Faster economic development and greater volumes of production, particularly, emergence of such economic giants as China and India, leads to bigger needs for energy and in this way increases energetic dependence, which is considered to be the second most important global tendency. The year of 2007 was especially demonstrative in this sense. After all, at the end of this year the oil price reached 100 USD per barrel.

¹⁵ Transatlantic Trends: key findings 2007.- P 3-4./A project of the Marshall Fund of the United States and Compagnia di San Paolo/www.transatlantictrends.org

Therefore, the combination of these three interrelated factors: climate warming, economic development and energetic dependence implies rather dangerous prospects for the humanity.

Unlike first two trends, **the third global tendency** lies in the political area. It includes further geopolitical restructuring of the international relations system from unipolar to multipolar asymmetry in the global order of things. This tendency gives birth to the whole spectrum of challenges to the international security at the regional level. In addition to wars in Iraq and Afghanistan, instability in the Middle East and the Iraq nuclear issue we now have the problem of growth of such regional centers of force as China, Russia and EU. Evolvement of these centers of force is accompanied by growth of their political ambitions, and it leads to the escalation of the regional conflicts between them. Meanwhile, the emergence of these regional centers of force challenges the US domination over the world and their efforts to preserve the unipolar system of the world order. As a result, this global tendency leads to *strained international security*.

This strain manifested itself through deepening disagreements between the USA and the EU in 2007, which affected the unity and viability of the two main components of the European security, such as NATO and the EU. These disagreements primarily concerned politics, security and environment. Principal environment problems included USA's reluctance to join the Kyoto Protocol and the United States' and the European Union's different views at prospects and ways to fight warming of the global climate.

The deep disagreements between the USA and the EU represent the most acute problems of the regional security. In 2007, only 38% of Europeans approved the American leadership in the world, while 58% considered it undesirable¹⁶. Jaap de Hoop Scheffer, NATO Secretary General, had to report on the problems in relations between the NATO and the EU at the Berlin Conference of European Policy and Security Issues on January 27, 2007. NATO and the EU were unable to jointly settle crisis situations since their relations were "problematic" and the relations were far from close. "Somebody purposely wants to keep the NATO and the EU at a distance from each other. For this style of thinking, close relations between NATO and the EU mean great influence from the US side" – he emphasized¹⁷.

¹⁶ Transatlantic Trends: key findings 2007.- P.6. / A project of the Marshall Fund of the United States and Compagnia di San Paolo/www.transatlantictrends.org

¹⁷ NATO and the EU: Time for a New Chapter Keynote speech by NATO Secretary General, Jaap de Hoop Scheffer. / <http://www.nato.int/docu/speech/2007/s070129b.html>

The USA – European Union Summit, which took place in Washington from April 30 to May 1, 2007, confirmed existence of these disagreements. It was not incidental, that the summit participants primarily focused on issues of economic cooperation, avoiding issues of security and political relations.

The availability of the above-mentioned disagreements between the USA and the EU, the NATO and the EU weakens the Euro Atlantic relations, thus creating a serious challenge both to the European security generally, and to the national security of Ukraine in particular. The deepening disagreements between the NATO and the EU close Ukraine's prospects to join the European Union via membership in NATO. Weakening of the transatlantic ties will lead to the loss by the North Atlantic Alliance of the ability to provide the highest level of security and defense to Europe. It will also mean the collapse of the European security, since it is NATO which remains its principal support. In such situation Ukraine would not be able to count on the reliable guarantees of its national security ensured by the efficient international mechanisms. This situation makes Ukraine more vulnerable in the relations with Russia because the European Union, in contrast to the NATO, perceives and will look at the problems of Ukraine's national security in the light of the Russian geopolitical interests, taking into consideration the sensitivity of Russia in Ukraine, "which has played an important role in the Russian history, cultural identity and is still closely connected to the Russian economy"¹⁸.

Weakened transatlantic links poses challenge to the future European Union since it makes it more vulnerable to the external global and regional threats and more susceptible to the influence of such regional players as Russia and China, in more distant future.

It is not by accident that Russia decided to take advantage of the weakened Euro-Atlantic links and try to strengthen its geopolitical influence on the EU, which became the second element of the *worsened international security environment around Ukraine in 2007*.

Certainly, the strengthening of influence on Europe is a result of implementation of Russia's attempts to reinstate as one of the world centers of force. As demonstrated by events of 2007, Russia implemented these attempts on the European continent in two ways. On the one hand, taking use of the availability of disagreements between the USA and the EU, Russia tried to split the European Union from the inside, putting direct pressure upon its neighboring new EU members-countries, the Baltic countries and Poland. An important element of this European

¹⁸ The British analysts forecasted the prospects of Ukraine in the European Union. / Deutshe Welle. – 9.01.2008. 9:47

direction of the Russian geopolitics will be the restoration of the axe Moscow-Berlin-Paris, which will undoubtedly lead to escalation of conflicts inside of the EU and worsened relations between the EU and the USA. On the other hand, Russia tried to use the EU countries' dependence on Russian energy sources as an instrument of geopolitical influence on the European Union. These actions done by Russia led to the sharp worsening of its relations with the EU, demonstrated through the continuing trade wars with Poland and the events around moving of the Monument to the Perished Soviet Soldiers in Tallinn. Speaking about these events, with its actions towards Estonia Russia made it clear that it had enough levers of influence on home affairs of its neighbor countries despite their EU membership.

The North Atlantic Alliance reacted to such actions of Russia most bluntly and adequately. Mr. Scheffer, NATO Secretary General, demanded that Russia immediately released the Estonian Embassy in Moscow and that it guaranteed security to the Estonian Diplomats. NATO Secretary General expressed concerns about the cyber attacks on web sites of the Estonian government institutions. Toomas Hendrik Ilves, the President of Estonia, asserted that those attacks to Estonia were made from the computers which belonged to the Russian state offices¹⁹.

EU stance in the Estonian issue was softer. The European Commission did not go farther than appealed to Russia to fulfill its obligations under the Vienna Convention on Diplomatic Relations in full scope. Thus, the incident with the movement of the Monument to the Soviet Soldiers in Estonia demonstrated that the European Union was not ready to guarantee security to its members and to firmly protect them from the interference of Russia into their internal affairs.

However, geopolitical flavor of the Russian energy sources affected EU countries much more than Russia's interference into the internal affairs of its neighbors. It is quite logical therefore, that the Europeans began taking energy dependence as one of the greatest threats in 2007. The European Union responded to this threat with a new energy strategy, which was based on the principles of diversification of types of energy, energy resources suppliers and routes of supply, priorities in the development of renewable energy sources and energy saving. In this context the EU plans to cover at least 20% of its energy needs with sources of renewable energy.

Another important step to implement the EU energy strategy was the creation and liberalization of the common energy market. The goal of this step was to guarantee equal access to

¹⁹ NATO Secretary General expressed the support to Estonia. // Postup – 2007 – May 4 / <http://postup.brama.com/usual.php?what=56718>

the distribution networks to all suppliers. It would strengthen competition in the internal market, which would enable keeping the energy prices as low as possible.

Within the framework of the EU strategy, Romania, Serbia, Croatia, Slovenia and Italy signed an Agreement on Construction of the Pipeline from Constanta Black Sea Port to the Italian Trieste in 2007. The 1400 km-long oil pipeline, with the cost of construction USD 3.5 bn, is expected to transport 90 mln. tons of oil per year until 2012²⁰. It is the first attempt to establish supply of the Caspian oil to the Western Europe by-passing Russia.

Thus, Russia attempts to restore its domination in Europe strained relationship between Russia and the European Union considerably and hurt trust between the two sides. As a result, the Europeans began perceiving Russia not as the basis of stability and democracy in the post soviet space, but rather as a source of threats to international security. In the opinion of Europeans and Americans the main challenge coming from Russia is Russian weapons supplied to the Middle East. It was recognized by 79 % of Americans and 65 % of Europeans. Weakness of democracy and increase of the authoritarianism in Russia were ranked second among the real threats. 75% of Americans and 67% of European respondents are convinced in that. The way Russia treats its neighbors was ranked third among the key threats in 2007. It was cited by 69% of Americans and 56% of Europeans²¹.

Watching the worsening of relations between the EU and Russia and alerted by weakening of the transatlantic links, the USA attempts to strengthen its presence in Europe first of all by means of the military component. Indications of these attempts include suspension of the reduction of the number of American troops in Germany, ratification of an Agreement on Allocation of 3000 American Troops in the Romanian Military Bases and decision on allocation of the elements of the American Ballistic Missile Defense System in the Czech Republic and Poland, which Russia perceived as a challenge to its national interests in Europe.

US intention to allocate its BMDS elements in Europe destabilized the military-political situation in Europe and revealed the real contradictions between the US, Russian and EU geopolitical interests. These US intentions led to the clear divide inside EU. Such countries as Austria and Luxemburg objected to US attempts, while Denmark, Germany and the Great Britain

²⁰ The EU will get the Caspian oil passing over Russia. // Korespondent - 2007 –April 4 / http://www.ea-ua.info/news.php?news_show_type=1&news_id=7189

²¹ Transatlantic Trends: key findings 2007.- P.10 -11. / A project of the Marshall Fund of the United States and Compagnia di San Paolo/www.transatlantictrends.org

supported such plans. The opponents of the American BMDS elements allocation in Europe explained their position by the EU fears to incite new tension in the relations with Russia.

Finally, the consensus was reached when Javier Solana proposed to hold consultations with Russia and joint debates regarding US plans to allocate the elements of the BMDS in the Czech Republic and Poland. In this context the European Union expected to hold the general discussion with Russia at the NATO level, considering that it could keep Moscow informed on the given issue, using the mechanism NATO Council – Russia. However, such EU proposal was to no avail. At the begging of May, 2007, visit of the Head of the General Staff of Armed Forces of Russia to NATO HQ failed to bring expected results. Russia stayed firm. Certainly, the allocation of BMDS elements with the defense purpose do not pose a military threat to Russia since they are directed against ballistic missiles that might be launched from the Near and Middle East. However, it contradicts the geopolitical interests of Russia, connected to the restoration of its domination in Europe. That is why Russia responded to plans of the American Administration with a true demarche, while threatening to destroy these BMDS elements in case they are allocated in Poland and the Czech Republic and to withdraw from the Agreement on Conventional Armed Forces in Europe.

Implementation of the Russia's last threat in reality on December 13, 2007 dealt a blow to the regional security. With this decision Russia undermined the foundation on which the post bipolar system of the European security was based. Certainly the problem is not limited to adhering to the upper limit of heavy armaments established by the Agreement. Russia would be reducing its heavy armaments even without the Agreement.

The main danger is posed by the fact that with such decision Russia gives up the regime of openness in the military area and ruins the climate of military confidence which becomes a destabilizing factor for the European security. The declaration that Russia had to do it in response to the NATO countries' reluctance to join this Agreement is too unconvincing, since while signing this adapted Agreement in Istanbul in November 1999 Russia undertook obligations to withdraw its troops from Georgia and Moldova, which it has not fulfilled in full scope to-date.

To make a step in the opposite direction from the confrontation to the stable peace, first of all, Russia needs to fulfill all the obligations on withdrawal of troops from Moldova and then, NATO countries need to ratify the adopted Agreement, and then Russia needs to renew its participation in the mentioned Agreement.

In 2007, the problem of *settlement of the frozen conflicts* did not lose its importance. This problem related to the regional security gained even bigger significance due to the referendums on independence of territories and on annexing to Russia, held in Transdnistria, Abkhazia, the South Ossetia, and due to support granted by the EU Council of Ministers to A. Attisaari's Plan, which provides for the independence of Kosovo.

What were Ukraine's contributions to the international efforts on neutralization of the global threats in 2007?

One of the priority directions of the foreign policy course of our state in 2007 was support of the international peace and security through participation in the international peace-making activity, multilateral actions against proliferation of the weapons of mass destruction, terrorism, transnational organized crime, trafficking in humans, illegal trafficking of drugs and other global challenges to the international security.

The participation of the Ukrainian Peace-Support Forces (UPSF) and the Ukrainian Peace-Support Staff (UPMS) in the international peace-making operations under the aegis of the NATO was an important part of the peace-making activity of Ukraine and its pursuit of the Euro Atlantic course.

Ukraine is the only country-partner to the Alliance, which takes part in all peace-making operations under the aegis of the NATO: KFOR in Kosovo, "Active Endeavours" in the Mediterranean Sea, the International Forces for Supporting Security in Afghanistan, the Training Mission in Iraq. At the Alliance's request Ukraine provided air-transport assistance to the African Union's peace-support operation in Darfur (Sudan).

During 2007 the Ukrainian Peace-Support Forces (UPSF) as a part of KFOR consisted of one separate special battalion and the national providing element (185 soldiers). The Ukrainian National Forces act as a part of the "PolUkr" Polish-Ukrainian operations military team belonging to the "East" multinational tactical group under the management of the USA and they are based in the "Bondsteel" (Uroshevats) and the "Breza" (Brezovitsa) campuses²².

Main tasks of the "PolUkr" Ukrainian team include, in particular, the patrolling of the area of responsibility; being on duty on the signal and observation posts; convoying transportation of local population and humanitarian cargos; safeguarding schools and churches; preventing illegal trafficking of weapons, explosive items and drugs. Besides, the special division is engaged into

²² Information based on materials provided by the MFA of Ukraine

fulfilling the unscheduled assignments (vehicle conveying, providing medical aid to the local population, distributing the humanitarian aid etc).

On July 2-3, 2007 the Minister of Foreign Affairs of Ukraine paid a working visit to Serbia and, in particular, Kosovo. Taking into consideration that Ukraine takes active part in the international community's efforts on peaceful settlement of the Kosovo conflict, the goals of this visit included, inter alia, the familiarization with the conditions of sojourn and work of the Ukrainian citizens in Kosovo, contemporary situation and its dynamics, sides' position towards possible ways of settlement of the region status.

Ukraine supports operations of the NATO International Security Assistance Forces in Afghanistan (ISAF). For a long time the practical cooperation in this area was limited to providing Ukrainian air to the flights of the aircrafts of ISAF countries-contributors and providing fee-based services of air-transportation of their special divisions and cargoes. As of early 2007, Ukraine provided air corridor for about 9000 flights of NATO member-countries' aircrafts over Ukraine territory on their way to Afghanistan.

Signature by the Ukrainian President of Decree № №47/2007 dated January 26, 2007 "On Sending the Ukrainian Peace-Support Staff to Participate in the International Security Assistance Forces", which stipulated sending about 10 people of the UPSS to Afghanistan, gave a new impulse to the cooperation in this area. From May 11, 2007, a military medic-anesthetist of the Armed Forces of Ukraine is assigned to the Latvian group of reconstruction of Gor, an Afghan province. The group acts in the framework of the ISAF. From November 7, 2007 one more military surgeon was assigned to the Group. From October 23, one staff officer on issues of the civil military relations of the Armed Forces of Ukraine has been assigned to duty²³.

On July 14, 2007 the Minister of Foreign Affairs of Ukraine paid a working visit to Afghanistan. During this visit the Minister paid special attention to the issues of engaging of Ukraine into the renovation of the economy and infrastructure of Afghanistan, cooperation in energy area as well as in the area of military technical cooperation between our countries.

Ukraine is the only partner-country represented in the Multinational Peace-Support Forces and NATO Training Mission in Iraq (NTM-I). Ukraine sent its Peace-Support Staff to Iraq on December 20, 2005. To-date, 33 military servants of the Armed Forces of Ukraine (25 officers and 8 warrant officers), have been assigned to Iraq, plus 2 military servants - to the NTM-I. The tasks

²³ The Information is provided by the materials of the MOFA of Ukraine

of the Training Mission is to provide assistance to Iraq Security Forces in training their officers corps, which has to acquire the skills of modern military management and of administering democratic control over the armed forces²⁴.

In the context of Ukraine's contribution to the struggle with the international terrorism, our state took an active part in the international anti-terrorist operation called "Active Endeavor" and formalized on 21.04.2005 by exchange of letters between the NATO Directors and the Government of Ukraine. The mentioned NATO-led Navy operation "Active Endeavor" includes patrolling by ships of NATO countries of the Mediterranean Sea territory with the purpose to control freight sea traffic to discover and prevent terrorist activities; and escorting vessels of Alliance's member-countries through the Strait of Gibraltar at their request. With this purpose the special Alliance Unit was formed by the Navy Forces on the Mediterranean Sea Region and the Atlantic, this unit is renewed every three months on the rotation basis. In addition, within the framework of the operation the member-countries exchange information and provide each other with the port and airport services etc.

Between May and July 2007, a Ukrainian corvette "Ternopil" began fulfillment of assignments as part of an anti-terrorist operation "Active Endeavor" under the operative command of the headquarter of the marine unit of the Joint Command of NATO Forces (Naples). In autumn "Ternopol" was joined by the second corvette "Lutsk" sent by the naval forces of Ukraine²⁵.

Other threats caused by the process of globalization, also include *the expansion of illegal migration and informational influence*. For Ukraine, as a transit country, the illegal migration has always been and remains a traditional threat. Year 2007 did not change this threatening tendency of expanding illegal migration for Ukraine. In 2007, Ukraine detected and detained more than 20,000 illegal migrants and refugees on its territory. The majority of them come from the CIS countries²⁶. The situation became even more complicated after Russia has banned foreigners, living on the territory of Russia, to work in the open-air markets on April 1, 2007. According to the World Bank, Ukraine ranks fourth by the number of migrants²⁷.

²⁴ Information based on materials provided by the MFA of Ukraine

²⁵ Information based on materials provided by the MFA of Ukraine

²⁶ The problems of retaining the illegal migrants in Ukraine: - "The Improvement of the Mechanisms of the Migration Policy of Ukraine" project. – K., ICPS, 2004, - P.20.

²⁷ Ukraine can face new problems regarding migration / Deutsche Welle. – 2.04.2007.
<http://uaei.org/?ln=en&m=13&id=1160>

It makes Ukraine closer to the critical point when the growth of migration will affect essentially the demographic situation of the country, the mindset and spiritual values of the Ukrainians. The problem stands so acute because Ukraine lacks necessary resources and adequate measures to mitigate this threat. Annual expenditures for these adequate measures could amount to 40 mln.UAH. In 2007 Ukraine allocated only 3 mln. UAH to fight illegal migration

Another threat, albeit of humanitarian nature, is the *intensification of the informational influence on Ukraine*, which also demonstrated growing tendency in 2007.

The uncontrolled and non-standardized presence of foreign, primarily, Russian mass media in the Ukrainian information space created powerful channel of influence on the Ukrainian citizens' outlook. "It becomes increasingly more obvious that information space is used as a tool to promote the neighbor country's interests on the territory of Ukraine, instill its ideological and political values in our country"²⁸. Russia's informational influence on the Ukrainian social awareness was so powerful that it became one of the reasons for ruining the social values of the Ukrainian society. 75% of Ukrainian experts were convinced that such threat really exists²⁹. The loss of social values was ranked second in the scale of the most acute threats to the national security of Ukraine in 2007. In jeopardy were both the moral standards of social behavior and such socially important features as patriotism, respect to the national and cultural traditions and values, belief in better future of the native country. It leads to the loss of the criteria of the national identity, disrespect to the historical memory of the nation and ruining the spiritual base of the Ukrainian nation.

Regional threats

Despite the importance of fighting global threats, the primary purpose for Ukraine's foreign policy on both regional and national levels has been and still is **formation around Ukraine of secure international environment**. Therefore, strengthening of the regional security and neutralization of threats on the regional level are the main strategic priorities of the foreign policy of Ukraine in the area of security. Moreover, global threats normally transform and refract into regional threats in the first place. Several methodological approaches can be used to reveal the range of regional threats faced by Ukraine's national security in 2007. If we follow their manifestation in the chronological order, the first quarter of 2007 was marked with worsening of

²⁸ Expert report „On Foreign and National Situation of Ukraine in 2006” (project). – K.: ИПІ „Intertekhnologiya”, 2007. – P. 49

²⁹ Experts' views: Ukraine's foreign policy in Quarter II 2007 // Foreign Affairs. – 2007. – September. – p. 13

the international security climate and aggravation of problems of illegal migration. During this period the issue of placement of elements of the US AMD (anti-missile defense) system in Europe was standing particularly acute, while Minsk and Moscow were arguing about oil transportation to Europe. The EU Council of Ministers approved the idea of giving independence to Kosovo, and differences between NATO and EU deepened.

In the second quarter of 2007, the situation with security of the international environment around Ukraine kept worsening. During this period, the relations between EU and Russia strained. This was fostered by a number of events, including relocation of the monument to Soviet soldiers in Estonia, trade war between Russia and Poland, harsh statements of the Russian President V. Putin about the USA and Europe, aggravation of differences between NATO and Russia, as well as lack of signs of rapprochement between the US and EU stances, the EU's readiness to block Russia's accession to WTO, and futility of the summit Russia – EU in Samara. In the internal dimension, the external threats were supplemented by the systemic political crisis in the country that in fact made it impossible to pursue effectively national interests of Ukraine in foreign policy.

In the third quarter, Ukraine faced the man-caused accident at Lviv railway, as a result of which 15 tank-wagons each containing 50 tons of yellow phosphorus were derailed. Six tank-wagons lighted up, and phosphorus spilled out to the surface. The third quarter was also marked with large scale forest fires in Kherson oblast and in Yalta natural reserve. In September, Russia announced its intention to quit in 2008 the Agreement on using stations to prevent missiles attack located in Mukachevo and Sevastopol.

As for military security, there was a clear threat of reduced effectiveness of the armed forces down to the level which fails to ensure reliable protection of the country from existing and potential threats. Primarily, it relates to insufficient funding of the Armed Forces of Ukraine with simultaneous mass reduction of personnel and quantity of armament, and shifting of the Army to the contractual basis. Of 12 billion UAH requested in 2007, the Ministry of Defense received only 7.6 billion UAH of the budget funding.

The fourth quarter began with aggravation of threats in the energy area, and stronger gas pressure from Russia during the parliamentary elections in Ukraine. Gas dispute between Kyiv and Moscow sharpened the problem of ensuring energy security for the EU. In the military and political sphere, tension in relations between USA and Russia, primarily caused by the US plans to locate

anti-missile defense elements in Europe, has aggravated, which finally resulted in Russia's withdrawal from the Treaty on conventional armed forces in Europe.

The fourth quarter was also marked with the actualization of threats to ecological security of Ukraine that were caused by spill out of big quantity of oil and sulfur from Russian ships that sank in the Kerch Strait on 11 November 2007 during a severe storm.

Another methodological approach uses expert evaluations to detect availability of threats to the national security of Ukraine in the international environment. Contrary to the chronological approach it gives a comprehensive picture of the whole range of challenges posed to the national security of Ukraine in 2007.

According to this approach the most acute external threats for the national security of Ukraine were: worsening of Ukraine's international image, ruining of societal values, complication of access of Ukraine to energy resources; turning Ukraine into a buffer zone; and pulling the country into conflicts of other international subjects. In opinion of 95% surveyed experts worsening of the international image of Ukraine was threat number one among all available threats. The second threat (in opinion of 75% experts) was the destruction of societal values under influence of information expansion. The third (68%) was the significant complication of Ukraine's access to energy sources. The fourth (55%) threat was turning Ukraine into a buffer zone³⁰.

Certain dynamics could be observed in changing ranks of the indicated threats. Thus, while worsening of Ukraine's international image and destruction of societal values were consistently ranked first and second in the course of the year, Ukraine's turning into a buffer zone shifted from the fourth to the third position.

Such dynamics demonstrates that Ukraine's being in a buffer zone produces increasingly bigger negative impact on its national security. The buffer zone is an indication of the country's place in the international environment, as well as of its role in the system of international relations. Thus, the buffer zone cumulates effects of the impact of the external threats on the situation of the national security of the country that appeared in such situation.

Year 2007 in this context was marked with Ukraine's further immersion into the buffer zone and increase of threatening trends caused by the country being in such situation. One of such trends was exacerbation of the internal political instability and aggravation of internal political

³⁰ Through the eyes of experts: foreign policy of Ukraine in the second quarter of 2007. // *Zovnishni Spravy*. – 2007. – September. – p. 13

contradictions between presidential power, from one side, and the government and parliament from the other side. The development of these contradictions resulted in a long political crisis in the country. The crisis caused the dissolution of the Verkhovna Rada of Ukraine. The Constitutional Court due to its inconsistent decisions and inactivity partly lost its legitimacy. There arose a direct threat that political parties might capture security agencies and law-enforcement agencies, and involve them into political confrontation. Pre-term elections that took place on 30 September 2007 allowed to lead the country out of the political crisis. However, the confrontation between political forces during the whole 2007 remained on the rise. In the situation of critical political confrontation, and having no shared vision of Ukrainian nation's future and foreign policy, each of the political camps tried to leverage on the impact of foreign geopolitical players to enhance their positions in the hard-edged critical political fight for power in the country. Varying geopolitical orientation of the quarrelling political camps made regional differences between southeastern, and west and central parts of Ukraine ever more distinct.

The buffer zone is believed to weaken external impacts, actualizes the isolationism policy, and thus objectively contributes to uniting the nation. However, Ukrainian experience of being a buffer zone witness quite to the contrary. In case with Ukraine, the buffer zone intensifies divergences between people and between regions inside the country. In the first place, it relates to the process of the national identification. It is notable that the divergences aggravate predominantly on the basis of geopolitical, and historical and mental criteria. Thus, in 2003, the main criterion of self-identity for people of Ukraine was the citizenship. In accordance with this criterion, 41.1% of Ukraine inhabitants considered themselves, first of all, citizens of Ukraine; 13.1% – the citizens of the former USSR; 0.5% – the citizens of Europe; and 3.8% – the citizens of the world. In 2007, however, the identity criteria somewhat changed with the ethnic and historical mental self-identity criterion coming to the fore. According to this criteria, 41.6% of Ukraine's population consider themselves Ukrainians, 19.5% – Russians, 11.7% – Soviet people, 12.8% – citizens of the world (compare to 3.8% in 2003), and 6.8% – Europeans³¹. Although, ethnic Ukrainians make 77.8% of the country's total population, while ethnic Russians represent only 17%. At the same time, Ukrainian is the native language for 67.5% of the population of Ukraine, and the Russian language was determined as native by 24.6%.

³¹ How do you perceive yourselves in the first place? // Argumenty i Fakty v Ukraine. – 2007. - No. 34. – p.6

Obviously, behind these figures there is *a trend of transformation of the Ukrainian and Soviet mentality towards the Russian cultural tradition*. This trend explains why the number of those who consider themselves Russians in Ukraine is higher than the number of ethnic Russians living in this country. In fact, it goes about the crystallization in Ukraine that is in the buffer zone of rather specific mental community, which is composed, on the one hand, of Ukrainians that grew up with ideas of Russian culture, but due to their ethnic mentality never became Russians, and from the other hand – of russified population that never associated itself with Ukraine, despite being its citizens. This community denies Ukraine as historical and mental entity altogether, and do not accept the possibility of pro-Ukrainian and pro-European political and cultural changes. The problem is complicated by the fact that this community lives mainly in eastern and southeastern regions of Ukraine. And this secures a favorable basis for the Russian factor to dominate in these regions.

Given such historical and mindset, and geopolitical divide, being in the buffer zone Ukraine faces the threat of being split into two parts, losing its territorial integrity and state sovereignty. The historical experience shows that countries that found themselves in the “buffer zone”, eventually lost their sovereignty. In one case, a country was divided between two competitive geopolitical forces. In another – it was completely absorbed by one, usually stronger, of them. Ukraine has already been in such situation, when it was divided between Poland and Russia in the mid XVII century. Unfortunately, the events of 2007 did not avert such possible prospect from us. Relying on such different geopolitical and historical-mental social basis, two major competing political camps in Ukraine are trying to pursue foreign policy based on two different vectors (in opposite directions).

This results in a situation, where Ukraine is getting involved into confrontation between major geopolitical players, when one part of the population and politicians are on the side one player, and another part is on the other side. The situation was observed with the Ukraine’s position regarding location of elements of American anti-missile defense system in Poland and the Czech Republic. The Verkhovna Rada and the Prime Minister of Ukraine Viktor Yanukovich paid attention to the Russian position and perceived this intention as a threat to the country’s security³². At the same time, the President of Ukraine Viktor Yushenko recognized the sovereign right of the Czech Republic, Poland and USA to ensure their security and defense.

³²Yanukovich is worried about plans of the USA regarding AMD.// www.far.-ua.com. – 23 April 2007.

During 2007, the government of Viktor Yanukovich and the “anti-crisis coalition” in the Verkhovna Rada repeatedly tried to change the Euro-Atlantic and European integration course of Ukraine into the pro-Russian course. One of such attempts included efforts to adopt a draft Law of Ukraine “On Fundamentals of Internal and Foreign Policy of Ukraine” submitted by the Cabinet of Ministers of Ukraine, which excluded the clauses on Ukraine joining NATO and EU. Instead, the full-scale participation in the Common Economic Space (CES) was declared as the ultimate goal in the draft. Such pro-Russian orientation of Viktor Yanukovich’s government and of the majority in the Verkhovna Rada led to slowdown of the pace of Ukraine’s European and Euro-Atlantic integration.

The European Union perceived the internal political crisis in Ukraine as the factor that negatively impacted further development of partnership between the two parties, made them uncertain and unpredictable, and posed a threat to internal democratic development of Ukraine, which, of course, was not in line with European values. These two key constants of EU interests determined the EU position regarding the internal political crisis in Ukraine, as well as the vision of possible solutions to this internal Ukrainian problem. As for the economy, the problem discouraged strategic western investors from entering Ukraine, frustrated development and implementation of long-term economic programs and projects, especially in the area of high technologies and structural reconstruction of the economy. In terms of policy, it undermined Ukraine’s credibility, deprived the country of European integration prospects, and made its progress in this direction uncertain, undetermined, and inconsistent.

Internal political crisis significantly weakened Ukraine’s position of in negotiations on the development and adoption of such strategic document in relations between Ukraine and EU as the New Enhanced Agreement on Partnership. Lack of coordinated and consolidated position of high-ranking government bodies of Ukraine significantly complicated the process of negotiations of the content of this document. Under these conditions, the Ukrainian side had poor chances to approve its own concept of the Agreement. The negotiations on the Ukraine-EU New Enhanced Agreement on Partnership faced insurmountable constraints, with the main of them being different conceptual visions of the content and philosophy of this document. The Ukrainian side perceived the philosophy of relations between Ukraine and EU in the formula “political association + economic integration”. European Union sees the future development of relations with Ukraine only within the

framework of “political neighborhood”, which guarantees prospects of its membership neither now, nor in the future.

In the area of security, the European Union tends to perceive Ukraine as a source of risk rather than an outpost of stability. EU appears to be specifically concerned about the problem of illegal migration and human trafficking in Ukraine. This evidences that the European Union is more sensitive to those international threats that directly concern interests of security of the EU member-countries.

The intense dialogue with NATO appeared incomplete. The target plan Ukraine – NATO for 2007 was approved only in June 2007. Kyiv’s ambiguity about its further Euro-Atlantic prospects gave rise to more concerns and lack of confidence to Ukraine in the NATO headquarters. In fact, the Russian-centric model of foreign policy that the government of V. Yanukovich tried to implement in 2007, implied not only refusal from the European Atlantic integration, but also from its regional leadership, Ukraine’s participation in GUAM and other “economic and political alignments of Central Asia and Transcaucasia aiming to compete with Russia”. Such policy led to significant weakening of Ukraine’s positions in the Black Sea region, as well as loss of the country’s positive international image.

The loss of attractive international image of Ukraine became one of the main challenges for the country in 2007 in the foreign political sphere.

In the political sense, the worsening of the international image of Ukraine displayed in perceiving Ukraine as the “gray zone” with unclear prospects, unpredictable behaviour and unstable internal situation. Such perception aggravated the distrust to Ukraine from the side of its key partners. The conflict between the Government and the President about distribution of authority disoriented foreign countries in identifying of the official position of Ukraine and officials representing it on the international arena.

In the social sense, the perception of Ukraine as a “buffer zone” leads to negative migration effects, when its own citizens leave the country, being afraid of instability and unclear prospects. From the other side, there is a growing inflow of illegal migrants who consider this buffer zone as a permanent shelter that gives an opportunity to make a way into Europe. One can observe a tendency whereby Ukraine is transforming from a transit country into a country attractive for refugees that are forced to escape from persecutions, as well as natives of Asian and African countries that suffer from poverty, starvation, unemployment, and fight of power clans. The total

number of offences related to illegal movement of migrants across the state border increases, especially on the Russian and Byelorussian parts of the border.

In the economic and man-caused senses, being in the buffer zone Ukraine is not considered an economically promising and reliable country. When building transport communications its partners, both in the East and in the West, try to avoid this “buffer zone”. Russia tries to build new gas and oil pipelines along the northern and southern ways (Northern and Southern flows) on the bottom of the Baltic and Black seas, going around Ukraine.

At the same time, the European Union supports the construction of the gas pipeline from Iran through Turkey to Europe, passing Ukraine by, and the pipeline to deliver Caspian oil to Europe through Romania, which will become an alternative to the pipeline Odessa – Brody.

Ukraine’s staying in the buffer zone discourages influx of foreign capital to the transport infrastructure of Ukraine. As the result, during the last years the country lost about 60% of its transit potential.

So, 2007 was marked for Ukraine with the whole spectrum of challenges and threats.

At the *global level*, they included:

- stronger energy dependence and complication of access to the global sources of energy resources;
- Climate warming that, coupled with local objective and subjective circumstances, indirectly caused natural disasters, such as floods in the west, and large scale fires in the south of the country;
- Worsening of the international security climate caused by aggravation of geopolitical contradictions between USA and new centers of power, such as EU, Russia, and China, and transformation of the system of international relations from unipolarity towards multipolar asymmetry; and
- Illegal migration.

At the *regional level*, such threats and challenges related to the national security included:

- Turning Ukraine into a “buffer zone”, which led to the loss of the status of an mid European country and occurrence of the whole number of negative consequences for the country’s sovereignty;
- Loss of the attractive international image and positions of Ukraine on the international scene;

- Slow down of European and Euro-Atlantic integration of Ukraine;
- Involvement of Ukraine into the regional confrontation between leading geopolitical players;
- Loss by Ukraine of a significant share of transit potential and a leading place in the international transit system;
- Stronger information impact of neighboring countries, first of all Russia, with the purpose of ensuring their ideological and political presence in Ukraine;
- Damage of ecological system of the northeastern area of water of the Black sea resulting from the wreck of Russian ships with oil and sulfur on 11 November 2007.

At the *national level*, these threats and challenges included:

- Political crisis in the country that complicated pursuit of foreign economic interests of the country and led to disbalance, unpredictability and low effectiveness of its foreign policy;
- Destruction of the system of societal values and deepening of the watershed between western and eastern Ukraine on the basis of dissimilar geopolitical and historical-mental social base.

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The predominant majority of these threats and challenges for the national security of the country emerged in 2006. However, 2007 became the year of aggravation of various crisis phenomena and actualization of threats, as no relevant measures were taken to neutralize them. There is no ground to think that all these challenges would be overcome in 2008. However, 2008 provides certain possibilities for creating preconditions to reduce their threat level to the country's national security. In its turn, it requires increased attention to the security component in the foreign policy of Ukraine.

§ 2. UNINTENSIFIED DIALOGUE WITH NATO: WHAT IS NEXT?

Ukraine signed a program of Intensified Dialogue with NATO in April 2005. The Intensified Dialogue is a tool to discuss with NATO the membership-related issues. NATO does not undertake to grant Ukraine membership in the Alliance.

The mechanism of the Intensified dialogue is aimed at explaining the aspiring country interested in becoming a NATO member, and which, however, does not participate in implementing the Action Plan on NATO Membership, practical aftermaths of the process of NATO expansion, and consequences of a possible membership in the Alliance. Also, it informs the NATO member- countries of the input that a potentially new member could make to the joint security of the Alliance. A country-partner prepares the so-called Preliminary Document for discussion, which provides answers to the questions how a potentially new member can contribute to the collective security of NATO. These questions almost completely are reflected in the relevant five parts of the Action Plan regarding obtaining NATO membership, adopted at the NATO Washington Summit in 1999.

The action plan regarding the NATO membership that Ukraine intends to obtain, and the Intensified Dialogue on membership that Ukraine has already received, are to a large extent similar mechanisms. Main difference between the mechanisms of the Intensified Dialogue and the Action Plan on membership in NATO, is in understanding by the parties of the distance lying in front of them before they join the North Atlantic Alliance. Although the implementation of the Action Plan regarding the membership does not give 100% guarantees of NATO membership after the country-candidate fulfills it, the sides understand that it is the last stage, “the homestretch” before joining NATO, which, sometimes may last more than 8 years or 2 to 3 years.

Launching the Intensified dialogue, NATO is sending a formal, as opposed to verbal, signal that the Alliance countries-members are supportive of Ukraine’s aspirations to integrate into the Alliance, in other words, they “keep the doors open”, and are prepared to provide practical assistance in getting Ukraine prepared to join NATO.

Dialogue Ukraine -- NATO in 2007: from freezing in spring to new chances

In early 2007, the development of relations between Ukraine and NATO with the prospect of real integration into the Alliance was in fact frozen. In January 2007, under pressure of “anti-crisis coalition” comprised of the Party of Regions, Socialist and Communist Parties, and the Government, the Foreign Affairs Minister of Ukraine Borys Tarasyuk had to resign.

Despite the fact that in compliance with the amended Constitution, the President of Ukraine remained the chief of the foreign policy, and as such was entitled to suggest to the Parliament the candidacy of the minister of foreign affairs and close international agreements, the de facto management of the foreign policy of Ukraine was deregulated. To pursue a consistent foreign policy course, one needs not only the nominal right to close agreements, but also the material, financial, and organizational base for their implementation. Such base emerged in the Government after creation of the “anti-crisis coalition”.

We mentioned already, that the concessions made by the Government of Yanukovich to Russia in exchange for its political support included: refusal of Yanukovich’s Government from Ukraine’s joining NATO, holding of a preterm referendum on the intention of the country to become a member of the Alliance prior to conducting of the awareness campaign (obviously, preventing Ukraine from joining NATO is treated by Moscow as the key priority of its policy towards Ukraine), synchronization of the time for Ukraine’s and Russia’s accession to the World Trade Organization, prolongation of the term of location of the Russian Black Sea Navy on the territory of Ukraine after 2017 deadline, as set by the relevant Agreement, resignation of the Minister of Defense Anatoliy Hryshenko, and the Minister of Foreign Affairs Borys Tarasyuk as the implementers of the European-Atlantic course of Ukraine. At this time, the president of Russia Vladimir Putin said in an interview to Russian TV-channels that Russia was negotiating with representatives of the Government of Ukraine the prolongation of the stay of the Russian Navy in Ukraine after 2017. Ukraine’s Prime Minister Viktor Yanukovich publicly confirmed the possibility to prolong the stay of the Black Sea Navy of Russia on the territory of Ukraine after 2017.

To counterweight the active efforts in Russian direction aimed at achieving specific political results, activity of the Cabinet of Ministers led by Viktor Yanukovich in its relations with the West was limited by symbolic and make-believe steps. The Government of Yanukovich in fact stood against Ukraine’s Euro-Atlantic integration and demonstrated readiness to renounce national interests of Ukraine on the number of important issues, in particular with the interests in the

national security area, for the benefit of cooperation with Russia. Thus, in early 2007 the integrated foreign policy of Ukraine was kept being ruined by “anti-crisis coalition” and V. Yanukovich. This trend opened possibilities for Russia to implement in Ukraine its own interests using the mechanisms of cooperation between government officials of both countries, passing over the President of Ukraine and the Ministry of Foreign Affairs of Ukraine.

On 10 February 2007, the President of Ukraine Viktor Yuschenko met with the General Secretary of NATO Jaap de Hoop Scheffer in Munich during the International Conference on Security. Both leaders stressed the necessity to continue practical cooperation between NATO and Ukraine despite uncertainty in the internal political situation in Ukraine. The President underscored the importance of a 12-year project of the NATO’s “Partnership for Peace” Program aimed to assist Ukraine with disposal of the surplus of ammunition, light shooting arms and movable surface-to-air missile systems. He also commended Ukraine’s active preparation to participation in the NATO sea anti-terrorist operation in the Mediterranean region “Active Endeavor”.

Having paid attention to the fact that integration in Euro-Atlantic organization remains the strategic purpose of Ukraine, President Yuschenko recognized the need to reach agreement between leading Ukrainian political parties regarding future paces of development of Ukraine-NATO relations. In this way, the President in fact admitted that the course for Ukraine’s membership in NATO may not be pursued without consent of the government.

On 21 March 2007, after two negative votes for the candidate of Volodymyr Ohryzko for the post of the Minister of Foreign Affairs, Verkhovna Rada of Ukraine agreed for appointing Arseniy Yatsenyuk to this post, who was considered as the compromise candidate between the President and the “anti-crisis coalition”. On 26 March 2007, the newly appointed Minister of Foreign Affairs of Ukraine Arseniy Yatsenyuk visited NATO HQ, where he met with the NATO General Secretary Jaap de Hoop Scheffer. Discussion at the meeting was focused on the availability of serious opposition to Ukraine’s NATO course and the need to conduct awareness campaign. Shortly after his appointment, Arseniy Yatsenyuk declared that the Law on Fundamentals of the National Security stating the goal – joining NATO – “should be enforced”, however, the time for accession has not come yet.

On 27 April 2007, when the conflict between the President and the democratic opposition with the “anti-crisis coalition” Government was at its full swing, the Minister of Foreign Affairs Arseniy Yatsenyuk participated in a meeting of Ukraine – NATO Commission that took place in

Oslo (Norway), where he assured in invariability of Ukraine's course for Euro-Atlantic integration. In response, the NATO General Secretary Jaap de Hoop Scheffer noted that "the NATO doors remain open for even closer cooperation, but only the people of Ukraine and its elected leaders have to determine the future relations of the country with NATO".

On May 10, 2007, a meeting of heads of general headquarters of NATO countries and Ukraine with participation of the head of the General Headquarter of Ukraine Armed Forces Serhiy Kyrychenko was held. On 14 June 2007, a meeting of Defense Ministers of NATO and Ukraine was held, where the NATO General Secretary Jaap de Hoop Scheffer welcomed the agreement achieved in Ukraine on 27 May 2007 regarding the date of snap parliamentary elections. Preparations to publication of the Target Plan Ukraine – NATO for 2007 were underway. On July 9 2007 a meeting of the Ukraine – NATO Commission was arranged devoted to the 10th anniversary of signing the Charter on Distinctive Partnership between Ukraine and NATO. The General Secretary of NATO Jaap de Hoop Scheffer at this meeting said: "As I repeatedly noted we keep the doors open. But the decision on the future of our special partnership to a large extent lies in the hands of the Ukrainian people and elected leaders". On 18 July 2007, the President of Ukraine Viktor Yuschenko signed the Target Plan Ukraine – NATO for 2007, after its approval by the Ukraine – NATO Commission and the Cabinet of Ministers of Ukraine.

On 7 December 2007, in Brussels there took place a meeting of ministers of foreign affairs of the Ukraine – NATO Commission within the framework of the meeting of the Ukraine – NATO Commission 2007 with the participation of acting Minister of Foreign Affairs of Ukraine Volodymyr Khandohiy. The ministers of NATO member-countries greeted Ukraine with the conduct of free and honest parliamentary elections to the Verkhovna Rada in September 2007 and formation of the government coalition. The representative of Ukraine stressed the invariability of Euro-Atlantic course of Ukraine and confirmed the statement of the President of Ukraine Viktor Yuschenko on Ukraine's wish to join the Action Plan on membership. In his turn, the NATO General Secretary Jaap de Hoop Scheffer stressed that the invitation of Ukraine to the APM would depend on the progress in implementing the key reforms. The Ministers of Alliance confirmed that the NATO doors remain open for the European democracies that are committed and can take the responsibility for membership.

These parties also marked out the progress achieved during the 2007 in reforming the sectors of security and defense of Ukraine, in particular, within the framework of the Ukraine –

NATO Joint Working Group on Military Reform (JWG MR). At the same time, at a meeting of ministers of foreign affairs of the Ukraine – NATO Commission on 7 December 2007, Ukraine received an important signal: the joint statement of the ministers provided the decision to conduct the meeting of the Ukraine – NATO Commission at the highest level in April 2008 in Bucharest. This meant that Ukraine obtained a real chance to join the Action Plan on Membership in NATO in April 2008.

At the same time, during 2007 Ukraine remained the only country-partner that took part in all NATO missions and operations: in navy operations to fight terrorism in the Mediterranean Sea region, in peacekeeping mission in Kosovo, International forces to promote security in Afghanistan and in the Training Mission in Iraq. The Ukraine's support of the operation "Active Endeavour" has to demonstrate the solidarity of Ukraine with the Alliance in fighting terrorism. On 13-14 March 2007, Kyiv held consultations on issues of fighting terrorism at the level of experts of NATO and Ukraine organized under the aegis of the Ukraine – NATO Joint Working Group on issues of defense reform to support the current National Review of Ukraine's security sector. On 22 May 2007, in Kyiv there took place the sixth meeting of the Ukraine – NATO Joint Working Group on defense and technical cooperation devoted to the issues of armament including its utilization and participation of Ukraine in groups under the aegis of the Meeting of the NATO National Leaders in the area of armament. At the meeting, in particular, it was mentioned that of all partner-countries, only Sweden was more active than Ukraine in scientific-research activity of NATO.

Following the Verkhovna Rada's permission to conduct NATO trainings in Ukraine given in early June of 2007, on 11-20 September 2007 in Sevastopol there took place command and staff exercises "Cooperative Marlyn 2007" with the participation of 45 representatives of NATO - member and partner-countries, where they worked out the tactical planning of operations in response to crises. On 24-25 October 2007 in Bucharest at the fifth meeting of the Ukraine– NATO Working Group on civil and democratic control by the sector of reconnaissance, Ukraine presented "The White Book" outlining the plans of reformation of reconnaissance and defense services. On 12 December 2007, the Ukraine – NATO Joint Working Group on Defense Reform (JWGDR) conducted a meeting in the NATO Headquarters, where they assessed the situation with the conduction of the analytical review in the sector of the national security, the progress of reforms in

the sector of reconnaissance and prospects of reformation of troops of the Ministry of Internal Affairs and the State Committee of Frontier Service.

Thus, during 2007, in relations with NATO, Ukraine passed the way **from actual freezing** of prospects for these relations, as a result of “anti-crisis coalition’s” attempts to take over control over foreign policy and destroy integrity of foreign policy in early 2007, **to the new chance** in relations with NATO received as a result of invitation of Ukraine on 7 December 2007 to participate in the meeting of the Commission Ukraine – NATO at the highest level in April 2008, during the Alliance Summit in Bucharest.

Achievements and lost opportunities in Ukraine – NATO relations in 2007

During 2007, the mechanisms of the Intensified Dialogue were fully used for the dialogue between Ukraine and NATO. However, what this dialogue lacked was the understanding by the parties of clear prospects of their relations that critically depended on the nature of rapid political changes in the country.

In addition to the Intensified Dialogue with NATO, Ukraine implements the Ukraine – NATO Action Plan approved on 22 November 2002. The Ukraine – NATO Action Plan sets up common principles and goals in the political, economic, information, security, defense areas etc.; their implementation is detailed in annual Target Plans that determine the list of specific unilateral Ukrainian and joint activities. The Ukraine – NATO Target Plan for 2007 contained 278 activities; most of them were implemented formally or partly during the year. The political crisis that Ukraine was going through virtually during the whole 2007 had an extremely negative impact on planning future relations between Ukraine and NATO.

Major achievements of Ukraine in relations with NATO in 2007 could be summarised as follows:

- Democratic way of settlement of the political crisis in Ukraine, conducting snap parliamentary elections in compliance with the democratic standards shared by OSCE, the Council of Europe and NATO countries;
- Maintain the Ukraine-NATO dialogue at a rather high level despite visual absence in early 2007 of the prospects to bring the dialogue to a higher level;

- Maintain the possibility to renew the dialogue with NATO regarding issues of practical Euro-Atlantic integration of Ukraine with the prospect to gain NATO membership;
- Continue fulfillment of the current documents on cooperation with NATO;
- Approval of the Target Plan of Ukraine – NATO for 2007;
- Understanding the necessity to launch a larger scale awareness campaign in Ukraine about the NATO membership.

However, quite a few chances in relations with NATO were lost during this time, including the following:

- wasted time – no real steps during 2007 regarding Ukraine’s joining the Action Plan on NATO Membership, which aggravated the risks for the national security of Ukraine, its foreign vulnerability and put off the prospect of obtaining reliable security guarantees;
- loss of trust – during the political crisis the capability of state authorities was several times put under doubt, the judicial and law-enforcement system in Ukraine were discredited, the Ukrainian government bodies’ ability to make decisions and secure implementation of these decisions was undermined, the political class of Ukraine was discredited as incapable to recognize and promote the national interests and fulfill taken obligations;
- Loss of opportunities – in 2007, the defence sector, primarily the Armed Forces, was largely underfunded, and it significantly limited prospects of its reform.

At the same time, the peaceful settlement of the political crisis of 2007 opened up good prospects for Ukraine in relations with NATO, thanks to successfully held pre-term elections that complied to democratic norms, and due to the victory in these elections of the political forces that declared the goal to join NATO in their program documents, in particular, in their coalition agreement.

Membership in NATO in the agreement of the ruling coalition

During elections of 2004 and 2007, the electors entrusted the incumbent President and the democratic coalition in the Verkhovna Rada with the powers to conduct the foreign policy. The coalition agreement between BYuT (Block of Yulia Tymoshenko) and NU-NS (Our Ukraine –

Peoples Selfdefence) that gained the majority of votes during the elections (more than 50% seats in the Verkhovna Rada) clearly states the support of joining Ukraine to the Action Plan on NATO Membership.

The agreement on creation of the democratic coalition between BYuT and NU-NS indicates that in the sphere of foreign policy these political forces support:

1. “Adherence to the foreign political course determined by the “Main Directions of the Foreign Policy of Ukraine” and the Law of Ukraine “On Fundamentals of the National Security”.

2. Achievement of the full membership in the European Union.

3. Mutually beneficial cooperation with NATO. Obtaining full membership in NATO. Approval of the decision on Ukraine joining to NATO based on the results of the all-Ukrainian referendum.

4. Maintaining and strengthening equal in rights and neighbourly relations with the Russian Federation and other neighboring countries”.

Also, the coalition participants undertook to ensure: “ratification of signed by the Cabinet of Ministers of Ukraine international agreements, memoranda and other international agreement and legal documents and normative acts and laws of Ukraine required for joining Ukraine to the NATO Membership Action Plan on (MAP) and steady fulfillment of this Plan.

Insignificant numeral superiority of the ruling coalition over the opposition, probably, will stimulate the Government to carefully fulfill the provisions of the coalition agreement, including those on Ukraine’s cooperation with NATO. At the same time, in order to prevent criticism from the political opponents, the coalition decided to include in the coalition agreement a clause about the obligatory referendum before making a decision on joining NATO. In the future it may considerably limit capabilities of Ukraine to integrate into NATO.

Is it possible to change the position of the Party of Regions in issues of Ukraine’s accession to NATO?

The main oppositional political force in Ukraine is the Party of Regions. Change of its attitude to the NATO problem could significantly foster integration of Ukraine to the Alliance. Without achievement of a political compromise with this political force in joining NATO, the

development in this direction would be much more complicated than in a situation where such compromise had been achieved.

At the same time, the numbers of factors are for the benefit of the position of the Party of Regions in the NATO issues. The main of them is that the most influential economically figures of the Party of Regions are politically and economically independent from Moscow due to the scale of their capital, unlike other less important members of the Party of Regions. However, on the other hand, having lost power the Party of Regions is trying to maintain the influence on their voters by galvanising its traditional ideologemes. In this context the Party of Regions considers the NATO issue as a convenient tool to mobilise the voters where it lacks other socio-economic arguments. So, *in the near future the predominant part of the Party of Regions will not be ready to give up the “anti-NATO” position.* Change of the position of the Party of Regions regarding NATO is possible as a result of gradual changes in the mass consciousness of the population of Ukraine. Also, the position of the part of the Party of Regions regarding NATO may be revised in the event of the Party’s transformation into several political projects.

Awareness campaign regarding NATO: reality or another victim of political conjuncture?

NATO fosters development of democracy in Ukraine, however if the democratic choice regarding the Alliance entry will be made by the society, the decision of the Ukrainian society could be not for the benefit of the integration.

The policy of total Russification of Ukraine pursued by Russia for 300 years virtually destroyed the Ukrainian identity, as a result of which a significant part of Ukraine’s population finds it too complicated and unusual to consider Ukraine as a unique and all-sufficient country. In Ukraine, quite a good share of population have not displayed national identity and are governed in their attitude towards NATO, first of all, by habit, culture or language distance, wish to achieve certain level of prosperity or situational impact.

From the beginning of 1990s, the idea of Ukraine integration with Europe became very popular in the public opinion in Ukraine. As noted by sociologists this is conditioned in the first place by attractive quality of life in the countries of Europe. This choice however should not be overestimated. With its mass “European choice”, the Ukrainian society demonstrates just the liking

for the European way of living and living standards, European culture and individual European countries. At the same time, such palette of unimportant motivations for people cannot create a steady majority in Ukraine. Such majority can be formed only in the event, when people are fully aware of the content of Ukrainian interests in this process. In acceptance of NATO, an important role is played by the Russian mass media that continue influencing the Ukrainian society after Ukraine became independent. In addition, in Ukraine there is a coordinated policy aimed against NATO, which is, not in the last turn, dictated by specific economic links with Russian capital.

Expansion of the anti-NATO attitudes in the society also depends on the situational factors. Events related to the Tuzla Island in 2003, military campaign in Kosovo, operation of the USA and Great Britain in Iraq had serious impact on attitude to NATO in the Ukrainian society.

In general, the attitude of the population in Ukraine to NATO is characterised by the following:

- Available significant possibilities for external influence from Russia or other centers of influence on geopolitical choice of people;
- Significant part of the population of Ukraine is indifferent to NATO, its opinion on this issue depends a lot on situational changes in politics and mass media actions;
- Russian mass media maintained a significant influence on the priorities of the population of Ukraine in this issue;
- In Ukraine, there is widely spread existence of mutually exclusive geopolitical orientations (i.e. the possibility of existence of contradictory ideas at one time in the world outlook of the same citizens);
- Based on the attitude to NATO, the population is divided into three groups: two groups are conservative in their opposite geopolitical orientations, while the third is indifferent towards this problem; the major group of the population is not a strict supporter of either orientation;
- The population feels the lack of available and objective information about NATO;
- Those who know more about NATO, tend to have the more positive attitude to it.

At the same time, in 2007, the trend towards decreasing negative attitude to Ukraine's entrance to NATO was rather obvious. The number of its supporters increased. Thus, according to the survey conducted by the Democratic Initiatives Foundation in December 2007, at the referendum, 32% of citizens would support entrance to NATO, and 52% would vote against it. It should be noted that according to the sociological surveys in Poland in 1991 less than 25% of people supported the idea of entering NATO, in 1992 – 35%, in 1993 – 57%, in 1995 – 73%. In

Hungary, they managed to increase the number of supporters of the idea of joining NATO from 40% to 80%.

In Ukraine, in the past year the share of those who support entrance to NATO increased by more than 10%, compared to 2006. It is necessary to understand that *such situation took place under the conditions when the real large scale awareness campaign on Ukraine's needs in Euro-Atlantic integration was not actually launched yet*. Until now, the government demonstrated obvious incapability to organize effective campaign.

According to the surveys, young people under 30 are the most ardent supporters of Ukraine's entry to NATO while elderly people are the biggest opponents to this idea. In future, this structure of preferences could determine the change of geopolitical orientation of the population.

The impact of “the Russian factor” on prospects of Ukraine's relations with NATO

Russia's reaction on NATO expansion is considered one of the main negative consequences of Ukraine's entering NATO. The main reason for Russia's counteraction to the NATO expansion is the wish of Moscow to deprive the North-Atlantic Alliance from the leading role in ensuring the pan-European security.

In recent years, Russia has been demonstrating the intentions to renew its strong positions in the region of Central and Eastern Europe, in CIS countries in the first place, as well as to obtain material dividends from its dominance in these regions through the mechanisms of economic expansion and resolution of frontier issues for its own benefit. The main efforts of the Russian state are focused on renewal of its political and military power. At the same time, shift of accents in the US foreign policy on anti-terrorist fight in Asia and in the Middle East fostered certain renewal of positions of Russia in this region.

Many experts anticipated that Russia would run serious opposition to NATO expansion, as it created a serious barrier to Russia's renewed domination. However, the reality was different. When it became obvious that the waves of NATO expansion are irreversible, there was a certain correction in the position of Russia on this issue. After that when it became obvious that the issue of Baltic states joining NATO is solved, Moscow stopped its tactics of political pressure and started to express more interest in improving relations with these countries. By the results of rounds of NATO expansion of 1999 and 2004, the leaders of Russia put up with this expansion, hoping that

in future this organization would turn into mainly political and military-political structure. Thus, Russia may potentially have expanding influence on the organization.

Contrary to popular statements of the mid 1990s, new zone of influence in Europe were not created as a result of NATO expansion. The prospect of NATO expansion prevented several rather dangerous set-backs of confrontation in Europe. Thus, the prospect of involvement to NATO prevented dangerous escalation of conflict situations between the Baltic States and Russia, as well as between Russia and Poland, when in 2001 Russia threatened to locate nuclear weapons in Kalinigrad oblast.

The forecasts that Russia was likely to impose serious sanctions against new NATO members were not justified. The peak of pressure on some countries-candidates for NATO membership was in spring 1998. This pressure was exerted, first of all, on such vulnerable for this pressure Baltic country as Latvia. This country has a numerous Russian community and depends on Russian freight flow. After approval of the decision on NATO expansion, the pressure on the Baltic States and other countries that announced their plans to join NATO significantly reduced.

Likewise, the forecasts of military pressure on new members or NATO in general, and in particular the prognosis that Russia could locate nuclear weapons in Kalinigrad oblast or in the territory of its allies, in particular in Belarus, did not come true. Russia did not make this step because for Russia military escalation is not advisable due to NATO's serious nuclear potential.

NATO expansion to the East can initiate the process of regional self-limitation of geopolitical interests by Russia, as the conflict with NATO would be fatal for Russia and pressure on Russia from the side of China and Islamic world would force it to seek new allies. At the same time, Russia can choose the union with China against USA and Europe. However, such development of events in remote historical prospect could create great internal and international problems for Russia.

To summarise, the reaction of Russia on new countries joining NATO can be critical only during a limited period of time as it has happened in reality. At the same time, NATO expansion weakened the possibilities for the geopolitical pressure from the side of Russia to the countries of the former USSR and strengthened their independence.

Entry of the Central and Eastern European countries to the Euro-Atlantic structures strengthened the idea according to which these countries have the right to choose priorities of their policy in the security area, which was proved by the sovereignty of these countries. In 1996-1997

in Russia there appeared a concept according to which in Europe there is a so called “red line”, and NATO should expand beyond it. This “red line” was outlined along the perimeter of borders of the former USSR, including the external borders of former Baltic Republics of the USSR. However, the NATO expansion to the Baltic states, as well as strengthening of the USA presence in Georgia and Central Asia ruined this political assumption. Thus, there was significantly reduced the conflict potential of the region that could be implemented in the event if NATO recognized Russia’s special rights to it. So, NATO expansion itself promotes strengthening of the security and sovereignty of Ukraine.

At the same time, Ukraine requires rational neighbourly relations with Russia. Ukrainian leaders are trying to achieve them not by refusing from strategic interests of the national security related to the NATO membership, but due to assuring Moscow that Ukraine’s membership in NATO would not create threat to the security of Russia and would not mean location of NATO military infrastructure in the territory of Ukraine. Obviously this is the most rational line of the behaviour of Ukraine. Although, its effectiveness is limited due to objective circumstances, in particular to the fact that Moscow in fact is afraid not so much of NATO increasing its military possibilities, but loss of Ukraine as a zone of its influence.

Are NATO and its members likely to change their attitude to Ukraine’s integration?

Before 1996, the USA and the West in general perceived the military-political cooperation with Ukraine primarily in the context of its nuclear disarmament. However, later they realised the possibilities for European security provided by Ukraine. After Ukraine became independent, the USA and Europe gradually understood more and more the importance of independent Ukraine for security of states in this region.

The interest to Ukraine is explained by the fact that Ukraine is a key geopolitical link in the region that provides access to the Balkans, Caucasus, and Central and Eastern Europe. Gradually, in the West there was spread the point of view expressed by Zbigniew Brzezinski that without Ukraine Russia is not able to renew its imperial status, and hence, threaten the West.

Now, in the United States the political elite formed a rather unanimous position to support independence, sovereignty, and territorial integrity of Ukraine, as well as its democratic development. For the interest of the national security of Ukraine it is important that the USA is

prepared to build their relations with Ukraine autonomously from other countries, and thus strengthen foreign political independence of Ukraine. An important milestone in this context was that the USA Congress (Chamber of Representatives and Senate) approved *the Act on Consolidation of Freedom through NATO* (26 March 2007). This document says that the United States of America support the strategic course of Ukraine for Euro-Atlantic integration provided in the current legislation of Ukraine. The document mentions the progress achieved within the framework of the Intensified Dialogue Ukraine – NATO, and stresses that the American side “values the input of Ukraine into our joint security including operations under the direction of NATO and efforts to strengthen the regional cooperation”. At the same time, the NATO openness for new members is conditioned by the necessity to implement democratic, defence and economic reforms, aspiration and ability to correspond to the requirements of the NATO membership, as well as clearly expressed intention to move in this direction. The statement of the American Congress in no way limits the sovereign right of Ukraine to make independent decisions on the final goal of the cooperation with NATO.

At the same time, the EU countries are not always able to conduct such policy towards Ukraine, as they depend on Russian energy carriers and do not have enough motivation and force support for conducting it. It should be noted that after the World War II in Europe governments of European countries demonstrated atrophy of geopolitical thinking. This happened under the influence of "greenhouse" geopolitical climate created due to NATO existence and the USA involvement to the problem of securing European security during the period of “cold war”. All European countries that are NATO members spend about half of the USA defence budget for defence. Armed Forces of European countries have limited possibilities for providing military assistance, if military actions take place in remote areas. Armies of most of European countries in general have low level of mobility.

Despite all critique, European allies of NATO are not prepared to liquidate this organization and give up guarantees provided by NATO. Even during the biggest crises of Euro-Atlantic partnership still none of the sides stated officially the intention to leave NATO. NATO members include the most developed economically countries. This organization «outlines» the zone of domination of democratic values and market economy, and the USA consider the dissemination of these values as one of its main goals. Within NATO there is understanding that if an organization does not want to expand it is doomed to collapse. Demonstrated readiness of the allies in NATO to

assure the fulfilment of its commitments and strengthen the Alliance gives grounds to say that NATO countries would hardly change their position regarding integration of Ukraine in the near future. The official NATO position remains to be the following: “Our doors remain open for Ukraine. But the decision on the future membership is in the hands of the Ukrainian people and leaders elected by them”.

Transformation of this NATO position open for Ukraine to become a member is possible only in the event of critical change of the situation with the strategic stability, which is unlikely to happen.

Prognosis of development of relations between Ukraine and NATO

Ukraine has considerable chances to receive the invitation to join the Plan on NATO membership in the near future. If it happens, formally the road for Ukraine to become a NATO member will be open.

However, Ukraine has to walk this way by itself. Very many things in the issue of Ukraine’s integration top NATO would depend on political elite of Ukraine and level of its responsibility for the security in the country. If the ruling political elite demonstrates a serious attitude to the interests of the national security, **Ukraine would gradually move towards NATO membership, and on parallel solve issues of public support for entry to NATO, conduct awareness campaigns on explaining national interests of Ukraine in relations with NATO and through solving issues on advisability of referendum on joining NATO.** Stability and predictability of the development of the national economy and political situation in Ukraine are extremely important. Under these conditions, there will be times in three-five years, when NATO members will be ready to say “yes” to the membership of Ukraine.

NATO membership will give Ukraine time to get stronger and get forces in relatively «greenhouse», favourable geopolitical environment, interests of which are close and on many parameters are identical to the national interests of Ukraine. If political elite is not able to assure implementation of national interests of Ukraine regarding integration to NATO, Ukraine’s failure to join NATO would foster marginalization of Ukraine and ousting it to the periphery of international politics, as well as intensify dependence on foreign impacts.

§ 3. UKRAINE AND ARMS CONTROL REGIME

Ukraine, like other countries, pays a special attention to issues of security – both of its own, and international in general. During 2007, Ukraine was actively participating in multilateral efforts aimed at strengthening global security and stability, improving the system of export control, and fulfilling commitments of a participant of international control regimes.

Ukraine and non-proliferation of mass-destruction weapons

Thus, in 2007, Ukraine, in particular joined the “Security Initiative in the area of Non-Proliferation”, the Global Initiative against Acts of Nuclear Terrorism, effectively used its participation in the Group-8 Program “Global Partnership Against Non-Proliferation of Weapons of Mass-Destruction and Relevant Materials”, significantly expanded its cooperation with EU in the area of nuclear, chemical, and biological disarmament and non-proliferation.

Of all countries – former republics of the USSR, Ukraine now is the only participant of all five existing regimes of export control (Wassenaar Agreement, Regime of Control over Missile Technologies, the Australian Group, Nuclear Suppliers Group, the Zangger Committee), which is a significant proof that the international community appreciates high level of the national system of export control and the role of our state in the area of control over international transfer of weapons and dual-use goods.

Although, in general, the world saw certain positive changes in the international scene in the area of control over armament, disarmament and taking measures of strengthening trust and security during 2007, at the same time some rather threatening events also took place. It goes, first of all, about the withdrawal from the Agreement on Conventional Armed Forces in Europe (ACAFE) of the Russian Federation, Russia’s official confirmation of the possibility to be the first to use nuclear weapons, also against non-nuclear countries, Russia’s warning to possibly leave the Agreement on liquidation of intermediate-range and small-range ballistic missiles, as well as strain of American-Russian relations because of the USA intentions to locate American anti-missile defense elements on the territory of Poland and Czech Republic.

Despite this, problems of possible dissemination of nuclear, chemical, and biological weapons, as well as means of their delivery, illegal trade of nuclear, chemical, biological and missile technologies remain to be in the center of attention of international community. In this respect, Ukraine, during numerous activities, informed our partners about the principal position of our state on the importance of keeping up the role of the **Agreement on Non-Proliferation of Nuclear Weapons** (ANNW) as a vitally important basis for the global regime of nuclear non-proliferation, in particular non-use of nuclear weapons by nuclear states against non-nuclear states, support of moratorium for conducting nuclear tests etc.

In the period between 30 April and 11 May 2007, the First Session of the Steering Committee (PC) of the Conference took place in Vienna. At this event, the participants discussed a number of traditional for such meetings issues: universalization of ANNW (involve as many countries of the world to this Agreement as possible); prospects for the Agreement on Universal Prohibition of Nuclear Tests to come into effect; closing multilateral non-discrimination agreements on reliable supply of nuclear fuel to the countries which refused from creating their own nuclear fuel cycle; development of the agreement on the ban for production of fissionable materials for nuclear weapons; creation of zones free from nuclear weapons. Analysis of results of this session of PC of the Review Conference 2010 on ANNW shows that:

- one of the most important priorities is the task of versatility of the Agreement;
- serious concerns are raised about real possibility that terrorist groups may gain access to weapons of mass-destruction and means of delivery;
- the IAEA role as the fundamental basis of the regime of nuclear non-proliferation and strengthening of mechanisms of revealing non-declared nuclear materials and relevant prohibited activity is invariably important;
- practical implementation of 13 steps of nuclear disarmament formulated at the Review Conference 2000 on the ANNW implementation is too slow, and, virtually, is missing;
- until now, nuclear and non-nuclear states failed to reach common vision of the problem of the first usage of nuclear weapons, reduction of arsenal of strategic nuclear weapons, its modernization, as well as creation of universal, strict and legally obliging tool for providing negative guarantees for non-nuclear states;
- incapability to achieve the significant progress in introducing additional regimes of zones free from nuclear weapons.

Lack of shared approach of the international community towards nuclear programs run by Iran and KPDR remains a special and very serious problem.

As it was determined in a special report of the Ministry of Foreign Affairs of Ukraine on the situation in the world and activity of Ukraine in the area of non-proliferation, armament control, disarmament and activities on strengthening trust and security in 2007, “the Ukrainian side during 2007 continued to stress on the necessity to maintain the regime of ANNW, adhere to the regulations of the Agreement with Iran, return North Korea to the regime of nuclear non-proliferation, and strengthen the regime of IAEA guarantees. Ukraine stressed on the fundamental significance of the DNNW in maintaining international peace and security, draw attention to the necessity of adaptation of the Agreement to the contemporary situation and increasing its effectiveness, in particular through developing mechanisms of reaction to instances of failure to adhere to this regime, strengthen international cooperation aimed to prevent obstacles that might result in quitting the Agreement. The necessity to produce effective recommendations on guarantees of security to non-nuclear states was stressed out as a separate problem”.

One of the important for Ukraine results of the First Session of the Steering Committee was certainly the unanimous election of the Permanent Representative of Ukraine in the International Organisations in Vienna Volodymyr Yelchenko, the Head of the Second Session of the Steering Committee of the Review Conference 2010 on ANNW fulfillment that would take place on 28 April – 9 May 2008 in Geneva. This became one more proof that the international community recognizes the role of Ukraine in the area of nuclear disarmament and non-proliferation.

Ukraine joined the initiative of the Group 8 **Global Partnership against Proliferation of the Mass-Destruction Weapons and Relevant Materials** (GP) as a recipient of assistance in 2004. The goal of this Initiative is the development of bilateral and multilateral cooperation in non-proliferation of weapons of mass-destruction, disarmament, nuclear security, and antiterrorism within the framework of specific projects, priority directions of which are issues of minimization of reserves of biological pathogens and toxins, utilization of fissionable materials, employment of researchers developing weapons etc. During 2007, the Ministry of Foreign Affairs of Ukraine, as well as the Ministry of Fuel and Energy of Ukraine, the Ministry of Emergency Situations and Protection of People from Chornobyl Catastrophe Aftermath of Ukraine, the State Committee on Nuclear Regulation of Ukraine, the State Frontier Service of Ukraine took active measures to

employ this effective mechanism of international cooperation of Ukraine with leading states of the world.

At the moment, Ukraine is running 18 projects in various areas of ensuring preservation and security of radioactive resources and resources of ionizing radiation, development of the state regulation of nuclear and radiation security, prevention of illegal proliferation of nuclear and other hazardous materials, assistance in construction of new depositories of radioactive waste, implementation of unified international standards for places of storage of biological pathogenic agents, increase of possibilities of the State Frontier Service of Ukraine, fight with corruption etc.

During 2007, Ukraine bolstered its participation in the **Security Initiative in the area of Non-Proliferation** launched on 31 May 2003 in Krakow by the US President George Bush during his visit to Poland as an element of preventive fight against weapons of mass-destruction. Thus, within the framework of implementation of this Initiative, Ukrainian experts participated in the international exercises “Pacific Shield-07” that took place in Japan on 13-15 October, and conducted international exercises “Eastern Shield-07” on 29-31 October 2007 in Odessa. The general purpose of these exercises was to search, intercept, identify and examine ships with suspicious cargo, destruct and liquidate illegally transported materials related to weapons of mass-destruction.

During three-day exercises “Eastern Shield-07”, the participants practiced a complex of activities on intercepting suspicious cargos transported by sea, air, railway or automobile under conditions of possible use of weapons of mass-destruction or their components by terrorists; improvement of the information exchange system between law-enforcement bodies of Ukraine, Poland, Romania, Bulgaria, Georgia, and Moldova. Representatives of 26 countries were observers at this event.

This event fostered regional interaction, improvement of organizational activities conducted in Ukraine in relation to joining to the Initiative, gaining international experience obtained within it, as well as gave the opportunity to reach agreement in issues of information exchange between the competent authorities of GUAM member-countries.

In early 2007, Ukraine joined the **Global Initiative on Fighting Nuclear Terrorism Acts** (GIFNT) proclaimed by the Presidents of the Russian Federation and USA on 15 July 2006. The initiative aimed at the prevention of illegal proliferation of nuclear and radioactive materials, their usage with the terrorist purpose and counteraction to the nuclear terrorism.

On 11-12 June 2007, the Ukrainian delegation participated in the Third meeting of countries participants of the GIFNT. During the meeting, Ukraine emphasized its readiness to implement the GIFNT principles, develop cooperation in the context of the launched Action Plan. At the moment, 64 countries participate in the Initiative, while IAEA and EU are observers.

Significant attention was paid to assuring proper fulfillment by Ukraine of commitments under the **Convention on Prohibition of Chemical Weapons (CCW)**. The Ministry of Foreign Affairs is charged with the functions of the National Body of Ukraine on implementing CCW and its Secretariat. With the purpose of proper implementation by Ukraine of obligations under the Convention, the Presidential Decree of Ukraine approved the Program of the Convention Implementation for 1999 – 2008, which is now being implemented. During 2007, there were implemented necessary activities on adoption and follow up of four inspections of the Technical Secretariat of OCWP at the chemical industry enterprises of Ukraine.

The goal of these international inspections was to check implementation of our country's commitments under CCW by the chemical industry enterprises. The inspections results fully confirmed the compliance of the operation declared by the Ukrainian enterprises of the chemical industry with the Convention requirements. In 2007, the National Body of Ukraine on implementing CCW timely transferred annual national declarations of Ukraine on the modus operandi of chemical industry in 2006 and regarding the national program of protection from chemical weapons to the Technical Secretariat of OCWP.

As a result of tense negotiations, Ukrainian specialists managed to obtain support from the OCWP member-states for the development by the Technical Secretariat of a new methodology for selecting production objects of chemical industry for inspection, and distribution of these inspections between the CCW participant-countries. This methodology would give, in particular, the possibility to reduce the inspection burden on chemical industry objects in our country.

In this same direction, on 19 – 20 March 2007, Kyiv hosted an International Workshop on Cooperation and Coordination of Interaction between Local Rescue Services and International Organizations during Liquidation of Emergency Situations Related to Possible Use of Chemical Weapons, which was the third international event within the cooperation with OCWP after multinational exercises “Joint Assistance – 2005” (Lviv oblast, October 2005), the IX Annual International Workshop on Providing Assistance and Protection (Kyiv, October 2006). This workshop was devoted to the celebration at national level of the 10th anniversary of the Convention

on the Prohibition of Chemical Weapons coming into effect (29 April 2007). The main purpose of the seminar was to increase the theoretical preparation and development of practical skills of the Ukrainian specialists reacting to the situation that might occur as a result of usage of chemical weapons or accidents at enterprises producing toxic chemicals.

In an effort to fulfill international commitments of Ukraine according to **the Convention on Bacteriological (Biological) and Toxic Weapons Prohibition (CBTW)**, an annual declaration of Ukraine regarding the implementation of activities on strengthening trust in this area was prepared on time and forwarded to the UN Secretariat. During the activities within the implementation of CBTW, the representatives of Ukraine made concrete proposals, in particular regarding development of codes on bioethics and their strict adherence by the scientists, creation of the National Committees on Bioethics. The Ukrainian side also made proposals on founding the Regional Center on Control over Infection Diseases in Ukraine, which is currently studied by the states-CBTP co-signers.

In 2007, the work became more intense within the frame of **bilateral cooperation with USA in the area of biological threat reduction** on the basis of the Agreement on Cooperation in Prevention of Proliferation of Technologies, Pathogens and Knowledge that Might be Used in Developing Biological Weapons concluded on 29 August 2005 between the Ministry of Healthcare of Ukraine and the US Ministry of Defense. During negotiations with the American side, they focused on the necessity to accelerate implementation of specific projects, first of all those related to improvement of the system of physical and biological protection of relevant Ukrainian epidemiological institutions. As a result of active position and assertive efforts of the Ministry of Health Care and the Ministry of Foreign Affairs of Ukraine, at the end of 2008 the Central Epidemiological Station launched two new laboratories – on especially dangerous infections, and on virus infections and AIDS equipped with the state-of-the-art equipment provided by the American side. The Ministry of Health Care of Ukraine spent 3,885,000 UAH (about 785,000 USD) for this, and the American side – 840,000 USD (about 4,207,000 UAH). At the moment, these ministries together with the American side develop systems of improvement of physical protection and security of the Crimean Antiplague Station and Khmelnytskiy Oblast Sanitarian-Epidemiological Station.

Ukraine in the international export control regime

During 2007, a lot of attention was paid to proper handling of the foreign policy factor in the operation of the national system of **export control**. As participant of all current international regimes of export control, Ukraine made every effort to ensure strict adherence to obligations under all regimes while fully respecting interests of Ukrainian producers.

Thus, within the framework of Ukraine's participation in **the Regime of Control over Missile Technologies**, Ukrainian experts stood for the interests of our state when discussing the criteria of control over the international transfer of relevant products, reinforcement of control over the missile technologies proliferation, strengthening the national system of export control, improvement of current mechanisms with the purpose of timely reaction to technological development, and new challenges in the area of security.

During 2007, activity of **the Nuclear Suppliers Group (NSG)** the goal of which is ensuring control over export/import of nuclear materials, equipment, and technologies, was focused on the American-Indian inter-government Agreement on Cooperation in the Area of Peaceful Use of Nuclear Power and its importance for the international system of nuclear non-proliferation.

Ukraine recognizes the right of all states for the development of peaceful nuclear power and supports the expansion of international multilateral and bilateral cooperation in this sphere. At the same time, Ukraine sees great importance in the conclusion of the Agreement on Guarantees between India and IAEA, and, as a country participating in the NSC will act in compliance with its Guiding Principles.

According to its commitments within the **Zangger Committee** created by the group of states with the purpose of harmonization of technical interpretation of their commitments, determined in clause 2 of the Article III of the Agreement on Nuclear Weapons Non-Proliferation (ANWN), Ukraine regularly disclosed information on transfers of inputs or special fissionable materials, and nuclear equipment indicated in the Control List of the Zangger Committee, to the countries that do not have nuclear weapons and are not participants of the ANWN.

Within the framework of participation in the international regime of control over the export of conventional armaments and dual use goods, the so-called **Wassenaar Arrangement (WA)**, during review of its activity called "Assessment 2007", the Ukrainian side prepared and disseminated documents: "Information on Mechanisms of Implementing Control in Ukraine over International Air Shipment of Goods of Military Purposes and Dual Use" and "Information on

Mechanisms of Implementation of Control over the Intermediate (Broker) Activity related to Trading in Arms and Military Machinery”.

During 2007, the WA member-states adopted a number of important documents, including amendments to the Elements of Export Control over Handheld Antiaircraft-Missile Complexes of 2003 that have to strengthen the control over the export and storage of HAMC; amendments to the Control List of infra-red sensors and other goods and technologies of dual use that might be used in creating conventional arms; and the Memorandum on Mutual Understanding Regarding Control over the Final Use of Goods of Dual-Use etc.

A decision was made to publicize (the AW operates in private regime, its decisions and documents, as a rule, are disclosed to the governments of the countries-members only) the document “the Best Practice of Preventing Destabilizing Transfer of Light Arms and Shooting Arms by Air Transport”, which included remarks of Ukraine. The current practice of states-participants of the Regime regarding publication of annual reports on export of conventional arms also was commendable. By the way, in 2007 Ukraine also began publicizing this information, in particular, through the journal *Visnyk Eksportnoho Kontrolyu* (“Export Control Herald”).

In April 2005, Ukraine joined **the Australian Group (AG)** – an international regime of export control that provides control over export of materials, equipment and technologies of dual use that can be used for manufacture of chemical and biological weapons. In 2007, Ukrainian specialists for the first time participated in work of various bodies of this organization, and focused their efforts, in the first place, on protecting national interests in the area of export control, development of bilateral contacts with the representatives of other states-participants of the AG. The exchange of experience between the participants on issues of operation of national systems of export control, state licensing of transfer of “sensitive goods”, implementation of conventions on prohibition of chemical, and biological and toxic weapons etc was productive and mutually beneficial. The information received by our specialists is used for strengthening the national regime of export control and its adaptation to the AG and the European Union requirements.

This work has already produced certain results – the review document on the progress made by state-participants in the implementation of changes made to the control lists of this body during the period after June 2002, disseminated during the AG Plenary Session, Ukraine was included in the list of states (along with Japan and Korea) that completely applied the mentioned changes to the national regime of export control.

In addition, during the year significant efforts were used to bring the national normative-legal base in the area of export control in compliance with the European standards through intensifying the dialogue with the EU on developing a joint policy in the sector of export control. On 18 – 21 September, 28 – 29 November and 18 – 19 December 2007, in Odessa and Kyiv, within the Pilot Project Ukraine-EU, there were held three international seminars within the WA on the topic “Expansion of EU Cooperation with Third Countries on Export Control over Goods of Dual Use”. Based on results of their work, there was prepared in the Ukrainian language “The List of Goods of Dual Use that Can Be Used in Making Nuclear, Missile, Chemical, Bacteriological (Biological) and Toxic Weapons, as well as Conventional Types of Arms, Military or Special Machinery Made on the Basis of Lists of Goods and Technologies of Dual Use of the European Union according to the Annex 1 to the EU Regulations No. 1334/2000”, developed with support of EU.

In 2007, Ukraine took revised approaches to its participation in the work of Geneva **Disarmament Conference (DC)**. Among the international organizations, the DC is the only multilateral body that conducts focused negotiations on issues of disarmament and armament control. The Ukrainian delegation took an active part in the DC meetings, stressing on the necessity to renew the substantive work of the Conference. At the end of 2007, the President of Ukraine made a decision to set up Ukrainian representation at the DC, and appointed a Permanent Representative of Ukraine in this organization.

Serious work started as a follow-up of the meeting of the 61st UN GA Session, where on 6 December 2006, along with other 152 states, Ukraine supported the UN General Assembly Resolution 61/89 “On the Way to the Agreement on Trade of Weapons: Foundation of Joint International Standards on Import, Export and Transfer of Conventional Weapons”, having engaged in this way in the development of the Agreement on Trade of Conventional Weapons.

During 2007, according to clause 1 of this Resolution, in response to requests of the UN General Secretary and countries co-authors of this document, the countries-UN members provided their feedback on the feasibility of such agreement, spheres of its use, and parameters. At the moment, about 100 states have already expressed their visions on the Agreement.

An international group of state experts was set up, which during 2008 would develop the whole range of issues related to the Agreement on Trade of Conventional Weapons. Its final goal has to be the creation of joint international legally binding, comprehensive and transparent norms in the area of import, export, and transfer of conventional weapons. The group also includes a

representative of the Ministry of Foreign Affairs of Ukraine. It is clear that our main task during this work is to ensure maximum accommodation of the national interests of Ukraine in the future Agreement on Trade of Conventional Weapons.

During 2007, four inspections with the participation of inspectors from France, Belgium, USA, and FRG were conducted in the territory of Ukraine according to the corresponding regulations of the Vienna Document-99. Ukrainian inspectors also conducted four inspections: in Romania, Bulgaria, Poland, and FRG.

Ukraine's contribution to disarmament and strengthening of the arms control regime

One of the most notable events of 2007 in this area was the participation of Ukraine in the **OSCE Forum on Cooperation in Security (FCS)**. In 2007, the work of this international institution became more active. FCS made greater efforts to find ways and take specific measures to solve issues of utilization (destruction) of stock of excessive ammunition and explosives in the states-members of OSCE, to improve the procedures of inspection activity according to the Vienna Document of 1999 etc. FCS made a decision to raise awareness of the public regarding the regulations of the Code of Conduct in the Military and Political Aspects and bringing the exchangeable information of OSCE on transfers of conventional weapons, in compliance with the requirements of the updated UN Register of conventional weapons. In their work within FCS, the Ukrainian delegation was guided, in the first place, by the course for Ukraine's integration in European and European Atlantic structures proclaimed by the leaders of our state.

For more than five years, the Ministry of Foreign Affairs and the Ministry of Defense of Ukraine have been making significant efforts to obtain international finance and technical assistance for Ukraine in the **utilization of unusable weapons and excessive ammunition** that represent the economic, ecological and security threat for the population of our state. There are both unarguable achievements, and certain problems in this direction.

The list of quite successful projects includes the completion of the joint OSCE project on *liquidation of aftermath of explosions at ammunition depots of the 275th artillery base in the village of Novobohdanivka* (the project budget was 240,000 Euros), and launching a new project under the aegis of the EU on providing advisory assistance in conduct of relevant work according to the

international standards in the sector of mine clearing and assessment of risks in conducting similar works (total project cost 80,000 Euros).

On 3 October 2007, in Vienna during a Plenary Session of the OSCE Forum on Cooperation in Security (FCS), a presentation was made on the progress of implementation of the project on liquidation of emergency situation in Novobohdanivka. During this presentation, Ukrainian representatives proposed to continue cooperation with OSCE in the area of mine clearing of the territories in Sevastopol, Kerch, waters of the Black and Azov Seas, and areas near village of Fursy of Bila Tserkva rayon of Kyiv oblast. On 17 October 2007, during a regular FCS meeting, the Ukrainian delegation submitted an official proposal to the OSCE to continue cooperation in this area.

Implementation of works with the US assistance on *utilization of solid propellant and engines frames of inter-continental ballistic missiles RS-22* goes rather successfully. In 2007, after insistent work of the Ukrainian side, the American side conducted additional internal analysis that has to become the basis for assisting Ukraine in liquidation of located on its territory missiles RS-22 and solid propellant (SP) and frames of solid propellant missile engines (SPE) within the framework of the Program of Joint Threat Reduction (JTR).

According to the statement of representatives of the Apparatus of the US Defense Minister, the United States of America are strong advocates that this task was implemented in an environmentally responsible, and technically and financially sound manner, which fully meets the interests of US and Ukraine, as well as the requirements of the JTR Program. The US Defense Ministry is prepared to assist Ukraine in liquidation of empty frames of SPE in compliance with the procedures of the Agreement on Strategic Offensive Weapons Reduction. Active work is underway in this direction.

Implementation of some other projects appeared to be more complicated. In compliance with the requirements of “the Convention on Prohibition of Usage, Reserves Accumulation, Production and Transfer of Antipersonnel Mines and Their Destruction” (Ottawa Convention), by 1 June 2010 Ukraine has to get rid of almost 6 million *antipersonnel PFM mines* deposited in the Armed Forces of Ukraine. Unfortunately, they failed to use the opportunity to involve the EU assistance in eliminating these mines. The reason for this was lack of coordination of some Ukrainian central agencies and government bodies and local authorities, and the lack of understanding from the side of EU of the situation existing in Ukraine at that time. At the moment, in order to speed up the

process, the Ministry of Foreign Affairs of Ukraine takes all the necessary measures to involve foreign assistance in purchasing necessary equipment for Ukrainian enterprises that destroy antipersonnel mines prohibited by the Ottawa Convention.

During 2007, Ukraine implemented the NATO Project “Partnership for Peace” (PFP) on *utilization of light armaments, shooting weapons and handheld antiaircraft missile complexes* (LASW and HAMC). According to the first stage, Ukraine has to eliminate 15,000 tons of ammunition, 400,000 units of LASW, and 1,000 units of HAMC.

On this stage, and according to the Implementation Agreement between the Ministry of Defense and NATO Agency on Material and Technical Provision and Service closed on 23 January 2006, about 8 million Euros were allocated. On 20 September 2006, 1,000 units of HAMC were destroyed on the basis of the State Research Institute of Chemical Products (Shostka), and on 16 January 2007, the official launch of LASW utilization took place on the basis of military unit A4182 (Kamyanyets-Podilskiy). However, the start of work on eliminating excessive and useless ammunition is delayed, which threatens with the extension of the time period set for their implementation.

One of the urgent tasks faced by Ukraine is the need to **utilize the liquid rocket propellant “melange”**. After the collapse of the Soviet Union, Ukraine received about 16,800 tons of this component of liquid rocket propellant that needs to be utilized urgently because of unsuitable conditions of its storage. Some tanks (containers) with this rocket propellant were manufactured in early 60s of the XX century, and their exploitation period ended a long time ago.

Ukraine requested OSCE assistance in this area. However, by the end of 2007, the Government failed to agree upon the text of the Memorandum on Mutual Understanding between the Cabinet of Ministers of Ukraine and OSCE on the project OSCE – Ukraine regarding utilization of melange deposits. The actual elimination of melange cannot start until this Memorandum is signed. The new government led by Yulia Tymoshenko gave a new push to this work in early January 2008. So, hopefully, this Memorandum will be signed in the near future, followed by announcement of the international tender to select enterprise-contractor, preparation of the project budget, finding donors and making contracts between OSCE (Office of OSCE Project Coordinator in Ukraine) and contractor for implementing works on utilizing “melange” in Ukraine.

Within the framework of Ukraine’s implementation of **the Open Sky Treaty** (OST), the Ministry of Foreign Affairs and the Defense Ministry of Ukraine focused their efforts on preparing

an enabling legislation framework for further implementation of the Agreement and addressing issues of its implementation. During 2007, the Ukrainian side conducted 13 observation flights: one over the territory of Germany and by two – over the territories of Bulgaria, Poland, Romania, Slovakia, Turkey, and Hungary, and received 13 inspection flights with the participation of inspectors from the USA and Canada, Spain and the Czech Republic, Turkey and Italy, Sweden and Latvia, FRG and France, Great Britain and Hungary, Poland, Romania, Slovakia, and Bulgaria. All our observation flights were conducted on Ukrainian specially equipped aircrafts An-30 of a separate air squadron “Blakytna Stezha” (“Blue Path”). These aircrafts were also used by Bulgarian, Romanian, and Turkish foreign missions of observation both over the territory of Ukraine, and territories of other countries. Ukraine started the construction of two more advanced aircrafts An-74 specially equipped in compliance with the requirements of the second stage of the OSA implementation.

Despite notable successes and complicated but promising changes, there are also concerns about the serious challenges to the national security that emerged in 2007. As we know, for almost whole year, the Russian Federation was threatening to withdraw from **The Treaty on Conventional Armed Forces in Europe** (CFE), and it realized its intention on 12 December 2007.

Notwithstanding all attempts to address this problem, the positions of participating states did not change significantly. Contradictions on this issue persisted between Russia, which was fully supported by Belarus and partly by Armenia and Kazakhstan, on the one hand, and the rest of states – parties to CFE (in total, the CFE parties include 30 states, 23 of them are NATO members) – on the other hand.

In the opinion of RF, the current CFE lost its viability, as it was concluded during the times of confrontation between the Warsaw Pact (WP) and NATO. This Treaty determined limitations and balance of weapons of the two groups of states, one of them (WP) is no longer existing, and the other (NATO) has significantly expanded in terms of membership and geographical coverage.

It is to resolve these problems; the Agreement on Adaptation of the CFE (AA CFE) was developed and signed in 1999, which provides for the transfer from alliance-based principle of CFE operation to certain limitations for each party of the Agreement. At the same time, the countries-OSCE members adopt a range of documents which include a number of obligations, including obligations of Russia to withdraw its troops from Moldova and Georgia, and hand over its military bases in Georgia to the Georgian government.

Practically immediately after signing of the AA CFE, Russia, Belarus, Kazakhstan, and Ukraine ratified this Agreement. Russia, Belarus, and Kazakhstan transferred the ratifying documents to the depositary – the government of the Netherlands. The position of NATO member-countries, parties to CFE, which is also shared by Ukraine, Moldova, and Georgia is that AA CFE cannot come into effect until Russia has fully met all Istanbul Commitments. Before that CFE remains to be an important factor of European security and has to be implemented by all participating states.

In Russia's opinion, nothing prevents to start the process of ratification of AA CFE and make it effective, as it thinks it has fulfilled the Istanbul commitments, despite the presence of Russian military personnel in Moldova and the delay of transfer of a Russian base located in Georgia into the jurisdiction of the Georgian side. It is completely understandable that other states-CFE members are not happy about that.

Ukraine believes that the implementation of the Agreement is an important factor of strengthening trust and security in the European continent. It enabled to overcome the negative aftermath of military confrontation that existed during the "cold war". Therefore Ukraine stands for keeping the CFE in the wide sense of this system for ensuring stability and security in Europe. Meanwhile, the Ukrainian side is aware that CFE of 1990 does not correspond to the current situation in Europe, therefore the Ukraine's support of fundamental provisions of CFE does not preclude from further discussion of outstanding issues by the participants of Agreement.

Therefore, Ukraine has already recognized the need to improve the CFE regime by having ratified the Agreement on Adaptation of CFE on 20 September 2000. Meanwhile, having not sent its document on ratification of the Agreement on Adaptation of CFE to the depositary, Ukraine clearly demonstrated its position that this Agreement has to come into effective only after the problems around the CFE are regulated in the mutually acceptably manner. Ukrainian side believes, that despite Russia's withdrawal from the CFE, it is necessary to continue finding ways to address the outstanding problems in order to preserve this regime, including through the conduct of subject-related consultations with the countries participating in the Agreement, and takes an active part in this process.

The Ukrainian side's special efforts in maintaining the CFE regime in 2007 focused on the implementation of obligations by Ukraine under this Agreement and finding ways for regulating problems that occurred in the result of the decision of the Russian Federation to suspend its

participation in the Agreement. It is anticipated that active discussion of this problem will continue in 2008 on various levels and at different international forums. However, nobody can be sure now that the solution acceptable for all CFE sides will be found.

Another negative factor in the development of the situation in the area of armament control and maintaining international security in 2007, despite smaller impact on our country, was the **problem of location of elements of American anti-missile defense on the territory of Poland and the Czech Republic**. As you know, the US AMD system provides for deployment of radio-location stations in the Czech Republic and ten missile interceptors in Poland in 2010 – 2011. The American side explains its plans to locate AMD components in Eastern Europe with the fact that it would enable USA and European countries to ensure the possibility to effectively fend off possible missile attack of Iran or terrorist non-government groups located in the Middle East. It is stated that the ballistic missiles potentially can be effective carriers of nuclear, biological and chemical weapons.

The commencement of negotiations on locating American AMD system in the Czech Republic and Poland was received extremely negatively by the Russian side. However, even some specialists from the RF think that location of radio-location stations in the Czech Republic and deployment of ten antimissiles in Poland would not pose any threat to the Russian strategic containment potential. In order to damage this potential, hundreds and thousands of antimissiles are needed.

In terms of general politics, the Ukrainian side assessed the US intention as a possible additional element to fight terrorism. In the principle sense, in the opinion of the Ukrainian side, discussion of location of elements of the American antimissile defense system in the territory of Czech Republic and Poland should pursue from respect to the will of the countries directly concerned with these activities. The position of Ukraine is that such activities should become a real contribution to stronger protection from potential threats to the peace, promoting reduction of danger of using missile-nuclear weapons for any purposes, and increasing the military-political security in general. The mentioned plans meanwhile cause serious concerns in Ukraine because of potential negative impact for political and military political interests of our country resulting from undesired strain of relations between USA and Russia - both strategic partners of Ukraine.

Participation of Ukraine in international military cooperation

During 2007, Ukraine paid a lot of attention to the international cooperation, especially in the **Black Sea Navy area**. This is proved by the successful implementation of the initiated by Ukraine in 1993 **Agreement on Activities on Strengthening Trust and Security Black Sea Navy area** (AASTS on the Black Sea) that came into effect in 2002. In addition to Ukraine, its participants include Bulgaria, Georgia, RF, Romania, and Turkey. This Document determines certain modalities and activities on cooperation in the navy area: exchange of navy information; invitation to the navy bases and annual navy exercises; and consultations. According to the rotation principle, in 2008, Ukraine becomes a chair in this group of states of the Black Sea region that are parties of the AASTS on the Black Sea.

The Ministry of Defense and the Navy Forces of Ukraine in particular, with the diplomatic support of the Ministry of Foreign Affairs ensured the participation of our country in the operation of the **Black Sea Group of Navy Cooperation** (BLACKSEAFOR). The countries participating in this structure focused on finding ways for adaptation of BLACKSEAFOR to new tasks, in the first place – ensuring fight with the contraband sea shipment, potential proliferation of mass destruction weapons and relevant means and materials on the Black Sea.

In addition, in March 2004, for the purpose of monitoring the above-water situation, collecting information on suspicious ships, their freights and routes, Turkey launched the operation “**Black Sea Harmony**”. Other countries of the Black Sea region were invited to participate in it. Conducting the operation in the close cooperation with the navy formation BLACKSEAFOR is aimed to developing cooperation in the area of security on the Black Sea.

On 17 January 2007, in Ankara, the defense agencies of Turkey and Ukraine signed “the Protocol between the Defense Ministry of Ukraine and the General Headquarters of the Armed Forces of the Republic of Turkey on Cooperation and on Information Exchange within the Framework of the Black Sea Harmony Operation” that came into effect on 25 April 2007. At this time, the parties are defining specific modalities for participation of Ukrainian Navy Forces in this operation.

The regional group that works within the framework of the **Black Sea Initiative on Borders Security** proposed by Romania takes its due place among the activities within the international cooperation on the Black Sea. Its goal is to neutralize the threat of proliferation of weapons of mass destruction and terrorist attacks through enforcing control on the sea borders of the states-

participants over the freight transportation, approval of procedures for such control, foundation of mechanisms of information and experience exchange.

Ukraine recognizes importance of the activity within the implementation of the Vienna Document-99 (VD-99) through the development and implementation of additional **bilateral activities of regional cooperation in the area of strengthening trust and security in frontier zones**. To this end, separate agreements were developed on the basis of VD-99 and concluded by Ukraine with Hungary, Slovakia, Belarus, and Poland. The purpose of such agreements is, in particular, to limit the scale of military activity in the regions adjacent to the borders of neighboring countries; ensure broader exchange of information regarding this activity, making contacts at the level of military subdivisions located near the borders etc. The active implementation of these agreements lasted throughout 2007.

Unfortunately, the Russian side does not consider it reasonable to conclude an agreement on additional AASTS with Ukraine. Ukraine is not able to prepare such agreement with Moldova through the unregulated Transdnistriean problem, which blocks the development of regional AASTS with these countries at this stage.

Ukraine is also actively developing **international multilateral and bilateral military cooperation**. Thus, during 2007, Ukraine concluded or coordinated more than 12 agreements, memorandums on mutual understanding, or other types of agreements with defense ministries of USA, France, Great Britain, Turkey, Italy, Belarus, Russia, Moldova and other countries on various issues of military cooperation. These issues included: exchange of experience in specific military applied disciplines, including defense planning; reformation of armed forces; topography, cartography, geoinformation systems, remote ground exploration and exchange of geographic information; medical assistance to military people; security of flights of state airplanes; pensions to people dismissed from the military service and their family members, etc.

In 2007, Ukraine hosted in its territory the bilateral Ukrainian-Russian exercises of regular forces on air-raid defense of Air Forces of the Armed forces of Ukraine and Air Forces of the Russian Federation, Ukrainian-Belgium tactical exercises, multinational military exercises “Combined Effort – 2007”, “Rapid Trident – 2007” and “Sea Breeze – 2007”. On 21 – 23 October 2007, in Kyiv for the first time within the framework of Ukraine’s participation in military political activity of Southeastern European countries, there was held a regular meeting of the Council of Defense Ministers of Southeastern European countries. During this meeting, Ukraine proved its

intention to join the Agreement on Multinational Peacekeeping Forces of Southeastern European countries.

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Thus, in 2007, various activities took place in the area of non-proliferation, control over armament and disarmament. From one side, positive changes took place in the form of some revival of international cooperation, primarily, in the area of resistance to contemporary challenges and threats of possible proliferation of weapons of mass destruction, means of their delivery, especially related to threats of real acts of international terrorism. The number of international, global initiatives in this area proves that importance of this problem is recognized by the international community.

Along with that, the past year was marked with quite threatening for the Euro-Atlantic space development of the situation in security, armament control and strategic stability. In the first place it goes about the Russia's suspension of the AA CFE implementation and real threat of full destruction of control over conventional forces in Europe as a result of such regime. It is understandable that further aggravation of relations of Russia with USA and NATO, including different approaches to the role and importance of AA CFE regime, would have negative impact for Ukraine and for the security system and stability on the European continent in general.

In addition, our state is concerned with the threat to the Agreement on Small-Range and Medium-Range Missiles, and Russia's denunciation of the Agreement with Ukraine on Means of Warning System on Missile Attack and Space Control. All this takes place in the background of several statements of the Russian leaders on possibility, for certain reasons, of preventive use of nuclear weapons by Russia. Thus, during the last years for the first time there emerged a threat of significant worsening of international situation in the vast space from the North America and Europe to North Asia. Aggravation of political-military and military-political problems practically has always had negative impact on other spheres of international life.

Our state has repeatedly confirmed its readiness to keep its promises and implement its international commitments in the security area. In this context, Ukraine aims its activity on implementation of the state policy in non-proliferation, control over armament and disarmament, implementation of activities of strengthening trust and security, export control and international military and military technical cooperation with foreign countries in compliance with international agreements.

Being concerned about international stability and security, Ukraine is primarily governed by its own national interests.

§4. PLACE AND ROLE OF UKRAINE IN REGIONAL AND GLOBAL SECURITY SYSTEMS AND INTERNATIONAL ORGANIZATIONS

After the end of the cold war which indeed had guaranteed certain balance of forces and interests, we faced drastic deepening of instability and uncertainty of the world order. The seemingly established influential schemes of bilateral mutual dependence and long-lasting unions of states are collapsing in front of our eyes; the system of sovereign protection from the external intervention receives ruining blows, while the gap of possibilities between “masters” of the international well-being and others – not so powerful subjects of international right is growing wider.

World harmony cannot be achieved by methods of force, and new conflicts and human victims are only contributing to greater chaos. Newly formed force centers are striving to get to the world pedestal, while most of the population of the Earth is concerned about getting their daily bread.

In order to justify their behaviors that are far from being democratic, and find excuse for their violation of fundamentals of the international law, the high and mighty of this world make new theories about building a democratic world, the cooperative security, and humanitarian interference etc³³. But oftentimes they disrespect the sovereignty of “disobedient” countries without any theoretical rationale. At the same time, irrespective of the deep changes in the whole system of international existence, the main elements of international relations today are still represented by the sovereign states that are trying to enforce legislative, judicial and executive power in their territories to the fullest possible extent.

Given the growing tension between new centers of power, Ukraine finds it more and more difficult to overcome obstacles on the way to implementation of its own foreign policy aspirations, ensure its national interests, and adjust to renewed system of international relations. This process is complicated by the fact that the closest European neighbors left us far behind and look down at Ukraine from the Euro-integration and Euro-Atlantic floors of the modern European home.

³³ <http://www.5ka.ru/53/12039//>; <http://www.auditorium.ru/books/>.

Despite external and internal difficulties, foreign policy imperatives of our state did not undergo significant changes: they still rely on generally recognized norms and principles of international law, where the most important principles are: recognition of general human values, and active international cooperation. They imply sovereign equity and reciprocal respect to the sovereignty, territorial integrity and inviolability of borders; noninterference into internal affairs; compliance and implementation of international agreements and obligations; regulation of international disputes and conflicts exclusively by peaceful political tools. To use all mentioned foreign political imperatives efficiently, Ukraine requires a stable configuration of political forces around the national security interests of the state. However, for several years in a row, Ukrainian society finds itself in the permanent situation of political instability.

What did the Ukrainian state manage to achieve during this short period of time? How does it use the regional and global security mechanism? What are the external threats outlined to Ukraine? Without going into details listing new and old problems, we remind you that in the past year Ukraine made no landmark, significant steps in the foreign policy area, besides gradual movement towards WTO membership. The problem of this phenomenon is, as we see, not only in the policy of our strategic partners with regard to Ukraine, who preferred temporary pragmatic approach to the strategic expectations (clearly, due to their deep dependence on Russian energy carriers). Important issues regarding implementation of Ukrainian initiatives in the international arena probably were hampered by the position of some national rulers, who until now did not determine the strategy and tactics of foreign political existence of the state. The problems are disguised in the lack of theoretical rationale of the Ukrainian choice, in other words in the lack of foreign economic concept of the state development. To a certain extent, this gap is partly compensated by the provisions of some state documents, such as, for instance, articles of the Law of Ukraine “On Fundamentals of the National Security of Ukraine”³⁴.

The European choice of Ukraine declared in due time³⁵, which is now facing a number of internal and external confrontation obstacles, requires adoption of the relevant concept and the law which need to be implemented. Lack of foreign political concept both hinders the activity of the state aimed at protection of the national interests, and hampers development of the strategy, and identification of the clear criteria for place and role of Ukraine in the dynamic paradigm of

³⁴ Law of Ukraine “On Fundamentals of the National Security of Ukraine”// <http://www.mfa.gov.ua/mfa/ua/publication/content/7932.htm>.

³⁵ In Ukraine’s National Security and Defense Council // Strategic Panorama. – 2005. – № 2. – p.3.

international relations. Lack of a weighted foreign policy strategy had negative far-going impact: it turns the country into a permanent recipient of foreign ideas and concepts that are implemented in Ukraine from time to time, and neglecting the national interests of the state. Finally, the availability of the strategy is viewed as a means to stop the speculations around European or Euro-Asian vectors of foreign policy of Ukraine.

Practice of international existence dictates that the strategy of equal remoteness – equal rapprochement to the main centers of force must be given up for the sake of clearly Euro-Atlantic direction (we had been in a different dimension while in the Soviet framework). In such conditions we would build the system of security mechanisms not at the expense of other states, but together with other states – and in this way would create security for all. With aggravation of threats (territorial, economic, energy and many others) it is necessary to develop protection mechanisms of the global, regional and subregional level, and change the foreign political concept consequently. The conclusion is that *in conditions of contemporary threats Ukraine cannot remain non-aligned or neutral*. It goes about the threats of territorial infringements, challenges to unitariness, the state integrity, destruction of human values (through drug and alcohol-addiction, suicides, dissemination of dangerous diseases, corruption, illegal trade of arms); increase of uncontrolled migration, crime, unsatisfied ecological situation etc. You cannot be neutral to energy and economy threats either, or to information influence, or destruction of national priorities. How to protect our state from foreign threats?

Earlier, Ukraine received nuclear guarantees of security from the leading nuclear countries, and in relation to this we could recall rather complicated path of Ukraine moving towards nuclear-free *status*. However, the mechanism of involvement of statements by the nuclear states in case of aggression against Ukraine from a third country, as well as in the event of clash of nuclear states – guarantors has not been developed as yet. To a certain extent, this situation enables the Russian Federation from time to time to threaten Ukraine and infringe on its territorial integrity. The only serious guarantor of security of the Ukrainian state could be a multilateral agreement between all nuclear states and Ukraine that would undertake under all circumstances to refrain from using force against Ukraine, and in the event of danger – to protect it.

Thus, the mentioned provisions on guarantees of security of the Ukrainian state require further development and approval at the highest level, because, as was demonstrated by practice,

these guarantees are deficient with lack of clarity regarding the level of escalation of the conflict, after which level the state that provided these guarantees could interfere in the conflict.

Ukraine in global and European security structures

In the situation of security vacuum, Ukraine has to rely on tested security mechanisms provided in the interaction schemes with the UN, OSCE, CE, EU, and NATO. In this respect, Ukraine expressed its concerns about the Law “On Russia Federation’s Suspension of the CFE” adopted by the Russian Parliament, as well as suspension of this Agreement by the President of Russian Federation on 13 July 2007³⁶. This decision came into practical effect starting 12 December 2007, which reflected in the intensified Russian military presence in the sea waters and air (the so-called demonstration of power).

Ukraine as one of the four states that ratified the Agreement on Adaptation of CFE, considers this step as a threat to further existence of one of central legal mechanisms of European security, and such that could serve an impulse to renewal of the distrustful atmosphere in the continent. Kyiv is also concerned about the fact that suspension of the agreement and Russia’s withdrawal could result in increased number of conventional armed forces right on the borders of our country.

Given the lack of another and more effective mechanism of protection our country is aware of importance of strengthening *the UN* as the center of multilateral efforts in coping with complicated and complex challenges of the new millennium. Ukraine follows the need to ensure implementation of the UN Millennium Declaration (2000), and the issue of Security Council reformation. Ukraine stands for expansion of membership in the UN Security Council, promoting increase in the number of both permanent and temporary members. A key precondition for our country’s support of any option of the Security Council reform would be the relevant level of presence of countries from the East European regional group in it. The position of Ukraine is also based on the understanding of

³⁶ The mentioned Agreement on Conventional Armed Forces in Europe signed shortly before the break-up of the USSR, came into effect on 9 November 1992; it provided for the balance of forces of participants of the then Warsaw Treaty and NATO, and limited possibilities of location of conventional armaments along the touch line. In order to ensure normal operation of the Agreement on 19 November 1999 in Istanbul there was signed the Agreement on Adaptation of the Agreement on Conventional Armed Forces in Europe. However, the adapted Agreement did not come into force as it was not ratified by all countries that signed it (it was signed only by Ukraine, Belarus, Kazakhstan, and Russia). Other countries did not begin the ratification procedures, requiring that Russia should fulfill Istanbul obligations to reduce military presence in Georgia and Moldova.

the fact that the veto institute does not correspond to the contemporary international realities and requires reforms.

Ukraine's activity in *OSCE* is called to ensure equal participation in resolution of international security problems and cooperation in the area of organizations' responsibility, as well as implementation of national interests of the country: ensure territorial integrity and inviolability of borders, stability of international situation, development of both democratic, constitutional state, development of the market-driven national economy. Important directions of the OSCE operation include:

1/ regulation of the conflict in Transdnistria. Ukraine continued active interaction with co-sponsors of the regulation with the purpose of renewing negotiations in the format «5+2» and further implementation of the Ukrainian Plan of Transdnistria Regulation developed on the basis of the initiative of the President of Ukraine Viktor Yushchenko "To Regulation through Democracy".

2/ Reformation of the organization with the purpose of increasing effectiveness of its operation. In this context, Ukraine stands for, in particular, balance of three dimensions of the OSCE operation, improvement of field operations and peacekeeping activity, strengthening of analytical potential of the Organization, ensuring adherence to the principle of geographic equity in manpower policy.

3/ Development of international dialogue on energy security.

4/ Involvement of international assistance and sharing experience with the purpose of accommodation of the Crimean Tatars, representatives of other deported ethnic groups; implementation of bilateral initiative on monitoring of secured rights of Ukrainian and Romanian ethnic minorities in Romania and Ukraine, respectively, which is conducted jointly by representatives of both countries with the participation of experts of the OSCE Supreme Commissar for Ethnic Minorities. Results of this work proved that the Ukrainian side fulfills its obligations regarding ensuring rights of ethnic Romanians in our state.

5/ Organization of monitoring of elections in Ukraine and in other OSCE participating countries.

6/ Ensuring freedom of speech.

7/ Fighting human trafficking, and *8/ intolerance* to other nationalities.

Ukraine continued interaction with organizations within the framework of OSCE institutes, in particular, with the Office for Democratic Institutions and Human Rights (ODIHR) in the humanitarian dimension. During 2007, Ukrainian side ensured active participation in OSCE seminars and meetings, including those on “human” dimension (Warsaw, 24 September – 5 October) activities on counteractions to anti-Semitism and other forms of intolerance (Bucharest, 7-8 June; Cordoba, 9-10 October).

In the near future, the OSCE Projects Coordinator in Ukraine is planning to implement a number of projects. They include: *democratization and effective governance* aimed at development of civil society; strengthening elections process in Ukraine (creation of electors register, development of the Elections Code of Ukraine); improvement of the legislative and institutional base for mass media operation; increasing awareness of gender issues; improvement of policy in the area of state information. The second important project entitled «*Rule of Law and Human Rights*» is aimed at fighting human trafficking and family violence; development of tolerance and fighting anti-Semitism; as well as improvement of the child adoption system; development of administrative right and judicial system; improvement of human rights protection and rule of law in legislative and juridical practice; introduction of the mechanism on implementing supervision over places of keeping arrested persons. Project “*Economics, environment and military sphere*” is aimed to assist the state authorities in improving conditions for business activity in regions of Ukraine, in obtaining direct foreign investments; providing assistance in liquidation of risks from dangerous for environment military and industrial legacy (cleaning territories of Novobohdanivka military base, utilization of liquid rocket propellant “melange”) and in social adaptation of former military people.

For the first time in the history of our country Kyiv hosted a session of the OSCE Parliamentary Assembly (5-9 July 2007), which fostered strengthening of the international authority of the state and clearly proved its commitment to principles of international existence. Work with experts of the OSCE Supreme Commissar for ethnic minorities (SCEM), who in May 2007 participated in conducting joint monitoring on ensuring rights of Ukrainians living in Romania, and Romanians living in Ukraine, was also in progress.

Ukraine develops cooperation within the framework of the OSCE in economic and ecological dimension. Ukrainian delegations took an active part in the 15th Economic Forum (Prague, 21-23 May 2007) dedicated to issues of impoverishment of soil and preservation of water resources, as

well as other activities organized at the initiative of Spanish chairmanship within the framework of the second dimension of the Organization's activity. Other specific OSCE projects in Ukraine included: retraining and employment of officers discharged due to reduction of personnel of the Armed Forces of Ukraine. Implementation of the Memorandum signed by OSCE and the Government of Ukraine in 1999, started only in 2007. For this purpose, the Resource and Career Center for Military People Transferred to the Reserve operates in Kyiv. For instance, this provided an additional opportunity for military people from Kyiv to study fundamentals of LAN administration on the basis of the National Aviation University³⁷. Similar courses were due to be launched also in Zhytomyr, Bila Tserkva, and Kherson. .

As a full member of the *Council of Europe*, Ukraine in fact fulfilled all the obligations taken regarding adaptation of the current legislation to norms and standards of the CE. However, the following issues remain outstanding: (1) the need to bring clauses of the local legislation on the operation of the Prosecutor's Office, procedure for adopting laws in compliance with the Council of Europe norms, bring the judicial system in compliance with the European norms according to the recommendations of the Venice Commission; (2) approve the new Criminal-Procedural Code. As of January 2008, Ukraine signed and ratified 62 legal instruments of the Council of Europe, including those within the framework of the European Court of Human Rights (ECHR) of the CE that as previously plays the key role in ensuring clear and efficient control over implementation of obligations taken on protecting human rights and main freedoms of people. ECHR is the only international court in the world, where a person can file a complaint about the state regarding violation of the person's rights.

Important legally binding documents, conventions and agreements of the Council of Europe include also the European Social Charter (revised), European Convention on Nationality, European Convention on the Exercise of Children's Rights, and Anti-Terrorism Convention. Ukraine cooperates with the CE within the Plan of Actions of the Council of Europe and the European Commission "Promotion of Democratic Processes in Ukraine and North Caucasus" on such issues as reformation of the effective, development and implementation of new legislation in compliance with the standards of the Council of Europe in the area of human rights and the rule of law. Among other projects with the participation of Ukraine: "Improvement of independent judicial system" (ensuring free mass media operation; democratic society development), "Support of Proper

³⁷ <http://ua.for-ua.com/ukraine/2007/10/01/143357.html>; Gazeta 2000. – 2007. – 30 March.

Governance: Anti-Corruption Project”, “Anti-Money Laundering and Combating Financing Terrorism MOLI-UA2”, “International Cooperation in Fighting Criminal Delinquency”. A total of 15 projects have been implemented under the Plan (for the amount of about 18.5 mln. Euros), 23% of them are financed by the CE, and the rest – by the European Commission. In 2007, the results of implementation of the Action Plan of Cooperation of the Council of Europe and Ukraine for 2005 – 2007 were summarized, and the new Plan was drafted for 2008-2011.

One of the high priority areas of Ukraine’s work with the CE in 2007 was the support of preparation to the parliamentary elections. The Venice Commission prepared conclusions on the draft laws on elections of people’s deputies of Ukraine and the state registration of electors. According to the monitoring report, the CE gave generally a positive assessment to the snap parliamentary elections held in Ukraine on 30 September 2007. At the same time, international observers expressed concerns about amendments to the law introduced shortly before the elections, as a result of which a very big number of traveling Ukrainian citizens were not able to exercise their constitutional right. Camouflaged political advertising and propaganda of representatives of the central and local authorities that did not run for the elections was also criticized³⁸. As one of the issues revealed during monitoring of the elections, some international observers from the EU and the OSCE were unsatisfied with the availability of the line “against all” included into Ukrainian ballots. During these elections, 2.73% of Ukrainian voters put a plus in the box “against all”, whereas during the elections in 2006 this option was chosen by only 1.77% of voters. Voters in Ukraine think that it is their right to come to the elections and vote against all to express distrust to the political forces striving to get to the parliament³⁹.

A few reports were issued upon results of work in the Council of Europe and Ukraine, including: on the progress of fulfillment by the country of obligations in securing human rights, and Ukraine Evaluation Report by the Council of Europe’s Group of States against Corruption (GRECO) that evaluates the situation with corruption and general anti-corruption policies. Published reports include also a Report of the European Committee against Tortures prepared based on results of the visit of the inspection group to Ukraine.

As part of *subregional structures*, it is worth noting Ukraine’s activity in *the Central European Initiative* that takes place at three levels: heads of member-countries, ministries of

³⁸ <http://oglyadach.com/news/2007/10/1/172573.htm>; <http://www.korespondent.net/main/84901>;
http://www.mid.ru/brp_4.nsf/0/

³⁹ Narodniy Ohlyadach. – 2007. – 18 October; www.bbc.com/2007/21/10.

foreign affairs, as well as national coordinators. In order to implement its projects, CEI relies on the support of the parliament members and business circles of its member-countries through such structures as the CEI Parliament Dimension and Central European Chamber of Commerce Initiative (CECCI). Ukrainian specialists participate in the activity of the CEI Working Groups, in particular, in trans-border cooperation, transport, and energy. Important decisions on the new tasks set before the organization in relation to the EU expansion were approved by the heads of the governments of the CEI member-states on 26-27 November 2007 (Sofia, Bulgaria). Within the framework of format “Ukraine+V-4” (Ukraine-*Visegrad group*), military political cooperation is developing most actively. It goes about the agreements on formation of a joint military unit of V-4 countries under the general command of the EU.

Ukraine in the Black Sea Organizations and Subregional Initiatives on Security Issues

Participants of *the Organization for Democracy and Economic Development – GUAM* see their primary task in creating a Euro-Asian Transcaucasia transport corridor. The Council of GUAM is responsible for decision-making, which takes place at several levels: heads of the states, ministries of foreign affairs, national coordinators, and permanent representatives. An auxiliary structure of the Council is the GUAM Secretariat located on Kyiv and accredited in the Ministry of Foreign Affairs of Ukraine on 21 May 2007.

The GUAM activity covers practically all directions of international cooperation, including projects under the GUAM – USA Framework Program implemented by the GUAM Virtual Center, such as Fighting Terrorism and Organized Crime, Drugs Trafficking and Other Dangerous Types of Crime. The Inter-State Information-Analytical System of GUAM (VC/IIAS), and GUAM Project to Promote Trade and Transportation (PPTT) are integrated to the Virtual Center.

The GUAM Charter adopted at the Kyiv summit of this organization on 23 May 2006, has been ratified by only Georgia and Azerbaijan. Relevant draft laws on ratification of the Charter are currently considered by the Parliaments of Moldova and Ukraine.

On 18 June 2007, Ukraine completed its chairmanship in this organization. The Baku GUAM summit that took place on 8-19 June 2007, approved the strategy of further development of the sectoral cooperation aimed at development of the socio-economic, transport, energetic, scientific-technical, and humanitarian potential of the member-states. It was agreed to focus on completing

formation and ensuring effective operation of the GUAM free trade zone without exceptions and limitations etc based on GATT/WTO principles. It should be noted that the GUAM countries managed to create the free trade zone based on the Agreement on Creating Free Trade Zone between State-Members of 20 July 2002, and supplemented by the Protocol on Temporary Rules for Traceability of the Goods' Origin in GUAM State-Members of 22 May 2006.

The GUAM countries develop wide cooperation in the area of transport, energy, prevention of accidents, culture, science and education. Preparation for signing of the Protocol on Cooperation in Cultural area between member-states of the Organization for Democracy and Economic Development – GUAM for 2007-2010 is about to be finished. Within the framework of the Working Group on Culture, Science, and Education there is an exchange of experience in the area of maintenance, protection and use of objects of historical and cultural heritage, there are discussed issues on protecting intellectual property rights, cooperation in the area of general, primary and secondary professional, higher and postgraduate education, mutual recognition of certificates of education, improvement and development of education system, attestation of teachers etc.

In the tourism sector, they consider issues of revival of complex tourist lines involving tourist operators from the GUAM member-states. In the area of information technologies, they discuss issues of developing an information networking, ensuring information security on the basis of joint action plan of the GUAM member-states.

Cooperation and daily interaction of law-enforcement bodies is conducted on the basis of the Agreement on Cooperation between the Governments of the GUUAM member-states in the area of fighting the terrorism, organized crime, and other dangerous types of crime, signed 20 July 2002. The GUAM member-states created national inter-departmental target groups (NIG), IIAS national segments are expanding – national information-analytical centers (NIAC). Inter-departmental expert commissions conduct joint GUAM operations to fight human trafficking, within which the law-enforcement bodies filed more than 200 inquiries to conduct investigation actions regarding persons suspected in committing this crime.

Within the GUAM framework, there was implemented an important mechanism of the rapprochement of member-states' stances on foreign policy issues. One of the examples of effectiveness of this mechanism was the approval of the draft resolution of the 61st UN General Assembly “Protracted Conflicts in the GUAM Region and Their Impact on Peace, Security, and Development” at the end of January 2007. Joint international steps of the GUAM countries witness

the growth of mutual understanding between the states, which promotes increased authority of the Organization on the international scene. GUAM is open for other countries to join if they share its goals and principles.

GUAM is expanding partnership relations with USA, the Baltic states, Japan, Visegrad Four, and EU. In 2007, the first meetings in the format “Council of Heads of the GUAM State Members – Poland” and in the format “Council of Ministers of Foreign Affairs of GUAM – Japan” took place. At the Vilnius summit, heads of GUAM states adopted the Common Statement on the occasion of the 10th anniversary of the organization (10 October 2007). In October 2007, in Washington DC there took place consultations of the national GUAM coordinators with the representatives of the US State Department. The activity of “GUAM clubs” (in Bucharest, Warsaw, Sofia, and Tokyo) is a comparatively new form of interaction.

Complicated processes of formation and development of a modern model of international relations placed on the agenda new foreign policy tasks of the Ukrainian state that require relevant mechanisms for their implementation. The most notable are the following: reformation of the state bodies in the area of the national security and defense, which would correspond to the European integration intentions of Ukraine; strengthening Ukraine as the key contributor to the regional stability and security, including increased input of Ukraine to the international cooperation in regulating conflicts and maintaining peace; full adherence to international obligations on control over armament; and further development of civil-military relations etc.

On the vector of European Atlantic integration, the cooperation with *NATO* and certain participants of the Alliance in security dimension was enhancing. The Decree of the President of Ukraine approved “The Plan for Conducting Multinational Exercises with the Participation of Armed Forces of Ukraine in the Territory of Ukraine and Beyond Its Borders in 2007 within the Framework of Military Cooperation”⁴⁰. Within the framework of Individual Partnership Program between Ukraine and NATO 2007 according to the plans of international cooperation, the Ministry of Defense of Ukraine conducted more than 270 activities, including subject related research, capacity building for Ukrainian resigned military people, military exercises, awareness-raising meetings with the representatives of defense departments of the USA (over 100), Poland (over 50),

⁴⁰ <http://www.president.gov.ua>: “On the Decision of CNSD of Ukraine of 15 December 2006 “On Plan of Conducting Multinational Exercises within the Framework of Military Cooperation with the Participation of Units of Armed Forces of Ukraine in the Territory of Ukraine and beyond its Borders in 2007” No. 17/2007 of 15 January 2007.

France and FRG (over 40). On parallel with Russia – 41, and with Belarus – 28⁴¹. According to the joint project of the Ministry of Foreign Affairs of Ukraine, the Ministry of Defense of Ukraine, OSCE and EU on utilization of surplus rocket propellant in Ukraine, there were developed and implemented activities (preparation of the memorandum between the Government of Ukraine and OSCE, raising necessary funds, conduction of an open international tender) on issues of utilization of liquid rocket propellant “Melange”⁴². Active work was done under the state programs on retraining and improving qualification of specialists in the area of European and Euro-Atlantic integration of Ukraine for 2004 – 2007; public awareness campaign on European and Euro-Atlantic integration of Ukraine for 2004 – 2007.

It should be noted that Ukraine is a recognized leader of cooperation with NATO in the area of planning in the event of emergency situations of civil nature. The cooperation with the Alliance allows obtaining technical and methodical assistance, in particular preparation of personnel of civil defense, use the experience of countries – NATO members and the countries-partners to improve the national system of protection of people and territories, receive specific assistance during the emergency situations, including liquidation of aftermath of natural disasters. One of the elements of cooperation in 2007 was implementation of the Regional Project on Prevention and Accidental Release Measures during Rainstorms, Rain Floods and Mudflows in the Carpathian Mountains regions of Ukraine.

In the format Ukraine – EU there were discussed ways of interaction in the area of ensuring security and stability on the European continent. In early February, in Kyiv the participants of the EU Working Group on Eastern Europe and Central Asia (COEST) considered the concept of future relations with Ukraine. The EU representatives positively determined the participation of our country in implementing joint European security and defense policy, including participation in the EU Police Missions in Bosnia and Herzegovina, and Republic of Macedonia. Closed Agreement on participation of Ukraine in EU operations on regulating crisis situations, as well as security procedures of information exchange will serve to strengthen the legal framework of cooperation. EU recognizes also the important role of Ukraine in ensuring the security and stability on the continent, as well as its high industrial-technological potential in the military sphere, which is

⁴¹ Gazeta 2000. – 2007. – 9 March

⁴² <http://www.ukraine-nato.gov.ua/nato/ua/news/detail/3619.htm>Novyny 2007-01-30.

proved by the practice of inviting our state to conduct military exercises with the participation of EU units.

An important security project, implementation of which would promote the stability in the Black sea region, is the development of cooperation in *the Black Sea Economic Cooperation*, where Ukraine chaired from November 2007 until April 2008. The activity of our state in this direction 2007 focused on developing the many-sided economic cooperation in the Black Sea region, enhancing practical component and strengthening institutional instruments of BSEC, implementation of regional programs, as well as development of new projects, in particular in the area of energy. Ukraine paid special attention to strengthening financial component of the Organization through use of resources of the Black Sea Bank, opening branches of the bank in the BSEC countries-members, creation of leasing companies, setting up cooperation between banking institutions in the Black Sea region and involvement of private capital for implementing regional projects and programs. During the jubilee summit of the organization devoted to the 15th anniversary (25 June 2007, Istanbul), the Ukrainian delegation joined the following memorandums: on mutual understanding on development of sea routes in the BSEC, and on coordinated development of the Black Sea ring-road of high speed highways.

One of the important directions is the development of BSEC cooperation with other international organizations, implementation of specific activities for intensification cooperation with EU (including partial reformation of the budget system of the Organization and BSEC Project Development Fund), and expansion of full cooperation in the area of humanitarian and cultural cooperation.

According to the Ankara Declaration, Ukraine received the powers of chairmanship on 25 October 2007 (Ankara) during the 17th meeting of the Council of Ministers of Foreign Affairs of BSEC. The purpose of the meeting was to summarize the half-year chairmanship of Turkey. Ukrainian representatives paid the participants' attention to the problem of "frozen" conflicts in the region that hamper full-scale cooperation and require urgent peaceful regulation on the basis of norms and principles of the international law.

The indicated issues were in the focus of attention of the meeting participants of the BSEC Working Group on information and communication technologies (4-5 December 2007, Kyiv). Just to remind, on 1 November 2007 Ukraine was approved as the country – coordinator of the BSEC Working Group on information technologies and communication for the next two years.

Security issues in the financial area represented the topic of the First Banking Forum of the BSEC countries members (27 November 2007, Kyiv); its participants – 150 people from nine countries – stressed the importance of strengthening economic cooperation between the Black sea region countries, its investment and credit components. Other topics discussed that are relevant for the region security were possibility of joint funding of projects of the regional importance (the first step in this direction was signing of the Agreement on Cooperation between UkrEximbank and Eximbank of Romania). Interaction between EU and BSEC is a necessary component of stabilization in the region, expansion of the zone of economic, political, and ecological responsibility. The BSEC – EU Summit on the mentioned above issues was scheduled for February 2008 (Kyiv).

Prospects of cooperation with the Danube countries become weightier. The Danube waterway is an additional possibility to set up effective economic and political cooperation with the Danube countries and the European Union. Active involvement of countries in the development of the Danube international transport corridor, which is convenient in all aspects, using practical possibilities of Reni and Izmail sea ports would promote increased economic development of the region and help promote cooperation in the area of culture, tourism, ecology and other sectors of common interest.

The Danube has to be “the uniting chain for the countries and nations of the whole Europe”. This was confirmed by the participants of the III Ministerial Conference of the countries-participants of the Danube Cooperation Process (DCP) that took place on 18 April 2007 in Belgrade (Republic of Serbia). The conference participants included delegations from Austria, Bulgaria, Bosnia and Herzegovina, Moldova, Romania, Republic of Serbia, Slovakia, Slovenia, Ukraine, Hungary, FRG, Croatia, the Czech Republic, representatives of the European Commission, SP/SEE, as well as invited guests from the USA and international regional organizations. Based on results of discussion participants approved the Final Document that outlines main directions of DCP activity. Among these directions, intensification of subregional Danube cooperation and support of European integration processes in the region were recognized as high priority.

Despite the importance of the participation in the international global and regional structures for the protection of own interests, additional possibilities in ensuring the national security of the country can be secured by its strategic partners. However, Ukraine needs such strategic partners

that would be guarantors of our security, protection, and, eventually, development. In this respect, it is appropriate to remind the address of the US President G. Bush: “We must offer a hand to the Ukrainian democracy”⁴³, which could be considered as the American support of Ukrainian Euro-Atlantic and European initiatives and implementation of relevant integration projects.

Medium countries indeed count for protection and support of strategic partners, and Ukrainian diplomats reiterated this idea several times while making up an effective mechanism of prompt reaction on external threats. There are opportunities to use the adopted schemes of promoting cooperation with some states up to the level of strategic partnership with responsible guarantees from the partners, and formation of strategic unions.

Conclusion

As the events of 2007 showed, in order to defend Ukrainian interests, one should fight strongly, using: a/ mechanisms of global and regional security; b/ acceptable algorithm of mutual influences of the national fundamentals of the state’s sovereignty and supranational powers of interstate structures; c/ regional integration with the purpose of giving joint response to contemporary threats; d/ cooperation using the scheme – from optimization of partnership to effective strategic unions; e/ international mechanism of human rights protection, which is one of the critical preconditions for pursuit of the European choice by Ukraine.

Taking into consideration the necessity of strengthening political pluralism that would create a barrier for any attempts to revive the empire, one could predict that European and European Atlantic structures would help to include Ukraine into the sphere of influence of expanded European community, to the construction in the region of an international security mechanism that would guarantee stability and sustainable development of the Ukrainian state. Considering the relations of Ukraine with international structures, one can make a conclusion that the mechanism of symmetrical and asymmetrical partnership at bilateral level is the basis for the development of the similar partnership at the multilateral level⁴⁴, which would result in formation of unions of strategic

⁴³ Lyudmyla Chekalenko. Foreign policy of Ukraine - 2006: Strategic Assessments, Forecasts and Priorities / Edited by G.M. Perepelytsia. – K., 2006, p. 160

⁴⁴ H.Perepelytsya. Asymmetric Strategies in Guarantying International Security // Polityka I Chas. – 2005. – No. 7. – p. 64 – 76.

partners, i.e. unions of states. The system of regional and eventually global security is built on and is based on such types of unions of states.

CHAPTER III
EUROINTEGRATION COURSE OF UKRAINE

§1. STATE AND PROSPECTS OF THE POLITICAL DIALOGUE UKRAINE-EU

It wasn't very long ago that the Agreement on Partnership and Cooperation between Ukraine and the EU and its member countries came into force in 1998. During these incomplete 10 years relations between the parties for a long while did not demonstrate remarkable dynamism, constructivism or foresight. They were growing stronger but were not deepening strategically.

Despite the adoption of much Ukrainian internal legislation which fixed on paper Ukraine's strategic goal of pursuing the European Integration course, Ukraine's advancement in the EU direction was not very visible to Ukrainian citizens.

The situation has changed only recently, which may be explained by a number of external and internal factors.

Events that took place in Ukraine at the end of 2004, and beginning 2005 received various political evaluations. However, it is indubitable that they elicited unprecedented growth of interest in Ukraine on the part of the global community, and the EU in particular. EU high-ranking officials personally participated in the regulation of the intricate political situation. Again, varied assessments can be given to their contribution although they did it consistently and not without commitment. For a short while Ukraine ranked highest in their busy and intense schedule of visits and meetings.

This attention was not paid to Ukraine by mere coincidence. Since the EU has always taken Kyiv's declarations of the intention to integrate in the EU with interest, this interest in enhanced bilateral contacts with Ukraine grew significantly when the EU's borders reached those of our state in 2004. Entry to the EU of a number of former socialist countries could not but give rise to ardent debates regarding the nature and, more importantly, prospective vision of Ukraine. New member countries reluctantly developed close economic, political and cultural ties with Ukraine; even though new circumstances forced them if not to do it, then at least, simulate these relations.

The EU's arrival at Ukrainian borders in 2004 – Poland, Hungary, Slovak Republic – and the continued process in 2007 – with Romania and Bulgaria – became a demonstration of a much larger process of EU expansion for 12 countries, which required a consequent revision of interaction between institutions and authorities of the EU. The first attempt to make such changes was fixed in the draft EU Constitution. However, it was not approved in 2005, which raised doubts

about the viability of the union. The way out of the situation became perceptible only at the end of 2007.

At present, Ukraine enjoys the support of its direct Western neighbors. This includes both their attempts to influence the general line of Brussels in developing relations with Ukraine, and efforts in the area of bilateral cooperation with Kyiv to speed up the process of internal reforms needed to help Ukraine meet EU membership criteria.

This is how things came about in 2005-2007. First, there were hopes for Ukraine's rapid European leap; secondly, however, Ukrainian society and its economic environment were not prepared to adopt European standards (practices) and the legal achievements of *acquis*. Thirdly, - and this is a positive phenomenon – there were the on-going processes in the EU towards internal reforms in order to ensure the harmonious functioning of the union of three dozen states.

Therefore, it is the understanding of the dynamics of events in the EU, in Ukraine, and in the relations between these during at least one year, that gives grounds for forecasting the future, both near and more distant. The future is related to existing bilateral agreements, the most important of which is the three year Ukraine-EU plan, approved at a special meeting of the Council on Ukraine –EU Cooperation on February 21, 2005.

Ukraine-EU Action Plan

From the start this document was perceived by Ukraine as homework to be completed by the Ukrainian state. This was the only correct approach because it would be unacceptable to consider realization of the Action Plan solely as a whim of the European Union to test Ukraine. The content of European integration primarily includes, not the declaration of foreign policy course as such, but first of all, its meaningful securing of all areas of the state's life with the appropriate level of internal development. Fulfillment of a number of tasks set by the Ukraine-EU Action plan has always been and remains a priority for Ukraine, since these reforms in this way or that had to be completed for the sake of the Ukrainian people's well-being, and to enable the state to meet its objective – to secure the rights and freedoms of its citizens, their security, well-being and prosperity.

This approach based on shared European values has always accompanied the process of the realization of the Action plan by Ukraine. Today, just a few months before its completion, one can bravely state that the EU-Ukraine Action Plan became a milestone document in the history of the

development of relationships between Kyiv and Brussels.

Despite being closed within the framework of the European Neighborhood Policy (ENP), the Action Plan became an important and necessary instrument for the realization of internal reforms in Ukraine, the first short-term roadmap for our country's future integration into the EU.

Earlier we mentioned the support given to Ukraine by new EU members. In the context of the Plan implementation, they launched respective programs of interaction with our state. Today, bilateral cooperation between Ukraine and Poland, the Slovak Republic, the Czech Republic, Hungary, Latvia, Lithuania and Estonia represents a separate body of relations. It is important to note that all Ukraine's central government bodies are broadly involved in this cooperation through the Ministry of Foreign Affairs. Most commonly contacts between Ukraine and foreign colleagues take the form of advisory support and the organization of various sectoral seminars, internships and study tours where Ukrainian experts can learn lessons and borrow best practices from "new" EU members, who have just completed reforms, similar to those Ukraine is now facing.

This non-indifference to Ukraine on the part of the mentioned states is inspiring. Moreover, cooperation in the form in which it exists today, appears even more valuable considering the acute shortage of qualified personnel to make European integration happen. The effectiveness and completeness of work performed by Ukraine in pursuit of European integration will directly depend on the level of skill of experts who generate and implement ideas.

When we consider the implementation of the Ukraine-EU Action Plan, one should note that the progress of fulfillment of its political section in 2007 was recognized as the most successful. This is extremely important given the utmost importance assigned by the EU to the political issues in the Plan.

Its strategic importance may be explained by the goals fixed in the EU Security Policy for 2003. The EU will always be interested in stable and thriving neighbors. Therefore, the success of internal political reforms in Ukraine is simultaneously a pledge of EU security.

The Ukraine-EU political dialogue is improving on all levels year by year. The list of international topics of interest both to the EU and Ukraine is expanding. Within the framework of EU foreign and security policy, Ukraine is entitled to join statements and declarations made on behalf of the EU for 2.5 years. In this period Ukraine has joined itself to over 1000 documents,

while the level of Ukraine's solidarity with the EU has been stable at around 92-95%. Ukraine has been entitled to unilaterally join EU statements and declarations after their official publication since 2000.

From May 17, 2005, as part of implementation of the Ukraine-EU Action Plan, a new mechanism was introduced whereby the MFA began receiving drafts of appropriate documents in advance. In this way, in case of a decision to join a statement or declaration made on behalf of the EU, Ukraine is featured in the text of the document amongst countries which are reviewing the document as part of their national stance with regard to this or that issue, from the time of publication.

The decision of the EU to engage Ukraine in statements and declarations on regional and international issues has in fact given our state the same privileges which were given previously to candidate countries and states involved in the stabilization and association process.

In addition, the accomplishments of the parties in political and security cooperation were underscored by the concluding of the Ukraine-EU agreement on security procedures in relation to the exchange of restricted data. An even more important step was the signing of the Agreement on the General Manner of Ukraine's Participation in Crisis Regulation Operations, the ratification of which is expected in the near future. In particular, this relates to the possibility of the EU using Ukrainian aviation transport to undertake distant transportation; addresses jointly with EU problems related to the utilization of excess armament and obsolete ammunition, as well as the inclusion of Ukraine in the EU Quick Response Forces (to this end, Ukraine offers its engineering, airmobile and aviation divisions).

Issues of regional stability and crises settlement were considered in the Joint Statement of the Ukraine-EU Summit of September 14, 2007, whereby the need for continued close cooperation in the area of foreign policy and security was emphasized. A strategic component of EU-Ukraine cooperation was discussed with the ministries of foreign affairs of the Baltic Council with the participation of European Commission representatives. The agenda included reinforcement of the "eastern dimension" of the EU external policy with maximum accommodation of the strategic interests of EU neighbors, the problem of strengthening energy security in the regions of the Baltic and Black Seas, and prospects of Ukraine-EU cooperation (in the context of negotiations on a New Enhanced Agreement).

In the area of justice, freedom and security, the process of Plan implementation resulted in the signing within the framework of the meeting of the Ukraine-EU Cooperation Council, of Agreements on the simplification of visa issuance and readmission of individuals. However, it was not at all easy to reach this result in 2007. The monitoring exercise undertaken in spring 2007, revealed an unsatisfactory state of affairs in this area. Negative facts of human rights violations and manifestation of disrespect to Ukrainian citizens were brought to the attention of Heads of diplomatic missions of EU countries in Ukraine. As a result of discussion of this issue with ambassadors of EU countries on May 3, 2007 the parties came to the conclusion on the need to simplify issuance of visas to Ukrainian citizens.

The negotiation process on closing this agreement was underway for almost a year. Eventually, the European Parliament ratified the Agreement between the EU and Ukraine on a simplified visa regime. However, the Agreement will not be applicable in Denmark, Ireland and UK. On November 29, 2007, the EU Council of Ministers approved the Agreement between Ukraine and the EU on a simplified procedure of visa issuance, and a Ukraine-EU Agreement on readmission of individuals, which completed the procedure of the document ratification by the EU.

The Ukrainian side pays specific attention to suggestions related to *reforms of EU institutions*. As in any international institution, the operational mechanism of the EU has to improve depending on the internal condition and set objectives. In the meantime, it is not a secret that with the increase and expansion of any institution, even international, its bureaucratic apparatus also grows, which, in an effort to justify its existence, may hamper both performance and the existence of the organization. In this respect, suggestions contained in the text of the Agreement on EU Reform, signed by participants of the Lisbon Summit on December 13, 2007, became the first steps to an improved European integration scheme. Out state perceives reforms of EU institutions and reforms of decision-making inside the institutions proposed by the Agreement, as ‘the beginning of a transition to a qualitatively new system of European interstate architecture’, and welcomes preservation in the Agreement of provisions that recognize the rights of each European country which shares EU values, to gain membership in the European Union, and that accession of new members will depend not on mere political consideration, but rather on their compliance with objectively determined membership criteria.

In the economic area, the Ukrainian side has closely approached the opening of official negotiations on the creation of a deepened and comprehensive free trade zone between Ukraine and the EU, which should become an integral part of the New Enhanced Agreement between Ukraine and the EU. To date, the parties have conducted a few rounds of informal consultations in this regard. The only obstacle holding the process back is the completion of technical procedures related to Ukraine's WTO accession. However, it is extremely important now to disseminate information within the European community about the accomplishments of Ukrainian producers, and about investment, the economy and the integration potential of Ukraine, and encourage foreign investors to invest in the Ukrainian economy. One of the important steps to this end was Ukraine's joining the European Business Registry (EBR), which now incorporates a network of Ukrainian enterprises included in the Common State Registry of Businesses- Legal Entities and individuals. Having obtained the software required to exchange information between Ukraine and European partners, from now on all interested parties may receive official, accurate and complete information on European companies on-line.

Having analyzed the situation around Ukraine's advancement in the direction of Euro-integration, the following may be considered the benefits of Euro- integration: it is one of the ways to modernize the economy, attract foreign investment and high technologies, raise competitiveness of local producers and the possibility for them to enter the EU internal market. In the political aspect, European integration determines the modernization of the legal turf of the Ukrainian state, and democratization of its political and institutional systems. Cooperation with the EU will help to upgrade the social environment of Ukraine to European standards and improve living standards and the well-being of the population.

Against the background of Presidential (2004) and Parliamentary (2006) elections held in compliance with European standards of democracy and increasingly solid bilateral interaction, the listed accomplishments of the parties in the context of implementation of the Ukraine-EU Action Plan led to the announcement on February 6, 2007 of the launch of official negotiations on the closure of a New Enhanced Agreement between Ukraine and the EU in lieu of the Partnership and Cooperation Agreement.

Negotiations on New Enhanced Agreement between Ukraine and the EU

Why do we need a New Enhanced Agreement? What innovations will it bring to the existing legal framework and by the highest standards to Ukraine's movement towards the EU?

The current Partnership and Cooperation Agreement (PCA) of 1994 (came into effect in 1998) contains a mechanism for automatic annual renewal, so why could not parties cooperate by virtue of the previous document?

First of all, because Ukraine has now reached a new level of development. Formerly a post-Soviet administrative system and command economy, it has evolved into a democratic market economy in the process of reform. The state intends to implement in real life the slogans of European integration initially declared as mere ideas. In addition, the plan of practical cooperation now has objective reasons to address the need for closing a fundamentally new agreement. This agreement would more adequately reflect the accomplishments and progress achieved in the bilateral Ukraine-EU dialogue, which the Ukrainian side now has as assets as a result of fruitful cooperation observed in the last few years. For example, the PCA failed to provide for cooperation between the parties in the area of external and security policy, where Ukraine and the EU have been cooperating for a few years. Contractual obligations of the parties in the area of justice, freedom and security also require significant expansion, considering a broad range of issues on which cooperation is taking place. A fundamentally new approach is anticipated in connection with the intention to create a free trade zone between Ukraine and the EU. While the PCA contains only references to the possibility of conducting consultations on the issue of creating an FTZ, the new agreement will include specific arrangements with regard to its inception and development. They would constitute one of the corner-stones of the new agreement and ensure gradual economic integration of Ukraine into the EU.

Moreover, it is important to remember, that the PCA as a type of agreement was developed for all ex-Soviet countries in order to replace the then effective agreement on trade and economic cooperation between European Communities and the USSR. Consequently, the content of the PCA clauses was of a universal nature.

It would be extremely erroneous to perceive the New Enhanced Agreement as a "revised" PCA. The goal of Ukraine is to close a fundamentally new document which would encompass all aspects of relations between Ukraine and the EU, including the Euro-integration aspirations of our country for the future.

This joint work on the New Agreement demonstrates that both parties, not only Kyiv, are willing to define added value to the next stage of relations and have it legally fixed. Let's remember, that the beginning of work on the new agreement upon the results of the meeting of ministers of foreign affairs Ukraine –Troyka EU was officially announced in February 2007, when Ukraine had no formally appointed minister of foreign affairs, and four rounds of negotiations took place in the period between March and July, i.e. in the heat of the political crisis in Ukraine. All this, including the holding of the next eleventh summit Ukraine-EU in Kyiv on September 14, 2007, i.e. at the height of the election campaign, is further evidence that the EU is in negotiation with the State of Ukraine, and not with separate political figures or parties.

From the very beginning, Ukraine announced that it would like to conclude an ambitious innovative document, built on principles of *political association and economic integration*.

What does it mean from Ukraine's point of view?

Political association has to ensure further upgrading in Ukraine of joint values of democracy, rule of law and respect for human rights up to the levels asserted in the EU, as well as further rapprochement of the positions of Ukraine and the EU on international issues. This will also include introduction of a mechanism whereby Kyiv will not only be notified of Brussels policies, but will be invited to participate in their preparation.

Economic integration is understood by Ukraine as a gradual inclusion in the common EU market, from establishing a free trade zone to acquiring a share in the EU internal market. This undoubtedly matches the interests of both Ukrainian and European producers and consumers.

Existing variations in points of view of the negotiating parties on the issue of determining the future agreement as an agreement of association should not cause premature pessimism because the EU itself lacks unity on this issue. Ukraine has both supporters and opponents among EU member countries, which are respectively in favor or against granting Ukraine future membership prospects at this stage of Ukraine-EU relations.

Thus, Brussels treats Ukraine's Euro-integration aspiration with understanding. However, due to our absence during the above mentioned meeting of Ukraine-Troyka EU at the level of ministers in February 2007, the parties agreed on the need to concentrate during the first rounds of the negotiation process on the substance of the agreement, while the title and portion of issues of a political nature, such as fixing in the text the notion on association and prospective membership,

should be determined at the final stage of the negotiations depending on the substantive filling of the document.

Parties to the negotiation process agreed that the negotiations would last from 1.5 to 2 years. However, they are not limited in time. Given the PCA renewal mechanism mentioned above, parties may conduct the negotiation process in a manner to suit their convenience, with the timeline depending on progress in addressing issues and drafting the text of the agreement. Meanwhile, both parties are interested in using time efficiently, keeping in mind that the New Agreement is subject to ratification by the national parliaments of EU member countries, Verkhovna Rada of Ukraine and the European Parliament.

The Ukrainian side is generally satisfied with the interim results of the negotiation process. If we consider the five rounds that have taken place, the first four rounds may be considered a kind of first stage of the project. Its main distinction is that during this period the parties mostly discussed clauses, and coordinated clauses over which there were no disagreements, or which were merely technical issues.

In a way, the Joint Report on the Progress in Negotiations, approved within the framework of the mentioned Eleventh Summit Ukraine-EU may be considered a result of the first stage. According to the document, both parties agreed that the New Enhanced Agreement should be a comprehensive, ambitious and innovative document covering all areas of EU-Ukraine cooperation. It must stretch far beyond the framework of the PCA and joint Action Plan, to approximate Ukraine to the EU as much as possible. The new agreement should reflect the strategic importance of Ukraine-EU relations.

Following the results of the first stage of negotiations, the parties also reached a broad understanding of the shared goals, values and principles, as well as new elements of the New Enhanced Agreement. As for the general political context, as well as the European aspirations of Ukraine, the Ukrainian side stressed its goal to establish a new, higher level of relations, advancing from principles of partnership and cooperation to principles of political association and economic integration.

How different from the first stage should the second stage be, within which only one, fifth round of negotiations has happened thus far (Brussels October 16-18, 2007)? Obviously the difference will be in the nature of communication.

The most notable difference is the more aggressive position of Ukraine in comparison to previous rounds. This is explained first of all by the logical progress in the negotiations. After resolution of all “easy” issues, the parties began working on issues where they are discordant. Therefore, the intention of the Ukrainian side to stand firmly on its own position and ensure the fullest possible accommodation of its interests in the negotiations process appears quite logical.

It is clear that if either Ukraine or the EU had been an indifferent participant, such negotiations would have had no sense. One should also keep in mind that one doesn't play if one doesn't want to win. That's why the on-going negotiation process basically enables Ukraine to look into the future with hope. Moreover, the Ukrainian side for good reasons expects to have, and works in the direction of having the New Agreement regulate most of the principal issues of bilateral relations with the EU such as, for example, the limitations on the EU of the capacity to have relations with Ukraine within the framework of the European Neighborhood Policy.

Ukraine has repeatedly raised this issue with Brussels. Considering that the parties are currently focused on the negotiation process, the issue is gaining even bigger importance.

The ENP objectively is not capable of ensuring proper added value to Ukraine-EU relations. Today this policy applies to 16 countries – partners from Eastern Europe, North Africa and the Middle East. The main instruments of ENP are action plans, to date concluded with 10 countries, including Ukraine. Most of the goals set by the neighborhood policy have been reached by Ukraine, so it is no good for Ukraine to stay within the boundaries of the policy any longer. Moreover, that ENP in no way mentions possible membership in the EU, which is logical considering the geographical and political diversity of the participants.

Therefore, the official position of Ukraine towards the ENP is that the ENP is not a valid alternative to Ukraine's prospective membership in the EU. Ukraine will not limit further development of its relations with the EU to the narrow bounds of the European Neighborhood Policy, - which it clearly stated during the 11th Ukraine-EU summit, held in Kyiv on September 14.

Another point is that the neighborhood policy has an organizational and financial instrument aimed at deepening relations between “neighbors” (and hence, Ukraine) and EU member countries. Ukraine has taken and will take an active part in this instrument, with the reservation though, that it is doing so in order to borrow the experience of European integration.

Therefore, the New Enhanced Agreement perceived by Ukraine as a mechanism of preparation to receiving the status of a candidate country for EU membership, cannot be

restricted by ENP bounds, as it will thus lose some of its ambition and fail to ensure consideration of Ukraine's membership for the future.

The course of negotiations has proven that Ukraine is capable of ensuring the highest possible effectiveness of cooperation in the near future and creating preconditions for finding a way out of the ENP's "trap" by way of a thorough preparation of its own negotiation position.

Therefore, the process will go on; it will be complicated but its goals are quite realistic. While the issue of restricting Ukraine within the ENP bounds brings to mind other analogies and thoughts, specifically, with respect only to those countries which are not part of the ENP.

Relationship in the Ukraine-Russia-EU Triangle

Both circles of political scientists and meetings of government officials have been debating the issue of the availability of influence and connection of the relations: EU-Ukraine and EU-Russia.

It is obvious today that Brussels relations with Moscow are now much deeper and stronger than with Kyiv. This is the case both for trade volume and functioning of a unique format of sectoral cooperation in the form of four joint spaces, and fixing of the status of strategic partnership for bilateral relations, while Ukraine keeps making efforts to stand out from the ranks of participant countries in cooperation with the EU, where it goes nip and tuck with Algeria, Armenia, Morocco, Libya and Palestine, which do not raise the issue of membership.

Despite all this, a qualitative difference between Russia and Ukraine in relations with the EU is the final goal – as Russia has never expressed and is not likely to express its desire to join the EU. However, being historically a European country, and even despite the fact that within the next 10 to 15 years the majority of Russia's population will be non-European, the historical and economic component of the relations early and late should bring the two geopolitical players to closer ties, although, most likely, they would not have the nature of integration. In Brussels such a scenario is perceived well. Because a Russia close to the EU would mean a conceivable, politically predictable, economically market-driven and de-monopolized, socially secure and non-aggressive country.

Therefore, it looks like Ukraine's joining the EU may serve as a sort of catalyst of such a

scenario. In this context, and quite illustrative is a short summary of the International Conference in Washington on October 16, 2007, dedicated to issues of Ukraine's relations with the EU: "Ukraine's EU Integration will bury the illusions of those political forces of Russia which expect to create a "kind of empire"; will help to de-monopolize the Eurasian energy market and lead to synergy between the EU and Russia." From the standpoint of Ukraine's interests, there couldn't be a better scenario.

However, it is not this altruistic goal that should drive our efforts. It is not for the sake of our big neighbors, the EU and Russia, that the Ukrainian side is conducting negotiations. The main goal for Ukraine must remain work inside the country, driving all areas of our country's life to the European level, so that Ukraine's figure does not appear a pawn on the chessboard of the EU-Russian geopolitical game.

Without exaggeration, today Ukrainians are living through historic times, when Ukraine's future in many ways depends on the perseverance of the Ukrainian government in general which represents the interests of the whole nation, - and on diplomacy, in particular. The new realities in relations with the EU, such as negotiations on the new enhanced agreement, enable Ukrainian people to be the conductor of their own symphony of the future.

Therefore, it is very crucial not to lose the momentum. In connection with this, it would be worthwhile hoping that the issue of European integration in the new Government, and from now on, in all subsequent governments of Ukraine, will be taken care of by its direct Chair. This was the approach that secured accession to the EU for all old and new participants.

§2. STATE OF ECONOMIC RELATIONS BETWEEN UKRAINE-EU IN 2007

Economic relations between Ukraine and EU continued expanding in 2007. Thanks to high growth rates of trade in goods in 2007, EU countries as one customs territory remained the biggest trade partner of Ukraine. EU-27 accounted for almost one third of the total goods turnover of Ukraine. Also, EU-27 was the largest services provider for Ukraine.

However, year 2007 was marked with a drastic increase of financial flows between Ukraine and EU. In fact, for the first time, official inflow of foreign direct investment (FDI) in Ukraine was comparable with FDI from Ukraine to other countries of the world, which serves evidence of the active legitimate integration of financial institutions and real sector enterprises into the global financial flows.

Another important achievement of 2007 was the signature and ratification of important documents related to migration, specifically, Agreements on readmission and simplification of visa regime with the EU, as well as European Convention on the Legal Status of Migrant Workers. These decisions would be instrumental in ensuring fairness and transparency of the labor process of migrants, boost combat with illegal migration and stimulate further development of business relations between countries.

In this way, despite high level of political uncertainty in the country during the year, 2007 has been quite successful in the development of economic relations between Ukraine and EU.

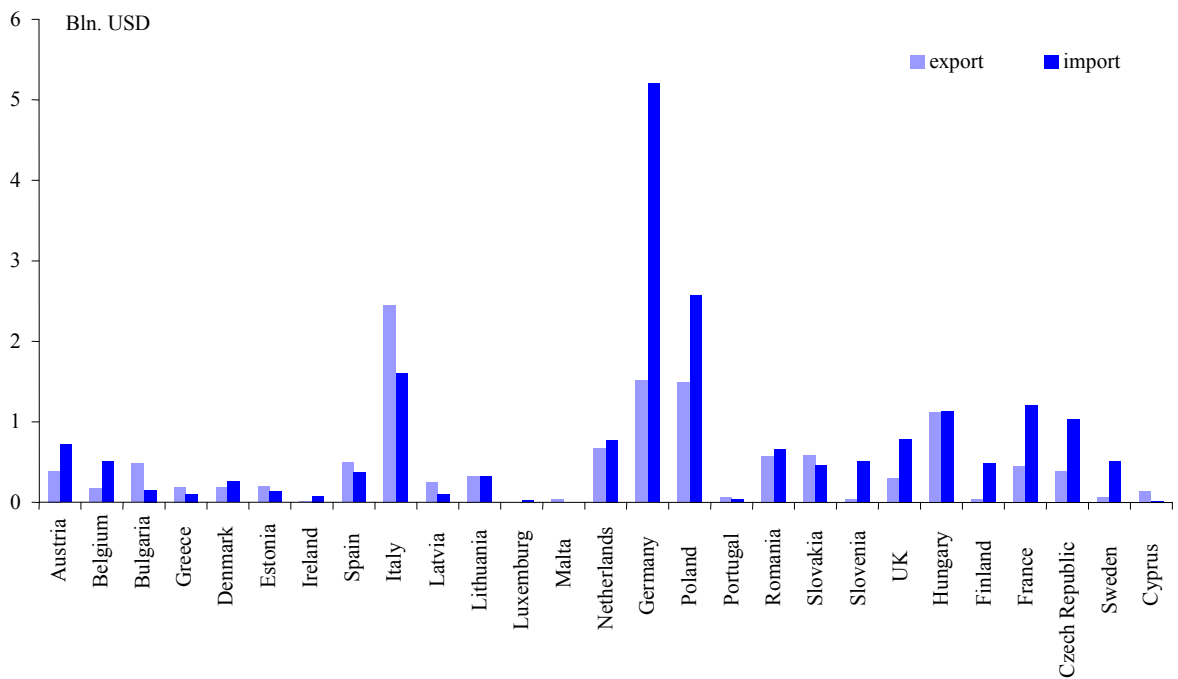
Status of Trade Relations between Ukraine and EU

Trade in goods. In 2007, EU countries as a single customs territory was the largest trading partner of Ukraine, responsible for 39.2% of the Ukraine's overall turnover of goods⁴⁵. For eleven months of the year, export of goods from Ukraine to EU-27 increased by 15.2%, while import to Ukraine grew by 37.6%, which means faster growth of import and slowdown of export compared to the previous year. Consequently, negative balance reached 7.1 Bn USD.

⁴⁵ Meanwhile, it is important to emphasize, that Ukraine is far less important trading partner for EU, since the turnover of goods with Ukraine in the EU's trade with goods represents only 1% of the total, which in a way reflects the sizes of EU and Ukraine's economies.

No significant changes took place in the geographical structure of trade with EU countries. Like in previous year, major trade partners for Ukraine, accounting for nearly 46% of the total goods turnover, were Italy, Germany and Poland. The key direction for Ukrainian exports remained Italy, its portion in the overall Ukrainian export to EU-27 reached 19%. Poland and Germany each consumed 12% of Ukrainian exports, while portions of other EU countries were predominantly much smaller. Germany continued dominating in imports with 26% share. Consequently, deficit of trade with Germany in the period between January and November reached 3.7 Bn USD, which represents a half of the overall trade deficit with EU.

Figure 1. Geographical structure of trade in goods between Ukraine and EU in 2007*



Source: State Statistics Committee

Note: *data for January-November, 2007

Germany's importance as a trade partner for Ukraine is caused first and foremost by high internal demand for machinery and equipment (including, transport vehicles), which account for half of the total Ukraine's import from Germany. However, Germany was not the only one important supplier of machinery and equipment in Ukraine. In 2007, this category of goods represented 46% of overall imports of Ukraine from EU-27, although growth rates of imports of goods in this category has somewhat slowed down against last year and reached 23% (Table 1).

Overall, the structure of Ukraine's imports from EU has not changed a lot. The lion's share of imports was represented by goods with a relative high level of added value, i.e. products of machine-building industry, chemical industry, other industrial goods, whereas the portion of agribusiness goods and output of mining industry did not exceed 10%..

Table 1. Structure of Ukraine's imports from EU-27 by principal goods categories

	2006		2007*	
	% of total	Growth rate, %	% of total	growth rate, %
Foods and livestock	4%	29%	4%	27%
Drinks and tobacco products	1%	22%	1%	35%
Non-food raw material, except fuel	1%	21%	2%	32%
Mineral fuel, lubricants	3%	113%	3%	41%
Vegetable oils and animal fats, wax	0%	-31%	0%	14%
Output of chemical and related industries	14%	29%	15%	25%
Non-food goods, mainly categorized by material they are made of (incl. Metals)	17%	26%	17%	21%
Cars and transportation equipment	47%	46%	46%	23%
Mixed industrial items	11%	34%	11%	27%

Source: Eurostat (<http://epp.eurostat.ec.europa.eu/>), estimates of IED

Note: * estimates based on data for 10 months

The structure of Ukraine's exports to EU countries changed only slightly. Thus, exports of agribusiness output kept falling down, due to introduction of quotas for grain exports. While in 2006 export of food stuffs and livestock reduced by 19%, in 2007, by results of 10 months, the decrease was 8% (Table 2). Also, the portion of industrial goods, including metals, somewhat decreased, due to the slowing growth of exports of goods of this category. This was related to lower prices for metals in the second half of 2007 in Europe, which was evidenced by data of CRU Steel Price Index⁴⁶; it led to reduced value of exports of metals in EU, beginning from August, 2007.

In 2007, Ukraine kept its key characteristics of exports in EU – predominance of goods with relatively low level of processing, and, hence, added value. Although it is important to note a positive change: this year growth rates in export of machines and equipment to countries of EU-27 were highest of the last four years and reached 46%. These are also the highest indicators of growth among all key categories of exports in 2007.

Table 2. Structure of Ukraine's Export to EU-27 by Key Categories of Goods

⁴⁶ <http://cruonline.crugroup.com/SteelFerroAlloys/PriceIndex/tabid/143/Default.aspx>

	2006		2007*	
	% of total	Growth rate, %	% of total	growth rate, %
Foods and livestock	4%	-19%	3%	-8%
Drinks and tobacco products	0%	9%	0%	32%
Non-food raw material, except fuel	15%	14%	14%	23%
Mineral fuel, lubricants	11%	-16%	12%	31%
Vegetable oils and animal fats, wax	3%	114%	4%	45%
Output of chemical and related industries	8%	29%	7%	6%
Non-food goods, mainly categorized by material they are made of (incl. Metals)	40%	24%	37%	21%
Cars and transportation equipment	8%	20%	9%	46%
Mixed industrial items	7%	5%	5%	-8%

Source: Eurostat (<http://epp.eurostat.ec.europa.eu/>), estimates of IED

Note: * estimates based on data for 10 months

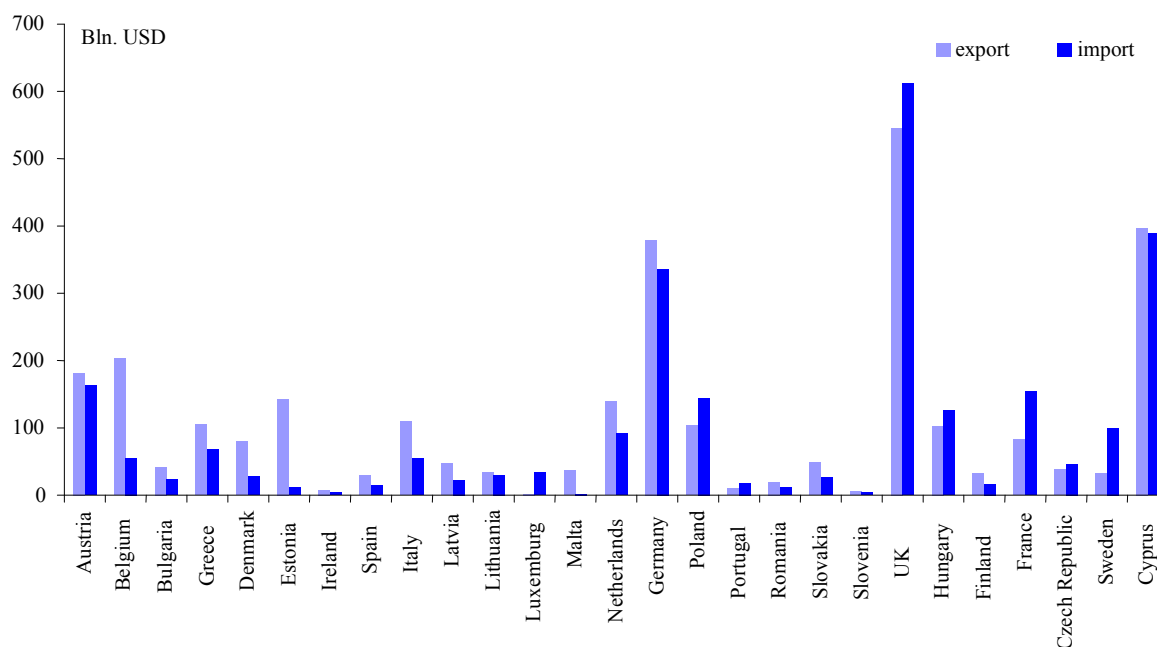
That's why, notwithstanding a number of internal and external shocks, Ukraine managed to maintain quite high rates of growth of trade with EU in 2007. The most notable shocks that hindered exports included almost 40% rise in price for imported gas, which certainly affected competitiveness of Ukrainian steel making and chemical industries, plummeting of prices for steel products in Ukraine and introduction of limitations on quantities of grain exports from Ukraine. Rapid increase of imports was driven by high internal demand, which by far exceeded internal supply.

Trade in services. The negative balance of the trade in goods between Ukraine and EU was partially overlapped with positive balance in the trade in services, which by the end of 2007 was equal to 0.4 Bn USD. However, likewise in case with trade in goods, 2007 revealed that import grew at higher rates than export. If this trend persists, it will result in an invariable negative balance also in the mid-term run. According to State Statistics Committee, export of services to EU-25 grew by 30.2% in 2007, while import increased by 36.6%; import of services from the EU accounted for 52.9% of overall imports. Portion of exports was lower – 32.9%, which is explained primarily by the prevalence in exports of pipeline transportation services, provided by Ukraine to the Russian Federation.

Geographic structure of trade in services was rather concentrated. Almost a half of all trade in services with countries of EU-27 took place between Ukraine and three countries – the UK, which is the leader in the trade in services, Cyprus and Germany. However, it's important to note, that trade flows of services in 2007 were a lot better balanced, than flows of goods, and this was

demonstrated in a slight difference between values of exported and imported services for most EU countries.

Figure 2. Geographical structure of trade in services between Ukraine and EU in 2007



Source: State Statistics Committee

The principal component of export of services to EU-27 was transportation services (about two thirds of the overall volume), as well as various business, professional and technical service. Irrespective of relatively high tourist potential, the portion of tourist services in exports was low, although exports of services to individuals in the areas of culture and leisure grew manifold during the year.

Financial services were the predominant in imports, which was to a great extent related to inflow of big volumes of foreign capital into Ukraine's banking system. Other business-related services were developing quite rapidly, too, which is a proof of expanded business relations between Ukraine and EU.

Flow of capital. The distinctive feature of 2007 was substantial inflow of foreign capital, primarily from EU countries, into Ukraine. Thus, official statistics for 2007 states that inflow of

FDI in Ukraine grew by 67.1%, which was equal to 7.9 Bn USD⁴⁷, while 75% of the inflow originated from EU. Correspondingly, as of January 1, 2008, overall volume of FDI in Ukraine reached 29.5 Bn USD, i.e. 636.5 USD per capita. Although this is a significant growth compared to previous years, it should be noted that this figure is a lot lower than similar indicators for most Central and Eastern European countries.

Table 3. Volume of FDI in Ukraine, mln. USD from some EU countries

	2004	2005	2006	2007	Net inflow 2007
Cyprus	1101,4	1562	3187,5	5941,8	2754,3
Germany	653,7	5505,5	5578,1	5917,9	339,8
The Netherlands	637,2	721,8	1533,8	2511,2	977,4
Austria	361,1	1423,6	1633,8	2075,2	441,4
UK	955,4	1155,3	1563,4	1968,8	405,4
France	79	82,4	830,3	1046,2	215,9

Source: State Statistics Committee

Main countries ‘donors’ among EU states were Germany, Cyprus, Austria, the Netherlands and the UK (Table 3). It is remarkable, that in 2007 the inflow of capital from Cyprus was extremely big: 2.8 Bn USD, i.e. over one third of the overall inflow. This to a large extent is related to convenience of usage of offshore zones for running financial transactions, for example, by companies going for IPO. The Netherlands were the second biggest provider of FDI in Ukraine, with Dutch businesses investing almost 1 Bn USD. Sweden ranked third (0.9 Bn USD). Among Central and Eastern European countries, Poland made the biggest investment in Ukraine (0.3 Bn USD).

Financial sector appeared to be the favorite of European investors. Thus, in 2007 alone, seven of overall eight bank acquisition transactions in Ukraine were closed by financial groups and banks from EU (Table 4). The largest transaction was the acquisition of “Ukrsotsbank” by an Italian group UniCredit for over 2 Bn USD.

Table 4. Acquisitions and mergers of Ukrainian banks in 2005-2007

Bank	Buyer	Shareholding (%)	Value (mln. USD)
2005			
Aval	Raiffeisen Int.	93,50	1,028
Ukrsibbank	BNP Paribas	51,00	360
2006			
Index-bank	Credit Agricole	98,00	263

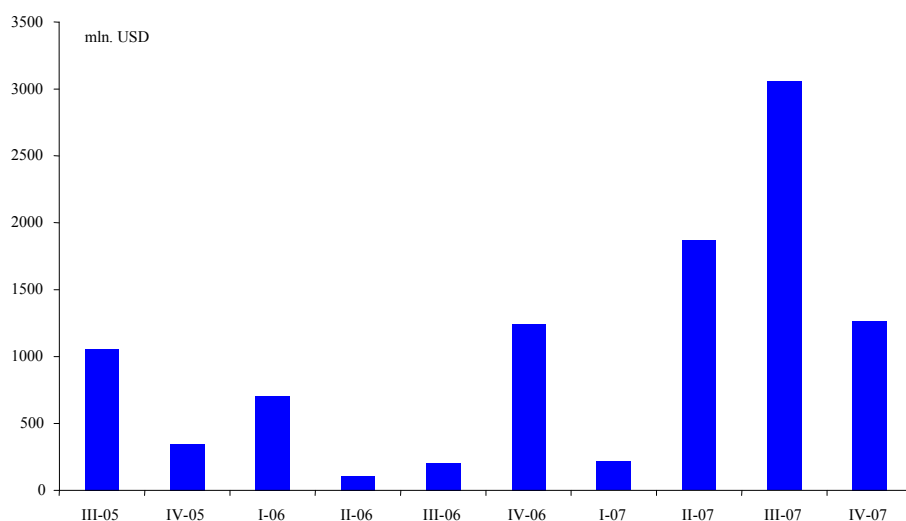
⁴⁷ Including revaluation of foreign capital, losses, foreign exchange difference etc.

Universal-bank	EFG Eurobank	99,34	49
Raiffeisen Ukraine	OTP Bank	100,00	833
Prestige Bank	Erste Bank	100,00	104
2007			
TAS-Commerzbank	Swedbank	99,98	735
NRB-Ukraina	Сбербанк	100,00	150
Marine Transport Bank	Marfin Popular Bank	99,2	137
Ukrsotsbank	UniCredit Group	94,71	2,082
Ukrainian International Commercial Bank	Piraeus Bank	99,6	75
Bank Forum	Commerzbank	60,00	600
Factorial Bank	SEB	97,25	117
AvtoZazBank	Bank of Cyprus	95,00	76

Source: Dragon Capital

Also, 2007 saw rapid growth of foreign borrowings of Ukrainian banks and non-financial institutions and IPOs. Particularly, volume of syndicated loans, raised by Ukrainian borrowers in 2007, was three times as big as volume of loans for the previous period. (Figure 3).

Figure 3. Syndicated loans made available for Ukrainian borrowers by foreign banks



Source: Cbonds

Institutional ties with EU financial markets were strengthening. For example, in October, Ukraine signed an agreement with Wiener Borse (Austria), according to which the parties shall undertake joint studies and promote development of derivative securities market in Ukraine.

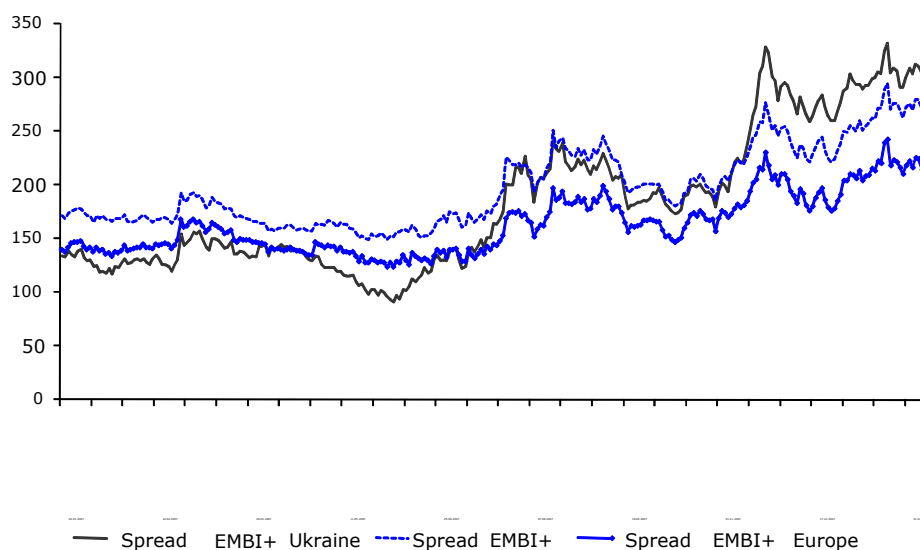
In 2007, not only Ukraine raised unprecedented volume of investment, it also drastically increased its own investment abroad. According to State Statistics Committee, this year FDI from Ukraine into other economies grew almost 26 times, virtually from zero (0.24 Bn USD as of 01.01.2007) to 6.20 Bn USD at the end of year, first of all, due to investments in securities.

Virtually all growth was directed to Cyprus, which, as an offshore zone, is a convenient ground for further investments into other countries of the world, specifically, EU.

Key financial risks of 2007 included the global financial crisis, caused by the collapse of the US market of mortgage loans and mortgage-backed securities⁴⁸. However, this time, this crisis did not affect Ukraine much. According to NBU, in the III quarter of 2007 – the first quarter of the crisis – Ukraine received a record inflow of foreign capital, both in the form of FDI and borrowings, although portfolio investment did decrease.

In quarter four, the inflow slowed down a bit, although remained high all the same. According to the monetary review for 2007, published by NBU, active balance of the financial account of payment balance for 11 months of 2007 amounted 13.6 Bn USD, which is three times bigger than the respective value for 2006, despite growing assessment of risk for Ukraine, which was expressed in the increase of spreads EMBI+ (Figure 4).

Figure 4. Increase in the value of risk in Ukraine (spread EMBI+)



Source: Cbonds

Therefore, in 2007 Ukraine significantly boosted integration into European financial markets, being fortunate, like most emerging economies, to remain largely immune to financial crises.

⁴⁸ R.Djucci, R.Kirkhner, V.Movchan, V.Kravchuk “Global Financial Crisis: Risks and Recommendations for Ukraine”. Advisory paper W13 Institute of Economic Research and Political Consultations.

Trade regime. In 2007, the trade regime in goods with EU underwent no substantial changes. According to Partnership and Cooperation Agreement⁴⁹, Ukraine enjoyed “the most favored nation treatment” in trade with EU and treated EU equally favorably. However, a considerable part of Ukrainian export to EU received additional preferences under the EU Generalized System of Preferences (GSP)⁵⁰. This actually means setting zero customs duty on “EU non-sensitive” goods, for example, a part of goods of chemical industry, articles made of stone or plaster, goods made of black metals, air navigation or space apparatus, etc.; and reduced import duties on “sensitive” goods⁵¹. As a result, EU import duties for most Ukrainian goods were generally quite low and smaller than respective Ukrainian duties.

In a situation of relatively low tariff limitations, the other component of the trade regime comes to the fore. We are talking about non-tariff limitations, i.e. quantitative restrictions, anti-dumping and special measures and investigations, as well as issues of technical regulation, sanitary, phytosanitary and veterinary control, customs clearance procedures etc.

One of the most significant trade limitations between Ukraine and EU in 2007 were quotas for imports of steel products from Ukraine. According to the Ministry of economy, for 11 months 2007, Ukrainian exporters took up almost 89% of the overall annual quota, despite signature of the new agreement only in the middle of the year, while in 2006 this quota was used by 98%.

In 2007, Ukraine and EU signed a new agreement “On Trade of Certain Steel Products”, which replaced the agreement of 2005, and which will regulate exports of steel products to EU until Ukraine’s entry into WTO. This new agreement establishes a higher quota for export of certain types of steel products from Ukraine to EU up to 1.32 mln. Tons per year, which is a 20% increase, and a reduced list of goods subject to quota. Increase of quotas was driven by EU expansion after entry of Bulgaria and Romania, and incremental growth of demand for steel products in Europe.

In 2007, Ukraine continued regulating grain exports. Quotas for grain exports were established in October 2006⁵² until the year end, to resist drastic rise in prices for grain and related

⁴⁹ The Agreement on Partnership and Cooperation signed on June 16, 1994 between the European Union and Ukraine

⁵⁰ GSP implies additional preferences for the least developed countries and countries subject to agreements on stimulation of sustainable development and effective public governance.

⁵¹ Council Regulation (EU) No 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences

⁵² Resolution of the Cabinet of Ministers of Ukraine # 1418 “On Introduction of Changes to the Resolution of CMU of December 30, 2005 N 1304 and recognizing invalid the CMU Resolution of September 28, 2006 # 1364 of October 11, 2006

goods inside the country, and later on extended for the entire 2006/2007 marketing year⁵³. In February 2007, quotas were alleviated for barley and corn, in May – for wheat, while quotas for exports of rye remained in effect until the end of June 2007. Poor harvest of grain crops in 2007 called for reinstatement of quotas as early as in July⁵⁴. In September, decision was made to quota exports of grain harvest of 2007/2008 marketing year on the level of 1.2 mln. Tons⁵⁵. In 2007, no distribution of quotas happened. As was proven above, this negatively affected grain exports to EU.

In 2007 certain progress in the reduction of problems in non-tariff regulation in Ukraine may be noted⁵⁶. For example, in early 2007, they approved an order which approve the list of products, compliance of which may be confirmed by the Declaration of Conformity⁵⁷. Also, under way was the harmonization of national standards with international and European ones: in 2007, 76% adopted standards were conformant with international rules and norms⁵⁸.

However, the problem of Ukrainian goods' incompliance with European technical regulations and standards remains outstanding, which greatly complicates exports to EU, primarily of food stuffs and agricultural commodities. As part of fulfillment of Ukraine-EU Action plan, in 2006 they began preparations to Ukraine's joining the Agreement on Compliance Assessment and Acceptability of industrial goods (ACAA). However, the joining will not happen earlier than 2011. Ukraine failed to introduce assessment of product conformity on the basis of mandatory technical regulations and voluntary standards, which should replace the current system of mandatory certification in accordance with obligations to WTO. And this is just a fraction of the set of issues that need to be urgently addressed.

⁵³ Resolution of the Cabinet of Ministers of December 8, 2006 # 1701 "On Approval of Volumes of Quotas for Certain Types of Agricultural Output, export of which is Subject to Licensing until June 30, 2007, and the Procedure of License Issuance"

⁵⁴ CMU Resolution of June 20, 2007 N 844 "On Introducing Changes and Amendments to the CMU Resolution of December 29, 2006 N 1852"

⁵⁵ Resolution of the Cabinet of Ministers of September 26, 2007 # 1179 "On Approval of Volumes of Quotas for Certain Types of Agricultural Output, export of which is Subject to Licensing until March 31, 2008, and the Procedure of License Issuance"

⁵⁶ A.Kobylyanska, V.Movchan, Y.Polyetayeva, N.Sysenko. Economic integration and cooperation of Ukraine and EU: results of first half-year 2007 // International Review. Monitoring of Ukraine-EU relations: results of the first half-year. – №2, 2007.

⁵⁷ Order of the State Committee of Ukraine on Issues of Technical Regulation and Consumer Policy (Derzhspozhyvstandard) of 29.01.07 # 6 "On Approval of the List of Products, conformity of which must be confirmed with the declaration of conformity"

⁵⁸ State Committee of Ukraine on Issues of Technical Regulation and Consumer Policy (Derzhspozhyvstandard) 'Information Analytical Material upon results of activities in the area of standardization in 2007'. - http://www.dssu.gov.ua/document/108534/standart_2007.doc

One more important component of the trade regime between Ukraine and EU were anti-dumping and special measures. In 2007, EU did not initiate new investigations against Ukraine. The anti-dumping investigation against ironing boards from Ukraine, launched in 2006, ended up with introduction of 9.9% added-value duty until 2012. Also, measures on import of nitrate ammonia were prolonged to 2009. At the same time, measures were terminated against urea, and without introduction of any measures, investigation was finished against pantaeritritol and silikonmanganese. Overall, as of the end of 2007 EU was running nine anti-dumping measures with regard to Ukrainian products (Table 5).

Table 5. Anti-dumping measures imposed by EU against Ukraine in effect in 2007

Product	Tentative date of termination	Duty	Type
Welded pipes	2007	30,9-44,1%	Revision at the end of termination of validity
Seamless pipes	2011	12,3-25,1%	Final measures
Steel cables and ropes	2010	51,8%	Final measures
Mixture of nitrate ammonia and urea	2011	27,17 Euro/t	Continued measures
Nitrate ammonia	2009	29,26-33,25 Euro/t	Final measures
Ironing boards	2012	9,9%	Final measures
Urea	2007	8,85-16,84 Euro/t	Cancelled
Carbamide dry	2007	8,85-16,84 Euro/t	Revision at the end of termination of validity

Source: <http://trade.ec.europa.eu/doclib/html/113191.htm>

Neither did Ukraine launch new anti-dumping investigations against products with origin from EU in 2007, although two new special investigations, launched in autumn 2007 will concern partially EU countries, as investigations are taking place “irrespective of the country of origin”.

Also, as of end 2007, three anti-dumping measures were in effect against certain EU countries; moreover, EU countries were subject to six special measures, three of which were introduced in 2007 (regarding knitted sheets, wool fabric and gas discharge lamps). Effect of another two special measures expired in 2007 (Table 6).

Table 6. Anti-dumping and special measures taken by Ukraine against EU in 2007

Type of measure	Commodity	Country of origin	Dates	Effective measures
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Type of measure	Commodity	Country of origin	Dates	Effective measures
A3	Fiber boards	Poland	2004-2009	17,9-20,31%
A3	Wood particle boards (WPB)	Poland, Slovak Republic	2005-2010	11,7-25,1%.
A3	Screw Compressor Plants	Belarus, Italy, Belgium, Finland	2005-2010	28,52-29%
C3	Sponge cakes	Global	2003-2007	18,3 %, however no less than 0.3 Euro /kg of produce, with price no higher than 1.55 USD /kg
C3	Abrasive tools	Global	2005-2009	45,31%, however, no less than 0.51 Euro/kg for products, with price no higher than 2.34 USD /kg.
C3	Ruberoid	Global	2005-2009	38%
C3	Alamo-CMC	Global	2006-2007	18.82%, however, no less than 0.133 Euro/kg for products with price no higher than 1.08 USD/kg.
C3	Knitted sheets	Global	2007-2010	Special duty. Minimum price 2.78 USD /kg
C3	Wool fabrics	Global	2007-2010	Special duty. Minimum price 0.57 USD /sq.m
C3	Gas discharge Incandescent lamps	Global	2007-2010	Special duty. Minimum price 0.481 USD / unit.
C3	Ball bearing	Global	2006-2009	5.73%, but no less than 0.13 Euro/kg for products with price no higher than 2.95 USD /kg.

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

Note: A3 – anti-dumping measures, C3 – special measures

Summarizing mentioned above, Ukraine obviously had no preferences regarding entry to EU market. However, relatively new tariff barriers, existing in this market, meant that the non-tariff limitations played the key role in regulation of trade flows.

Joint programs in Transport and Energy⁵⁹

Ukraine-EU cooperation in the area of transport, communication and energy in 2007 took place within the framework of earlier signed agreements and basic arrangements. Main directions of cooperation included implementation of twinning projects and physical development of infrastructure with participation of European financial institutions.

⁵⁹ The Chapter is prepared based on studies by A. Kobylanska, V.Movchan, Y.Polyetayeva, N.Sysenko. Economic Integration and Cooperation of Ukraine and EU: results of first half-year 2007. // International Review. Monitoring of relationship Ukraine –EU: results of first half-year – №2, 2007 and A. Kobylanska, V.Movchan, Y.Polyetayeva, N.Sysenko. Economic Integration and Cooperation of Ukraine and EU: results of second half-year 2007. // International Review. Monitoring of Ukraine-EU relations: results of second half-year. – №4, 2007

Particularly, two first twinning projects were launched in 2007: “Harmonization of Legal Procedures and Ensuring their Fulfillment in Aviation Sector”, and “National Commission on Energy Market – enhancement of regulatory and legal component in the regulation of energy sector”. In addition, decision was made to launch other two projects: “Support to formation and implementation of the policy in transport sector”, and “Assistance in Raising Security of Cargo Transportation and Motor vehicles in Ukraine”. Also, a few projects were launched aimed at the development of Ukrainian infrastructure, which would be partially financed by EBRD. These include: a project sponsored by National Energy Company “Ukrenergo”: construction of an air high-voltage line 750 kW Rivne atomic power plant –Kyiv”, projects on reconstruction of electricity grid of “Krymenergo”, a project to raise energy efficiency in Cherkassy, a project on development of infrastructure of Illychivsk Sea Trade Port, a project of renovation of M-06 Kyiv-Brody road, which is a part of III Pan-European transport corridor linking the Ukrainian capital with Hungary, Slovak Republic and Poland, and a project OISIW, implying investment into the development of communication sector in Ukraine.

In early 2007, the managing committee of the Union for the coordination of transmission of electricity (UCTE) set up a project team for integration of the Ukrainian and Moldovan energy system into Europe’s energy system. The goal of the team is to prepare a catalogue of actions to facilitate entry of both countries to UCTE. Implementation of TACIS-funded INOGATE program was also underway, aiming at facilitation of regional integration of oil and gas pipelines.

Therefore, even though cooperation with EU in 2007 was not noted for qualitatively new initiatives, a number of significant infrastructure projects have been up and running, which is now extremely important to ensure sustainable economic growth of the country.

Issues of migration

In 2007 Ukraine made significant progress in regulation of issues of migration flows. Particularly, that year it had signed and ratified by EU “Agreement between Ukraine and EU on readmission of individuals”. This agreement contains obligations of Ukraine and EU countries regarding readmission of individuals (citizens of co-signing countries) to the territory of the country, from which they departed, if such individuals fail to meet requirements regarding entry to the territory of the country, or ceased meeting these requirements, or if such individuals lost

citizenship of the country they departed from and haven't acquired citizenship of the country of arrival.

Similar Agreement on readmission at the end of 2006 was signed with the Russian Federation, and at present, these two agreements are mutually complimentary which enables to create conditions for effective struggle with flows of illegal migration. These agreements enable to shape a chain, along which illegal migrants can be passed from the country where they were uncovered to the country of origin without a long sojourn in Ukraine.

To secure fulfillment of the Agreement, the EU undertook to allocate funds for setting up in Ukraine of centers for keeping illegal immigrants, which would be sent back to the territory of country under the agreement on readmission. Financing of these centers in 2007 reached 10 mln.Euro, of the overall 30 mil. Euro, benchmarked for the whole period of funding.

Simultaneously with signature of Agreement on Readmission, Ukraine and EU signed and ratified another important agreement on simplification of visa regime. This document provides for certain streamlining of the procedure of obtaining visas by Ukrainian citizens planning to stay in EU no longer than 90 days in the 180-day period. Thus, the Agreement clearly sets categories of citizens exempt from fee for visa (students, schoolchildren, post-graduates and teachers, participants of international sports events, drivers, retired people and other). Term of visa consideration is limited to 10 days, and the cost of visa is 35 Euro. Agreement also states category of citizens entitled to 5-year visas, including: journalists, members of official delegations, Ukrainian citizens' relatives that have right to reside on the territory of Ukraine, officials of central and local government bodies, businesspeople etc.

Signature of the Agreement was particularly important on the eve of joining the Schengen zone by most Central and Eastern European countries, which became EU members in 2006. These countries are Ukraine's nearest European neighbors, with whom it has traditionally had close economic ties.

One of the most important steps of Ukrainian government in 2007 in terms of cooperation with EU was the ratification of the European Convention on the Legal Status of Migrant Workers. Articles of the convention directly oblige countries-participants to guarantee that migrant workers and members of their families are treated no less favourably than the nationals of the receiving State, in terms of travel and conditions of work, recruitment, termination of employment, terms of

pay, use of services of local employment agencies, and not hinder family reunion, freedom of religion, professional training, returning home, and create conditions transfer of savings.

One of the most interesting points in the agreement is that migrants should be given exhaustive information on his/her future residence in the country, provided with high-quality housing; migrant's children should have possibility to study in the native language; migrants' knowledge and skills should be recognized in the procedure established by bilateral and multilateral agreements, and, if needed, they should be assisted in retraining, and given work conditions no worse not only under legislation, but also under customs, and provided aid in case of accidents in the work place. All these must help protect Ukrainian citizens from labor slavery, which has been in place until now.

Ratification of the conventions should generally help to promote rights of Ukrainian migrants in EU, however, only if they are officially employed. Although, given the largely seasonal nature of employment of the most Ukrainian migrant-workers in EU, to which the Convention shall not apply, ratification of the Agreement will not be able to resolve all problems with movement of workers between Ukraine and EU.

Overall, in 2007, we saw considerable improvement of the legal regulation of issues of migration, particularly, labor migration, which is important for the protection of rights and interests of Ukrainian citizens abroad.

Conclusions

Despite internal and external shocks experienced by Ukraine and EU in 2007, economic ties between the countries kept strengthening. The parties preserved high growth of trade with goods, moreover, high internal demand in Ukraine caused continued dominance of import growth rates, which more than doubled export growth rates. Machinery and equipment represented almost half of imports from EU. Likewise in the past years, means of non-tariff regulation were the key obstacle in the external trade with goods.

An important sign in 2007 was tremendous strengthening of financial ties between the countries. Particularly, EU countries' banks acquired seven Ukrainian banks in one last year, while in 2005-2006 Europeans purchased only six banks. This enabled to drastically increase volumes of

borrowings inflowing into Ukraine, since parent banks actively financed their Ukrainian subsidiaries. Also, for the first time inflow and outflow of private capital in Ukraine became commensurate, with significant flows of capital coming from and going to Cyprus. The global financial crisis in 2007 had very limited impact on Ukraine, likewise to most other countries with emerging economies.

An important accomplishment of 2007 was signature and ratification of Agreements on readmission and simplification of visa regime with EU, as well as the Convention on the legal status of migrant-employees. Improved legal regulation of issues of migration, specifically, of labor migration, is key to ensure protection of rights and interests of Ukrainian citizens abroad.

Summarizing mentioned above, it is important to stress, that despite important accomplishments and generally high growth of economic indicators of cooperation, role of Ukraine as an economic partner of EU remained smaller than potentially possible. We are hopeful that Ukraine's accession to WTO will become the incentive which would help to boost economic ties between Ukraine and European Union.

CHAPTER IV
ECONOMIC DIMENSION OF THE FOREIGN POLICY OF
UKRAINE

§1. ECONOMIC INTERESTS AND PRIORITIES IN THE FOREIGN POLICY OF UKRAINE.

It would be meaningless to look at the economic development of any country today outside the context of globalization process, which brings about both challenges and opportunities for social and economic development. Unfortunately, the scale and level of discussion with regard to these problems in Ukraine is so far clearly insufficient, especially when it comes to adequate recognition of the nature and complexity of those barriers that limit a national economic growth within the global economic context. Even now it is clear that overcoming such barriers should become the central vector of economic strategy of the state in order to really reduce Ukraine's arrears from the developed countries.

Despite different assessments of the dynamics and depth of political and economic transformations that took place in Ukraine after the declaration of independence, one can say that overall Ukraine has built a market-driven economic system which is rapidly integrating into the global economy. Therefore, it is impossible to adopt adequate political decisions without a clear understanding of how the national economy should respond to certain impacts of globalization. Clearly, the nature and mechanisms of globalization and its impact on growth of the national economy are rather complicated and multidimensional. However, among the whole diversity of economic and political problems it is possible to detect those problems which cannot be ignored.

The base point of any discussions regarding the development and implementation of overall economic policy and implementation of concrete steps in specific areas must be the recognition of the fact that the fast increase of international openness of the economy and society as a whole should become the fundamental feature of the current and future social and economic development of Ukraine. In purely practical sense that would mean that irrespective of the will of specific political forces or groups with special economic interests the internal social and economic dynamics of Ukraine will be ever more subject to the impacts of international economic and political processes. Since these processes take place outside Ukraine, the state is unable to significantly neutralize these impacts.

This situation already requires from Ukraine to reconsider the essence of its foreign policy so that it could more fully reflect Ukraine's national economic interests. That actually means

support of the foreign policy in the implementation of the national economic interests. On the other hand, Ukraine must really take an integrated approach to elaboration and implementation of such important component of national economic policy as the integral foreign policy.

Economization of Foreign Policy Interests of Ukraine

The goals of foreign economic policy may not differ from the goals of economic policy as a whole. In general terms it comes to securing economic growth, macroeconomic stability, employment, and effective social protection system. In this regard it should be clearly understood that in a mutually related world the implementation of national goals is impossible if global economy fails to function effectively. In practice this means that national foreign economic policy must seriously take into consideration both international consequences of the respective steps in the domestic policy and those opportunities and restrictions which are predetermined by the contemporary global economic processes.⁶⁰

Obviously, these statements also refer to foreign policy, since in the long run foreign policy (as a specialized area of the activity of the state) also secures the implementation of national interests (including economic interests) through the use of specific instruments and mechanisms. Therefore, under conditions of rapid globalization, the foreign policy – although preserving its “traditional essence” - becomes ever more “economy oriented”. Along with that the foreign economic policy, which role in providing the social and economic development of the country grows all the time, is also developing; meanwhile the process of developing and implementing such policy becomes increasingly more complicated.

The dynamic development of the global economy during 2007 the dynamic development of the world economy and complication of the world economy links posed absolutely concrete challenges in front of each country-member of the world community.

First, it is the **intellectual challenge**. It means to determine, to what extent the political and business circles of a country are able to correctly understand the deep contents and dynamics of the modern world economic processes and adequately respond to the new realities with the available

⁶⁰ C. Fred Bergsten. A New Foreign Economic Policy for the United States. // in “The United States and World Economy: Foreign Economic Policy for the Next Decade”. Edited by C. Fred Bergsten, Institute for International Economics, 2005, p 15.

means. In a purely practical sense the point is in adequate understanding by the Ukrainian authorities and Ukrainian business circles of the situation in the world economy both in respect to the qualitative processes and in respect to the changes of the regulatory aspects of the individual markets functioning. It is obvious that the internal conditions of development and implementation of the foreign policy in wide sense of the word are finally determined by the manner in which certain political and social groups perceive influences of the world economy on key economic parameters.⁶¹

Second, it is a **challenge to politicians**, since it is their reaction in the form of implementing or non-implementing these or those steps in the economic policy which will produce absolutely tangible outcomes for the social and economic development of the country.

Given that the globalization processes are unfolding dynamically in various political spheres the Ukrainian government officials must understand that today the economic policy must be developed and implemented in view of certain international restrictions and Ukraine has to take them into consideration.

Third, the modern world economic processes in macroeconomic and industry-wise dimensions pose a whole range of **challenges to producers**. In the most general sense the point is in the strengthening of competition and certain transformation of its nature and instruments.

Fourth, it is clear that the global economic processes also create **challenges to consumers**, as nowadays the volatility of the world markets prices in many cases produces almost immediate direct or indirect impact on the national prices, and accordingly impact the wellbeing of the different groups of population of Ukraine. It is logical, that the reaction to these challenges results in completely concrete political and social demands, which the citizens present to the politicians and state.

It should be added, that all these challenges are interrelated and therefore the adequate response to them from the side of the state as an institute requires an integrated approach.

In principle, nowadays all countries as the world community members face more or less similar global problems although the order of the problems' importance and their concrete contents depend on the level of social and economic development of each country and its place in the system of the global economic relations. In opinion of experts from the Brookings Institute the problems of **energy supply and environmental protection** are ranked first among the top ten

⁶¹ Ibidem.

economic challenges to the present. Politicians reached consensus regarding negative consequence of the interrupted supply of energy and environmental problems. At the same time, high prices for oil and other energy carriers influence different countries differently and that is why some of them try hard to find adequate responses to these challenges while the others take a relatively passive position.⁶²

In general, it wouldn't be an exaggeration to make a conclusion that the price increase for energy carriers (first of all oil and gas) has an irreversible character. It is obvious that nowadays a new stage in the development of the world economy began when the price for energy carriers had reached a qualitatively new level. In addition, the competition for other types of resources such as iron ore and etc. is getting stronger, too. It requires deep structural adaptation of the national economy of Ukraine to the new international economic realities.

As for Ukraine, unfortunately today it lacks a strategic vision of the energy-related problems. The point is that there is no real energy strategy of the national level, which would be able to give a clear answer to the question: how energy services will be provided in the medium term and long term run. It is clear, that it's important to give answer to such fundamental issues as, for example, on what terms and to what limit the private sector companies can directly access the energy production sector (hydro- and nuclear power plants), what should be the strategy of further development of gas transporting system (exclusively by national efforts, by means of creation of private-public partnerships, return to the idea of the international consortium, etc.).

It is clear that another, not less important, component of the effective response to the energy-related challenge must be an effective policy of increasing energy efficiency.

It is obvious that ensuring Ukraine's energy security would be impossible without finding the respective mechanisms of international cooperation both at bilateral and at multilateral level. But it is rather difficult to determine the scale and directions of such cooperation until there is a clear and understandable response to the above mentioned fundamental issues.

The events of 2007, which took place at the energy sector of the national economy, clearly confirmed the availability of several centers of developing an "external" energy policy of Ukraine. A problem of gas trade and transportation became the most urgent problem for Ukraine in its

⁶² BROOKINGS GLOBAL ECONOMY AND DEVELOPMENT. TOP 10 GLOBAL ECONOMIC CHALLENGES AN ASSESSMENT OF GLOBAL RISKS AND PRIORITIES. FEBRUARY 2007.

economic relations with Russia in 2007. Mainly, this problem stems from non-transparent mechanisms of cooperation. The gas-related negotiations with Russia have traditionally been held separately from all other foreign economic and foreign policy activities of the state, although the results of such agreements have direct influence on the dynamics of social and economic development of Ukraine. It is clear that such isolation reduces effectiveness of the security of national and economic interests.

An example of changes taking place in the global market and requiring adequate response from Ukraine may be the dynamics of the world prices for agricultural products. Previously, low prices for agricultural products were considered a problem which required government intervention in order to assist the agricultural sector. Soaring prices for these products in 2007 posed absolutely different problems before Ukraine, which are connected with meeting the national needs for food.

In the period between 1996 and 2007, the volumes of output of the global agriculture was increasing by 2.2% annually on average, with the average annual growth rates in crops production around 2.2% and livestock farming at about 2.4%. The production of grain crops grew at 0.8% annually on average.⁶³ At the same time, the rates of growth of demand for agricultural production and foodstuff considerably exceeded the supply dynamics, which led to the essential price rise for these goods in the world markets.

Growing prices for agricultural production and foodstuff is the challenge to politicians of all countries, and their reaction to the mentioned processes will have both internal and external dimension. The above mentioned world tendency will have a considerable impact for Ukraine.

First, the price growth leads to the appearance of a “new” model of food security. Now the bargaining power of Ukraine as a country, which produces agricultural goods and food, is strengthening objectively while the countries-net-importers of foodstuff have to search for the adequate instruments to address the problem of the stable supplies to their consumers markets under the new conditions.

Second, we have to expect a new dimension in the debates on liberalization of the world trade. Obviously, growing prices for agricultural products coupled with the internal social and political factors can intensify a temptation to limit exports of agricultural production using the “consumer protection” argument. Meanwhile, these limitations have negative influence on the national producers of the goods, which export is restricted for considerations of food security. It

⁶³OECD-FAO statistics database // <http://faostat.fao.org/site/339/default.aspx?Agricultural>

means not only the loss of profits but also the loss of possibilities to use the current situation to ensure dynamic development of the agricultural sector and strengthen the positions in the respective international trade markets. These issues are extremely important for Ukraine especially in the context of starting negotiations on creating a free trade zone with the EU.

Third, new prices for the agricultural production can affect the purpose and contents of the national agrarian policy of Ukraine. We mean the revision of the government support programs for the national producers etc.

It is also important to realistically value all possible outcomes of various forms of economic cooperation, in particular of the direct foreign investments for the recipient countries.⁶⁴ Typically, the level of wages of the international companies' staff exceeds the level of wages in a host country. Productivity of labor in such companies generally exceeds the respective national indexes. At the same time, the evidence towards positive side effects is rather controversial depending on policy and regulatory environment of the host country. Also there is no concerted opinion on the influence of the direct foreign investments on economic growth rate in a recipient country, while positive influence of the direct foreign investments on export dynamics and strengthening the links of the national economy with the world economy is more obvious.⁶⁵

We can continue to list the current problems of Ukraine. Their correct identification and comprehensive analysis give a possibility to define concrete economic priorities of the country on the economic arena. At the same time we have to remember that in the wide sense the foreign policy of Ukraine cannot be as independent and self-sufficient as, for example, monetary policy of the national Bank of Ukraine. On the one hand it has to be a continuation of the national economic policy and its priorities have to be defined by the internal social and economic processes. On the other hand, foreign policy in its own economic part also must be a factor of receiving respective signals of the world market.⁶⁶

Integration into the global economic processes: challenges and priorities for Ukraine.

⁶⁴ Department of Trade and Industry (2004): *'Liberalisation and Globalisation: Maximising the Benefits of International Trade and Investment'*, DTI Economics Paper No. 10, London, July 2004.

⁶⁵ These effects have been in good detail analyzed in the paper by Robert E. Lipsey, 'Home and Host Country Effects of FDI', NBER Working Paper No. 9293, October 2002.

⁶⁶ The problems of internal and foreign links in the process of creation and realization of foreign policy are described in details in the work of James Rosenau, *Linkage Politics: Essays on the Convergence of National and International Systems*, The Free Press, New York, 1969.

Successful social and economic development of the country under the conditions of transparency of the national economy and its integration into the global economic system is impossible without understanding the challenges which come from this international environment and definition of the strategic priorities of such integration. In this sense first of all it is reasonable to identify the qualitative challenges, which a modern stage of globalization places before Ukraine, in particular:⁶⁷

First, Ukraine should adapt to the process of change in the global economy balance, which is reflected not only in the growth of the global scales but also in bigger contributions to the world production of such rapidly developing economies as China, Brazil, India etc. Generally, this process is a result of a complicated combination of the fast and large-scale technological changes and liberalization of the economic policy which leads to the expansion of the scales and sphere of international exchange.

For Ukraine it means growing competition in the global markets. Hence, there is an urgent need to place the issue of ensuring Ukraine's competitiveness in the center of the economic policy of Ukraine and recognize it the area which requires permanent actions. It is also necessary to take an active part in different kind of regional and global mechanisms of regulation of the world economy links.

On the other hand, as a statistics of 2007 shows, the economy of Ukraine has been developing rather dynamically (emerging economy). It makes our country an attractive economic partner, and, thus, arrival of the foreign investors leads to the deepening integration of the country into the world economy.

Second, it is necessary to find an adequate response to the challenges, which are connected with growth of the global activity level, which leads to increase of competition between producers and appearance of both new sources and new direction of the direct foreign investments. As a whole, this tendency promises the most positive effect to that economies and regions, which are clearly oriented towards the global markets. Such transparency brings noticeable economic benefits in the form of economic growth and higher living standards, while contributing to higher performance of the national production.

⁶⁷ The enumeration and the challenges character are formulated on the basis of the HM Treasury research conclusions. Long-term global economic challenges and opportunities for Europe, March 2005, 22-23.

As in the previous case, for Ukraine it means further integration into the world economy, including all respective consequences for the national economy and for the national economic policy. In this context Ukraine has to effectively compete with other countries for the direct foreign investments. Today the winner in the international competition is the country which can raise foreign investments and use their benefits to the fullest possible extent.

As the world experience shows, foreign investors do not need any special and considerable benefits in comparison with the national companies, but enabling regulatory climate is an important factor in their investment decision-making in addition to the rate of return.

Third, Ukraine should adequately respond to the challenge related to growth of list of goods and services that get into the sphere of international exchange and international mobility of the industrial and commercial activity, which keeps growing all the time. The point is that today production of goods and services loses its “geographical” loyalty and becomes more and more internationalized.

One of the explanations is that under the influence of rapidly developing new technologies, the production processes become more and more fragmented, what contributes to their internationalization, specialization and expansion of the international exchange. For developed countries, it means the accelerated outflow of jobs abroad, while countries like Ukraine have all chances to become production and services sites in the global supply chains in this context, and in the future take a higher positions in these chains, producing more sophisticated goods and providing services with higher added value. It is obvious that such process has direct influence on the scales and structure of employment, creates challenges for the national tax system etc.

Fourth, nowadays winners of the global competitions are countries which innovate. Obviously, Ukraine falls far behind the leading countries by indexes of innovations development and implementation, and this holds back the process of effective use of Ukrainian economic and resources potential. That is why the country should use the internal and external sources of innovations fully to overcome this technological lag from the leaders and to raise its national competitiveness. This is why, the issues of innovative development should be regarded solely in the practical plain, and the tasks of the innovative policy of Ukraine should be defined with clear understanding of the scantiness of the state funds, which can be used to support the innovations.

Fifth, Ukraine needs to reform its labor market, education system and vocational training system. Today after all, it is the human factor which plays the key role in ensuring competitiveness

of the country. In this connection it is also necessary to mention that the growth of the international mobility of labor force demands a clear policy of immigration and emigration from each country. This point is especially important to Ukraine, taking into consideration prospects of creating the free trade zone with the EU, an element of which may become the liberalization of labor force movement. Besides, it is necessary to mention that labor migration already creates social problems, which are likely to grow further.

Of course this enumeration can be continued on and on, but we'd better conclude that these and other factors objectively create *the need for the development and implementation of a multidimensional strategy of integration into the world economy*.⁶⁸ And it means that building respective capacities becomes the main area of the Government efforts.⁶⁹

During a long period of time capacity building has been considered a synonym of the creating and developing institutions. Today capacity building has a different meaning. This term symbolizes the process of building systems of links or networks, which go beyond the boundaries of individual institutions and national borders.⁷⁰

The above-mentioned trends, which we have observed during 2007, confirm that Ukraine has a double challenge: building institutes and developing respective networks. Schematically this system can look as follows (Scheme 1).

The block of cooperation between the state and the business is an important element of this scheme. Today, when we already have the main basis of the market economy a new problem appears – the problem of exact (optimal) division of the “functional” responsibility areas between the Government (state) and private business.⁷¹ In this sense, year 2007 was remarkable, because the great number of conflicts and problems, which we observed during the year, was conditioned, in particular, by the process of such division.

Table 1. The division of the spheres of economic responsibility between the state and the business.

⁶⁸ OECD/DAC report on *Capacity Development for Trade in the New Global Context* (DCD/DAC(2001)5)

⁶⁹ The term has been described in detail for the first time; See James Rosenau, *Linkage Politics: Essays on the Convergence of National and International Systems*, The Free Press, New York, 1969.

⁷⁰ Trade and Development in the New Global Context – The Capacity Dimension. OECD Policy Brief. OECD 2001, p. 4 (www.oecd.org/publications/Pol_brief/).

⁷¹ We used a method proposed in the work Asian Development Outlook 2003. Competitiveness in Developing Asia. Taking Advantage of the Trade and Development in the New Global Context – The Capacity Dimension. OECD Policy Brief. OECD 2001, p. 4 (www.oecd.org/publications/Pol_brief/).

⁷¹ We used a method proposed in the Globalization, Technology, and Competition, pp. 224-236.

Sphere	Functions of the state and business	Forms of cooperation	Risks
Sphere of the exclusive responsibility of the state	The state: respective macroeconomic and regulatory environment, protection of competition, creating and developing market institutions, etc. Business: absolute adherence to law (rules of the game)	Cooperation between the state (Government) and different kind of communities (associations) of entrepreneurs Purpose: to improve business environment	State favoritism towards individual companies, etc. Identification of the purposes of the individual sectors and business groups to the state interests Uncivilized lobbyism (corruption), where the extreme case would be the state capture
Sphere of the business' exclusive responsibility	State: mediated assistance Business: production and commercial activity	State aid to the sectors and manufactures Protection Assistance to the national business in entering foreign markets and assistance to foreign investors in entering the national market.	Unfair competition Ineffective use of the budget Disruption of structural reforms (saving strategically unviable facilities and enterprises) Corruption
Sphere of mutual responsibility of the state and business	Education (vocational training) Science Physical Infrastructure	State and private investments into the development of different kinds and forms of education, science and physical infrastructure State-private partnerships in the infrastructural sphere	Incorrectly chosen priorities of education and science development Stoppage of the infrastructure development Ineffective use of the state funds Corruption

Note: Asian Development Outlook 2003. Competitiveness in Developing Asia. Taking Advantage of Globalization, Technology, and Competition, pp. 224-236.

Theoretically we can talk about three functional spheres of responsibility. First, it is the sphere of exclusive responsibility of the state. The state should take care of the enabling macroeconomic and regulatory environment, protection of competition and preventing noncompetitive activity, etc. In this sphere the private business has to adhere to the respective laws and develop its own production and commercial policy, following the market conditions first of all.

Second, it is the sphere of the exclusive responsibility of the private business. We talk about the production and commercial activity of companies and economic responsibility for the results of such activity. Here the state can guarantee definite assistance to individual sectors and spheres. But the main form of the relations should be various forms of assistance to businesses.

Third, it is the sphere of mutual responsibility of the state and business. In this case we talk about the development of education, science and infrastructure. After all the development of

namely these spheres is directly determined by the investments of the state and business. Namely here the state and business can join their efforts fully and achieve essential synergy. (See Table 1). It is obvious that such functional division also means cost-sharing to ensure implementation of the respective tasks.

Nowadays the foreign economic policy has also to provide the so called institutional integration of the state into the world economy by means of joining by Ukraine the respective international regulatory systems. Obviously, in the institutional context the integration of Ukraine into the world economy is realized by two main ways: a) by means of entering international economic organizations: b) through the incorporation of the internationally recognized standards and rules of regulation of manufacturing and commercial activity on the level of individual enterprises and technical regulations procedures at the macro level.

Conclusions

Analysis of trends dominating in the world economy in 2007 demonstrates that the key trends became the following:

- rapid increase of prices for energy resources (first of all oil and gas), which has irreversible character;
- rising prices for agricultural and food production;
- dynamic change of the balance of the global economic activity, which increases the competition in the global market;
- production of the goods and services loses the “geographic” loyalty and internationalizes more, creating favorable conditions for the direct foreign investments and innovations.

Ukraine integrates into the world economy quite quickly, and it is impossible to make adequate political decisions without clear understanding of the reactions of the national economy to various effects of globalization. These global trends may have dubious effects on Ukraine. They can be either a challenge or an advantage, depending on the correctness of definition of the strategic priorities. Thus, the process of globalization requires a systemic approach to the development and implementation of the national foreign economic policy with clearly defined priorities.

1. Increasing competition for energy carriers and other kinds of resources demands deep structural adaptation of the national economy of Ukraine to the new international realities. Unfortunately, today there is no strategic view of the energy problem in the country. It is necessary to develop and implement a contemporary energy strategy, which will enable to fully guarantee energy security of the country.

2. Rising prices for agricultural and food products objectively strengthen Ukraine's position in the international division of labor. However, higher prices for agricultural products coupled with internal social and political factors can boost a temptation to limit exports which may affect national producers. Therefore, this trend has to find its reflection in revised goals and contents of the national agricultural policy of Ukraine.

3. Given growing competition in the world markets, Ukraine has to adapt to the process of the change of balance of the global economic activity. In this context Ukraine has to effectively compete for FDI with other countries. Today, the winner of the international competition is the country, which is able to attract the FDI and use their results to the fullest extent.

4. Ukraine has to fully use the internal and external sources of innovations to overcome the technological lag from the leaders and to increase the national competitiveness.

5. In conditions of internationalization of goods and services, Ukraine has all chances to become production and services site in the global supply chains, and in the future take higher positions in these chains, producing more sophisticated goods and providing services with higher added value. It is obvious that such process has direct influence on the scales and structure of employment, creates challenges for the national tax system etc.

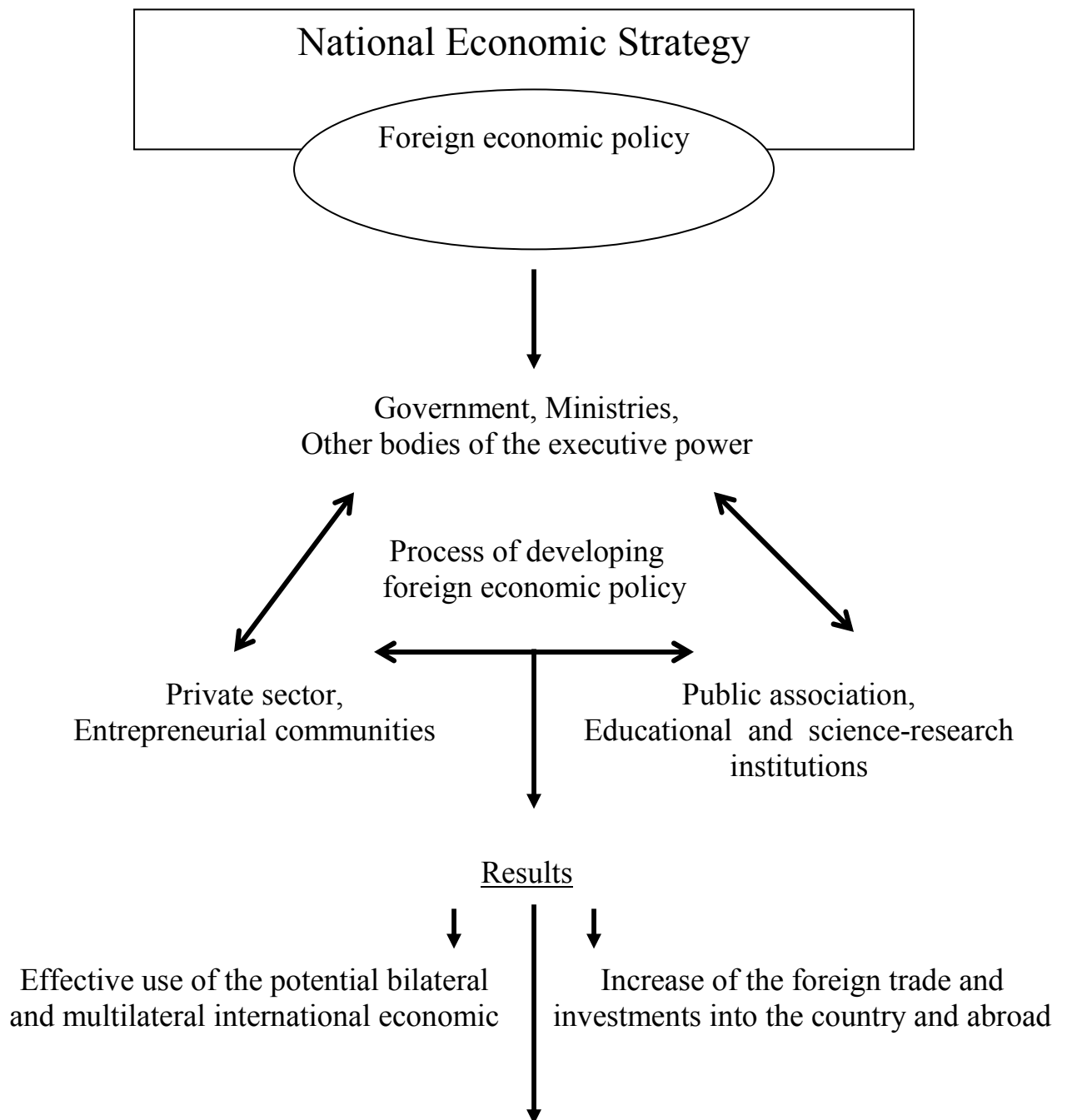
6. Ukraine needs to reform its labor market, system of education and vocational training. Today it is the human factor which plays the key role in guaranteeing the competitiveness of the country.

7. The institutional mechanism of the foreign economic policy of Ukraine should be essentially improved. It has to become integral and effective.

8. The process of engagement of the groups with special interests into decisions making in various spheres of economic policy gets more qualitative meaning. In this sense dialogue with business gets more principle meaning in general and in the foreign economic area particularly.

9. The Ukrainian system of public administration has to be radically modernized in accordance with the generally adopted standards of public administration. The state mechanism is characterized with almost total lack of the strategic view of the future stages of the development of the country and its individual regions. Besides, Ukrainian state machine is characterized by the absence of real mechanisms of implementing proclaimed strategic aims and priorities of the state policy, what reduces to zero the state efforts to reach the set goals.

Scheme 1. The national economic strategy and foreign economic policy: basic links.



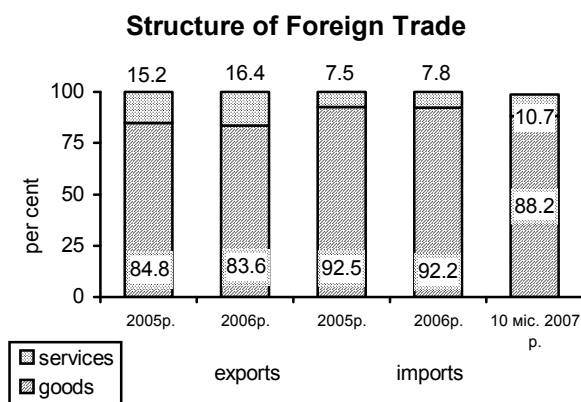
institutions and mechanisms

Timely and effective adjustment of the national economic strategy according to the character and dynamics of the key world economy trends

Source: The scheme developed on the basis of the view, proposed in the work Trade and Development in the New Global Context – The Capacity Dimension. OECD Policy Brief. OECD 2001, p. 5 (www.oecd.org/publications/Pol_brief/).

§2. UKRAINE IN THE INTERNATIONAL ECONOMIC COOPERATION

Ukraine has been expanding its international trade and economic cooperation with other countries in 2007. Overall, Ukraine was doing foreign trade with goods with 200 countries of the world.



Between January and October, 2007, main indicators of foreign trade demonstrated much faster growth than in the period between January to October last year.

Dynamics of volumes, structure and geography of foreign trade turnover of Ukraine

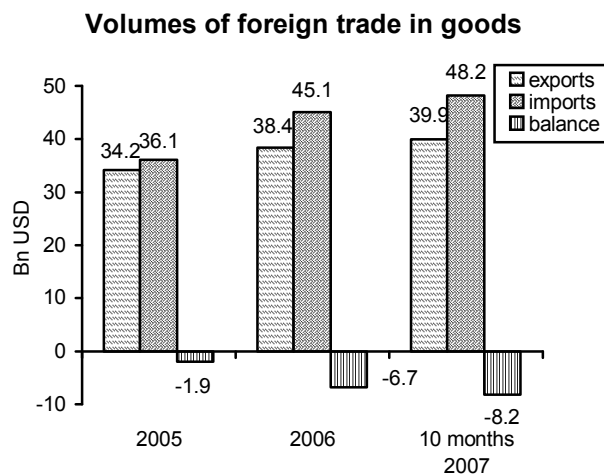
Foreign trade turnover (goods and services) in the period between January and October 2007 amounted to 98,967,800,000 USD and increased by 28.8% (by 22,141,400,000 USD) in comparison with January-October, 2006.

Balance of trade (goods and services) in this period was negative in the amount of 4,906,400,000 USD and significantly grew compared to the previous period: in January-October, 2006 it was negative and amounted to 1,729,000,000 USD.

The balance of trade in goods was negative in the amount of 8,220,200,000 USD. In the period between January-October, 2006 it was also negative and amounted to 4,885,700,000 USD. Meanwhile, foreign trade turnover in trade of goods grew by 30.3%, export increased by 24.7% and imports – by 32.9%.

Export supplies were performed by nearly 13.5 thousand participants of foreign economic activity of various forms of ownership. Of these, 12.8 thousand participants were privately owned firms, with the value of supplies accounting for almost 92.6% of the total volume of exports, 0.7 thousand with, respectively, 7.3% were in state ownership.

Import supplies of goods were done by almost 24.5 thousand of participants of foreign economic activity, of these nearly 23.8 thousand were privately owned firms, contributing nearly 83.6% to the overall volume of imports, while 0.5 thousand and, respectively, 16.3% were state – owned firms, and 0.2 thousand with 0.1% were communal entities.



Volumes of exports of goods and services in the period between January and October 2007 reached 47,030,700,000 USD and increased compared to January-October, 2006 by 25.3% (by 9,482,000,000 USD).

Exports of goods in January-October, 2007, grew by 8,595,100,000 USD and reached 39,998,700,000 USD. Growth of exports of goods between January and October, 2007, was primarily driven by increase of exports of the following goods:

- Base metals and articles made of these – 1.3 times (by 3,693,200,000 USD), of these:
 - black metals – 1.3 times (by 2,986,200,000 USD)
 - articles made of black metals – 1.3 times (by 583,500,000 USD).
- Products of machine-building industry -1.5 times or by 2,334,000,000 USD, of these:
 - transportation vehicles and road equipment – 1.6 times (by 1,023,200,000 USD);

- electric machines and equipment – 1.7 times (by 722,000,000 USD).
 - Agribusiness products and food stuffs – by 26.4% (by 1,029,900,000 USD), including:
 - seeds and fruit of oil-bearing crops – 2.4 times (by 305,700,000 USD);
 - milk and dairy products, eggs, honey – 1.7 times (by 211,500,000 USD);
 - vegetable oils and animal fats – 1.6 times (by 460,300,000 USD).
 - Output of chemical and allied industries – by 17.5% (by 604,300,000 USD), of these:
 - organic chemical compounds – by 16.8% (by 86,500,000 USD);
 - fertilizers – by 27.7% (by 225,400,000 USD).
- essential oils, cosmetic preparations – 2.2 times (by 51,500,000 USD);
 - Output of light industry – by 13.8% (by 152,000,000 USD);
 - Mineral products – by 8.2% (by 272,500,000 USD);
 - Wood, paper mass and articles made of these – 1.4 times (by 343,700,000 USD).

The biggest portion in Ukrainian exports is represented by products of steel industry (42.8%), machine-building industry (16.7%), agribusiness output and food products (12.3%), output of chemical industry (10.2%), and mineral products (9%).

Increase of exports of goods took place in the following geographical directions:

- Countries of Europe – by 17.8%;
- Countries of Asia – by 19.5%;
- Countries of Africa – by 16.9%;
- Australia and Oceania – by 10.4%;
- Countries of America – by 0.8%.

Main trade partners in exports of goods between January and October 2007 included:

Country name	Volume of exports of goods (mln. USD)	Rates of growth (decrease) January-October 2007 vs. January-October 2006, %	Share in the overall exports of goods, %
1. Russian Federation	10315,4	149,7	25,8
2. Turkey	2950,0	148,0	7,4

Country name	Volume of exports of goods (mln. USD)	Rates of growth (decrease) January-October 2007 vs. January-October 2006, %	Share in the overall exports of goods, %
3. Italy	2213,0	109,0	5,5
4. Germany	1364,5	132,4	3,4
5. Poland	1354,3	123,2	3,4
6. Belarus	1266,0	129,7	3,2
7. Kazakhstan	1177,7	175,8	2,9
8. Hungary	985,9	126,6	2,5
9. USA	886,1	86,7	2,2
10. Egypt	727,9	116,2	1,8

Volume of imports of goods and services grew compared to January-October, 2006 by 12,659,400,000 USD and reached 51,937,100,000 USD.

In January-October 2007, imports of goods amounted to 48,218,900,000 USD, with the 32.9% increase vis-à-vis January-October of the previous year.

Increase in the imports of goods in January-October, 2007 was due to bigger revenues from:

- Mineral products – by 24% (by 2,711,300,000 USD), of these:
 - energy materials; oil and products of refining – by 22% (by 2,340,400,000 USD).
- Products of machine-building industry – 1.4 times (by 4,661,300,000 USD) of these:
 - transportation vehicles and road equipment – 1.6 times (by 2,312,300,000 USD);
 - boilers, machines and mechanical apparatuses – 1.5 times (by 1,882,700,000 USD).
- Output of chemical and allied industries – 1.4 times (by 1,841,100,000 USD), including:
 - pharmaceuticals – 1.4 times (by 423,900,000 USD);
 - products of inorganic chemistry – 1.4 times (by 64,500,000 USD);
 - essential oils and cosmetic preparations – by 33.3% (by 126,700,000 USD).
- Base metals and articles made of these – 1.4 times (by 1,156,500,000 USD), including:
 - black metals – 1.5 times (by 613,000,000 USD).

- Agribusiness goods and food products – by 29.3% (by 725,100,000 USD).;
- Products of light industry – by 4% (by 58,000,000 USD).

Structure of imports remained optimal, with over 80% represented by raw material and production and technical inputs.

The biggest portion in the overall volume of imports between January and October 2007 was represented by output of machine-building industry (32.2%), mineral products (29%), products of chemical industry (14.4%), base metals and articles (7.9%), agribusiness commodities (6.6%) etc.

Overall, the deficient commodity structure of foreign trade is one of the largest problems that need to be urgently addressed. In the last 11 years, the structure of Ukrainian exports and imports remain virtually unchanged: exports is dominated by non-precious metals and articles made of these (up to 43%), mechanical and electronic equipment (up to 10%), mineral products (up to 12%), products of chemical industry (up to 9%), transportation vehicles (up to 6%) and textiles (up to 2%). Meanwhile, in the structure of imports, mineral products take up a share of 30-40%, mechanical and electronic equipment - up to 17%, transportation vehicles – up to 13%, products of chemical industry – up to 9%, non-precious metals – up to 8%, textiles – up to 3%. In the context of further integration of Ukraine into the global economy, particularly, Ukraine's WTO accession and closure of Agreement on the Free trade zone with EU, are likely to require considerable overhaul of export-oriented industries in order to increase the portion of products with higher extent of processing (higher added value).

In the regional aspect, Russian Federation remained the primary trade partner of Ukraine (RF accounts for 27.4% portion in the foreign trade turnover of goods and services), and its share is only a fraction smaller than trade with EU countries.

Exports of goods and services to the RF in January-October, 2007, amounted to 12,921,900,000 USD and this is a 1.4 times increase (by 3,426,800,000 USD) compared to January-October, 2006. Export of goods to RF in January-October was equal to 10,315,400,000 USD and increased 1.5 times compared to the similar period of the previous year.

It is important to note, that in recent years, trade with the Russian Federation has been marked with certain dynamism. In October, volume of exported goods to RF exceeded one billion threshold and reached 1,107,000,000 USD, whereas in previous year, monthly volume of export of goods to RF did not exceed 500-700,000,000 USD. The fastest growing categories of goods

exported to RF included products of machine-building industry, mineral products, steel products, output of chemical industry and agribusiness commodities.

Volumes of imported goods and services from Russian amounted to 14,194,200,000 USD and increased compared to January-October 2006 by 20.1%. Goods imported from Russia Federation amounted to 13,661,300,000 USD and increased compared to respective period of the previous year by 20.5%. Balance of trade with RF was negative in the amount of 3,345,900,000 USD.

Ukraine's foreign trade turnover with goods and services, with CIS countries in January-October 2007, increased compared to the respective period of 2006 by 30.4% and amounted to 39,362,500,000 USD. Meanwhile, volumes of exports grew 1.4 times and reached 18,016,300,000 USD, while imports increased by 23.9% to reach 21,346,200,000 USD. Balance of trade with these countries was negative in the amount of 3,329,900,000 USD.

It is important to note, that volumes of exports to CIS countries between January and October 2007 grew 1.5 times compared to respective period of the previous year and amounted 15,164,700,000 USD, volumes of imports increased by 24.4% and equaled 20,724,200,000 USD. Balance of trade with CIS countries was negative in the amount of 5,559,500,000 USD.

Ukraine's foreign trade turnover with goods and services with other countries of the world (other than CIS) equaled 59,605,300,000 USD and increased by 27.8% compared to January-October, 2006. Meanwhile, exports of goods and services amounted to 29,014,400,000 USD and grew by 18%, or by 4,423,800,000 USD, while imports – 30,590,900,000 USD and, increased, respectively, by 38.8% or by 8,546,500,000 USD.

Balance of foreign trade turnover in goods and services with these countries in January-October, 2007, was negative in the amount of 1,576,500,000 USD, while in January-October of the previous year, it was positive in the amount of 2,546,100,000 USD. It is important to note, that volumes of exports with goods to other countries of the world in January-October, 2007 compared to January-October, 2006 increased by 16.5% or by 3,519,400,000 USD to reach 24,834,000,000 USD. Meanwhile, volumes of imported goods from these countries increased 1.4 times, or by 7,866,300,000 USD and equaled 27,494,700,000 USD. In January-October 2007, the trade in goods with other countries of the world had a negative balance in the amount of 2,660,700,000 USD.

Proportion of EU countries in the foreign trade turnover of goods and services with Ukraine between January and October, 2007, was 33.5%. The foreign trade turnover of goods and services

with countries of this region in January-October 2007 increased compared to January-October, 2006 by 28.1% to reach 33,200,300,000 USD.



Meanwhile, exports of goods and services increased compared to 2006 by 17.1% or by 1,999,700,000 USD, and amounted to 13,693,600,000 USD, while imports of goods and services went up by 37.2% or by 5,285,700,000 USD to reach 19,506,800,000 USD. Balance of trade with goods and services with EU was negative in the amount of 5,813,200,000 USD.

Main trade partners of Ukraine among EU countries were Germany, Italy and UK. They accounted, respectively, for 6.6%, 3.8% and 1.9% of Ukraine's foreign trade turnover of goods and services for 2007.

Foreign trade turnover of goods and services with Germany in January-October 2007 was 1.4 times bigger than the respective volume in January-October, 2006, and reached 6,563,300,000 USD, including 1.3 times growth of exports which equaled 1,656,800,000 USD, and the 1.4 times increased imports, which reached 4,906,500,000 USD. The balance was negative in the amount of 3,249,800,000 USD.

Volume of trade in goods and services with Italy equaled 3,769,500,000 USD in January-October 2007, which is a 15% increase compared to January-October of the previous year; this included volume of exports of 2,303,000,000 USD, with a 9.4% growth, and volume of imports of

1,466,600,000 USD, which is a 25% increase. The balance was positive in the amount of 836,400,000 USD.

Foreign trade turnover of goods and services with UK amounted to 1,901,700,000 USD and increased by 26.8% compared to January-October, 2006, including volume of exports of 698,100,000 USD, which is a 6.9% increase, and volume of imports of 1,203,600,000 USD with growth of 1.4 times. The balance of trade was negative – 505,400,000 USD.

Ukraine's main trade partners include USA, the proportion of which in Ukraine's foreign trade turnover of goods and services was 2.7% in 2007.

Volume of foreign trade with goods and services with USA went up by 17.2% and amounted to 2,632,600,000 USD, including 3.7% decrease of exports which equaled 1,228,700,000 USD, and 1.4 times growth of imports reaching 1,403,900,000 USD. Balance of trade with goods and services with USA was negative in the amount of 175,300,000 USD.

Foreign trade turnover of goods and services with Canada in January-October, 2007, was 279,100,000 USD, and grew compared to January-October, 2006 by 7.3%, including 1.4% growth of exports which equaled 159,400,000 USD, and a 16.1% growth of imports which amounted to 119,700,000 USD. Balance of trade was positive in the amount of 39,600,000 USD.

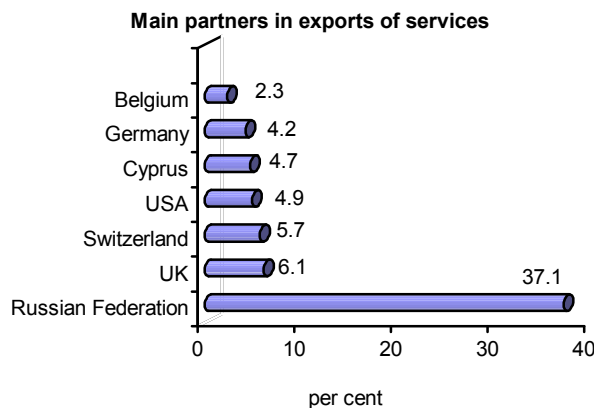
In the context of analysis of Ukraine's foreign economic activity, regional aspects appear also important. Thus, in the distribution of exports and imports by regions of Ukraine, the top oblasts were Donetsk (with balance of +5,621,000,000 USD.), Dnipropetrovsk (+3,862,800,000 USD), Luhansk (+2,012,100,000 USD) and Poltava (+1,096,000,000 USD). The worst performing were the city of Kyiv (-14,855,800,000 USD) and Kyiv Oblast (-1,592,600,000 USD.). Meanwhile, by volume of exports, Donetsk (21.8%), Dnipropetrovsk (20.8%) and Luhansk (8%) contribute virtually a half of export potential of Ukraine. At the same time, the leading importers are the City of Kyiv (39.7%), Dnipropetrovsk (8.6%) and Donetsk (6.4%) oblasts.

In January-September 2007, compared to the respective period of the last year, one could observe **growth of volumes of foreign trade of services**. Exports increased by 15.8% and amounted to 6,328,800,000 USD, imports – respectively, by 27.6% and 3,346,400,000 USD. Positive balance of the foreign trade amounted to 2,982,400,000 USD (in January –September 2006 – 2,842,000,000 USD).

Ukraine was engaged in foreign trade transactions with services with 205 countries of the world. The biggest proportion in the overall volume of Ukrainian exports was represented by transportation (69.4%), various business-related, professional and technical (12.4%) services.

Compared to January-September, 2006, export of services grew by 863,800,000 USD, including services of railroad transport – by 302,400,000 USD (by 47.7%), various business-related, professional and technical – by 179,400,000 USD (на 29.5%), air transport – by 133,400,000 USD (by 25.3%), financial – by 99,100,000 USD (2.9 times), tourism – by 72,300,000 USD (by 37.2%), computer-related – by 48,200,000 USD (2 times), to private individuals and in the area of culture and leisure – by 44,100,000 USD (3.7 times), repair – by 43,200,000 USD (by 26.4%). Simultaneously, exports of pipelines transportation services dropped – by 127,700,000 USD (by 6,9%), construction – by 60,700,000 USD (1.9 times), telecommunication – by 7,500,000 USD (by 4.2%).

Of the overall volume of exported services, 2,566,400,000 USD (40.6%) is represented by services to CIS countries, and 2,108,400,000 USD (33.3%) – services to EU.



Among CIS countries Russian Federation remains the leading partner, accounting for 2,345,800,000 USD (37.1%) worth of provided services. Volume of services, provided to CIS countries, reduced compared to January-September, 2006, by 11,700,000 USD (by 0.4%) including to

Turkmenistan – by 87,300,000 (11.5 times). In parallel, grew exports of services to Kazakhstan – by 24,900,000 USD (2.1 times), Belarus – by 20,700,000 USD (1.5 times), Moldova – by 14,600,000 USD (1.6 times).

Volume of services provided to other countries of the world, grew compared to January-September, 2006 by 875,500,000 USD (by 30.3%), including to Switzerland – y 116,000,000 USD (1.5 times), United Kingdom – by 100,700,000 USD (by 35.6%), United States of America – by 85,200,000 USD (by 38.2%), Cyprus – by 81,100,000 USD (by 37.8%), Germany – by 80,200,000 USD (by 43.9%), Estonia – by 41,900,000 USD (1.6 times), Austria – by 38,000,000 USD (by

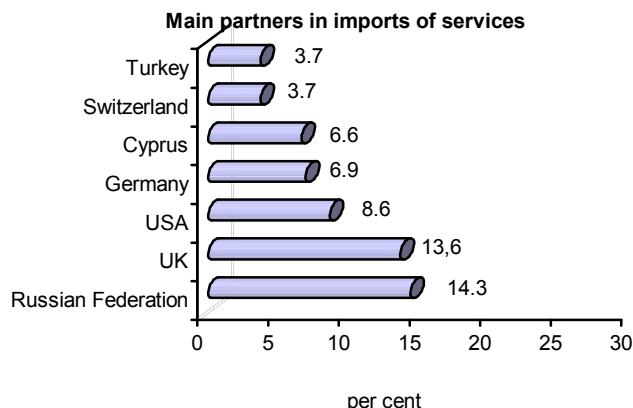
41.5%), the Netherlands – by 25,800,000 USD (by 37.5%), Belgium – by 25,600,000 USD (by 21.5%). Meanwhile, exports of services to Denmark reduced by 15,500,000 USD (by 24.4%) and to Hungary - by 12,900,000 (by 13.7%).

The biggest proportions in the overall volume of Ukrainian imports of services included transportation (23.2%), financial (17.3%), various business-related, professional and technical (15.5%), government services, which did not fall within any of the above categories (13.6%).

Imports of services to Ukraine increased compared to January-September 2006, by 723,400,000 USD, including financial – by 304,800,000 USD (2.1 times), railroad transport – by 106,500,000 USD (by 43.7%), to individuals and in the areas of culture and leisure – by 89,600,000 USD (2.1 times), air transport – by 58,300,000 USD (by 32.8%), tourism – by 51,700,000 USD (by 30.3%), various business-related, professional and technical – by 43,500,000 USD (by 9.1%), computer related – by 41,500,000 USD (1,5 times), insurance – by 29,300,000 USD (by 42.8%), sea transport – by 20,500,000 USD (by 29.4%), government, which do fall into neither of the above – by 21,000,000 USD (by 4.8%).

Simultaneously, volumes of the following imported services decreased: construction – by 59,400,000 USD (by 41.3%), advertising, market survey, public opinion polls – by 27,900,000 USD (by 19.3%), scientific research and construction design – by 12,800,000 USD (by 27.2%), operational leasing – by 12,500,000 USD (by 18.1%), telecommunication – by 6,000,000 USD (by 8.9%).

Of the overall volume of imports of services, 559,800,000 USD (16.7%) is represented by services from CIS countries, while services from EU countries were worth 1,751,000,000 USD (52.3%). Imports of services from CIS increased compared to January- September 2006 by 52,300,000 USD (by 10.3%), including from the Russian Federation – by 52,500,000 USD (by 12.3%).



Volume of services received from other countries of the world, grew by 671,100,000 USD (by 31.7%), including from UK – by 142,100,000 USD (by 45.5%), Germany – by 61,300,000

USD (by 36.2%), USA – by 60,300,000 USD (by 26.6%), Hungary - by 48,400,000 USD (2,2 times), France – by 45,200,000 USD (2.2 times), Cyprus – by 44,400,000 USD (by 25.2%), Greece – by 44,100,000 USD (4.2 times), Poland – by 31,400,000 USD (by 48.3%), Turkey – by 29,700,000 USD (by 32.1%). At the same time, imports of services from Austria reduced by 48,700,000 USD (by 29.7%).

Growth of foreign investments in Ukraine

Year 2007 was marked with significant growth of inflow of foreign investments into Ukraine. As of October 1, 2007, foreign investors brought into Ukrainian economy 6,014,300,000 USD of direct investments, including 421,400,000 USD from CIS countries (7.0% of the overall volume), and 5,592,900,000 USD from other countries of the world (93.0%). At the same time, non-residents withdrew 1,031,500,000 USD of capital.

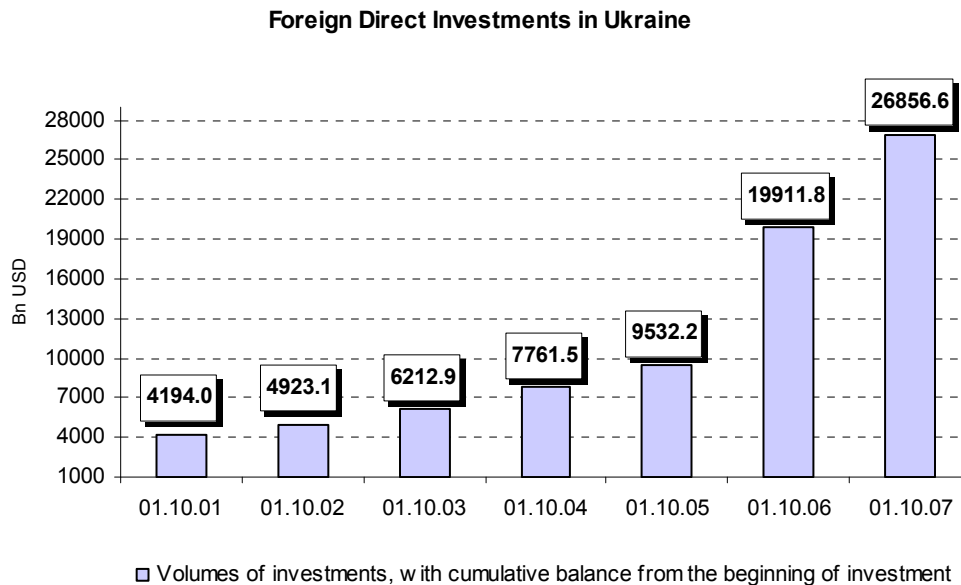
In general, the growth of overall volume of foreign capital in the economy of the country, taking into account its revaluation, losses, exchange rate difference etc., in January-September 2007 was 5,238,800,000 USD, which is by 70.5% higher than growth for the respective period of 2006.

In January – September, 2007 the most notable growth was demonstrated by capital of non-residents from Cyprus – by 1,774,900,000 USD, Sweden – by 739,400,000 USD, the Netherlands – by 639,900,000 USD, Austria – by 376,800,000 USD, Russian Federation – by 341,200,000 USD, UK – by 248,000,000 USD, Poland – by 245,300,000 USD. Investors from France and Germany have kept building up their capital (their growth of capital amounted to, respectively, 195,300,000 USD and 181,300,000 USD).

Considerable **growth of foreign capital** for the 9 months of 2007 has been observed in companies involved in financial activities – by 1,688,400,000 USD, construction – by 567,100,000 USD, transactions with real estate, leasing, engineering and provision of services to businesses – by 451,900,000 USD, as well as at manufacturing enterprises – by 1,362,500,000 USD, including mining industry – by 585,400,000 USD and processing industry – by 775,600,000 USD. Among sectors of processing industry, foreign direct investments grew fastest in the production of food stuffs, drinks and tobacco products (by 239,900,000 USD), production of other non-metal mineral products (by 187,800,000 USD), chemical and petrochemical industries (by 131,300,000 USD), steel making and production of finished metal goods (by 76,200,000 USD). In enterprises of transport and communication, capital grew by 160,500,000 USD, in retail sector, repair of cars,

household equipment and things of personal use – by 119,000,000 USD, agriculture, hunting and forestry – by 78,200,000 USD.

Total volume of FDI, brought into Ukraine, as of October 1, 2007, amounted to 26,856,600,000 USD, which is by 24.2% more than the volume of investments as of beginning of the year, and when calculated on per capital basis, is 576.2 USD.

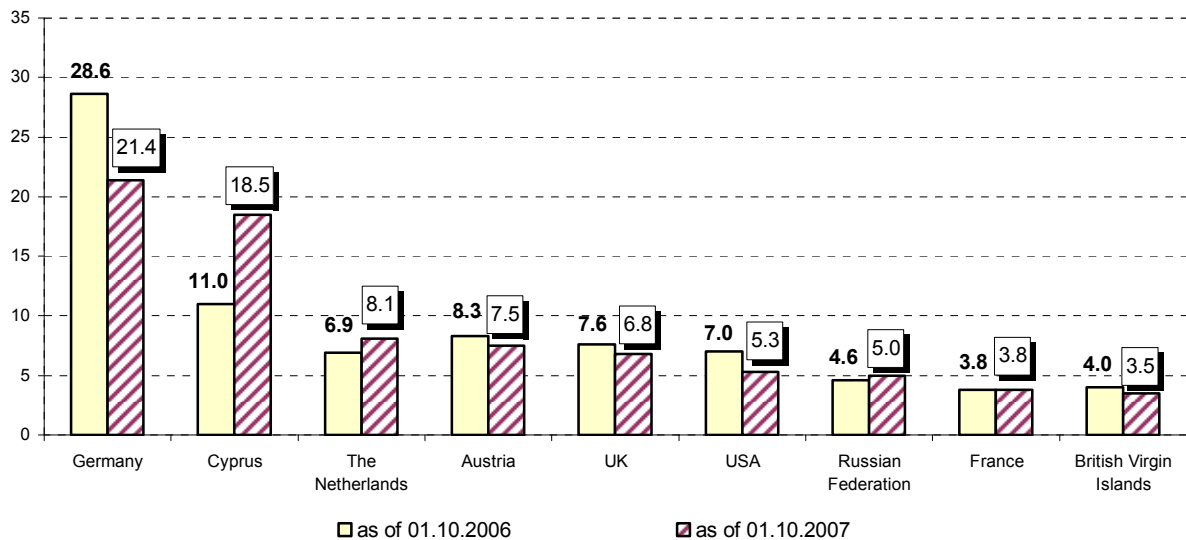


Investments came in from 119 countries of the world. Top ten countries-investors, which contributed over 83% to the general volume of capital, include: Germany – 5,759,300,000 USD, Cyprus – 4,957,600,000 USD, the Netherlands – 2,173,700,000 USD, Austria – 2,010,500,000 USD, the UK – 1,820,000,000 USD, USA – 1,421,100,000 USD, Russian Federation – 1,343,200,000 USD, France – 1,025,600,000 USD, Virgin Islands – 943,200,000 USD and Sweden – 876,700,000 USD.

Significant volumes of foreign investments are concentrated in manufacturing businesses – 7,467,100,000 USD (27.8% of the total volume of FDI in Ukraine), including 6,316,600,000 USD in processing companies, and 1,017,000,000 USD in companies of mining industry. The champions of received investment among sectors of processing industry include steel production and manufacture of metal products – 1,516,600,000 USD, food stuffs, drinks and tobacco products – 1,506,800,000 USD, machine-building industry – 1,027,500,000 USD, chemical and petrochemical industries – 787,600,000 USD.

Financial institutions accumulated 4,206,700,000 USD (15.7%) of direct investments, while enterprise of retail trade sector, repair of cars, household equipment and objects of personal use – 2,742,300,000 USD (10.2%) and organizations involved in transactions with real estate, leasing, engineering, and provision of services to businesses, – 2,244,200,000 USD (8.4%).

Distribution of direct investments in Ukraine by Major countries-investors
(% of overall volume)



Foreign direct investments were received by 13,900 businesses of Ukraine.

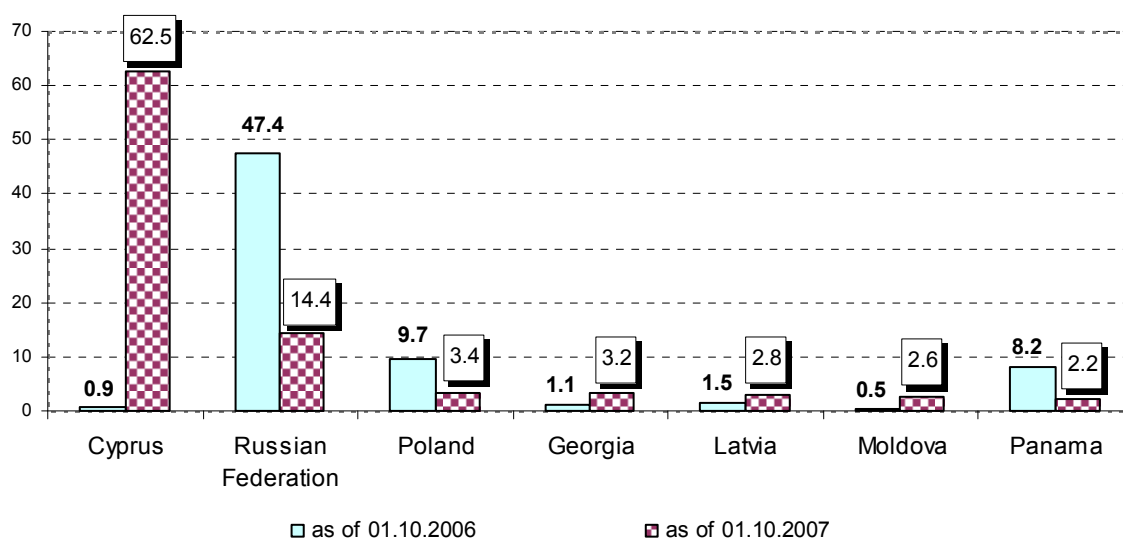
Amount of loans and credits, raised by Ukrainian firms from direct investors, as of October 1, 2007 was 3,614,800,000 USD. The biggest amounts came from Cyprus – 716,800,000 USD, the Russian Federation – 688,800,000 USD, the Netherlands – 385,700,000 USD, France – 322,300,000 USD, Germany – 308,300,000 USD, Poland – 198,300,000 USD, USA – 168,200,000 USD, Austria – 156,700,000 USD and United Kingdom – 145,400,000 USD. Overall volume of FDI, including borrowed capital, as of October 1, 2007 reached 30,471,400,000 USD.

In January-September 2007, the total investment directed from Ukraine to economies of other countries of the world was 629,000,000 USD. Investment is done mainly in the form of cash injection and securities. Volume of investments commitments from Ukraine into economies of other countries as of October 1, 2007, was equal to 862,100,000 USD, including in to CIS countries

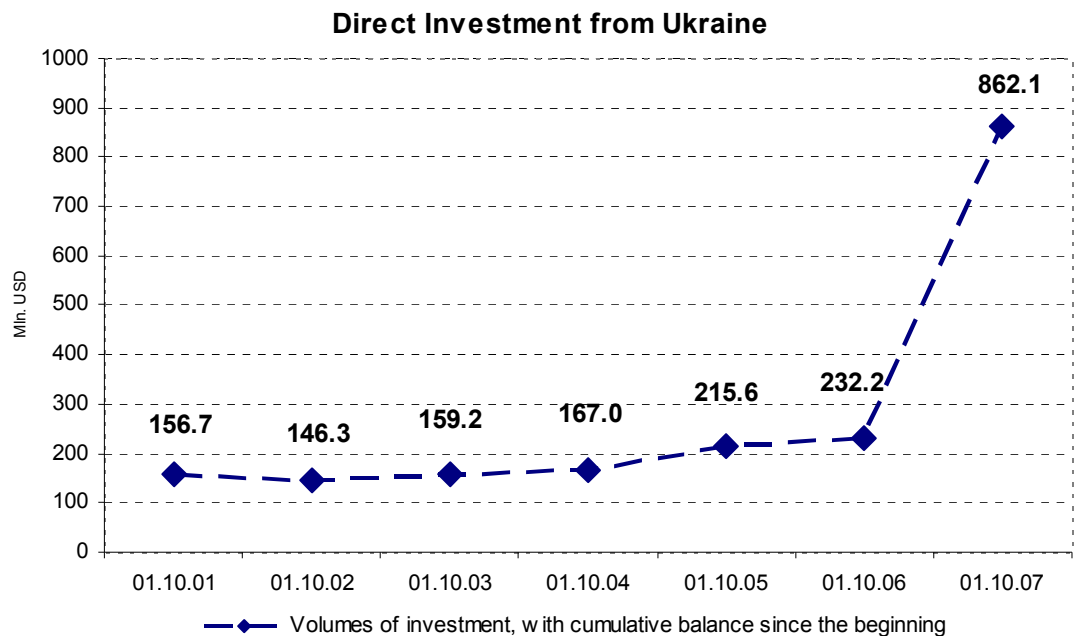
– 188,500,000 USD (21.9% of the overall volume), and into other countries – 673,600,000 USD (78.1%).

Main investors from Ukraine are businesses from such sectors as financial markets, the total volume of investment of which amounted to 187,000,000 USD (21.7%), retail trade, repair of motor vehicles, household equipment and objects of personal usage – 78,800,000 USD (9.1%), transactions with real estate, leasing, engineering and provision of services to businesses – 57,800,000 USD (6.7%), transport services – 43,100,000 USD (5.0%), manufacturing – 31,700,000 USD (3.7%) and public administration – 17,700,000 USD (2.1%).

Distribution of direct investments from Ukraine by main Countries -Investees
(as % to overall volume)



Direct investments from Ukraine were made into 52 countries of the world, of these 7 countries accounted for 91% of the overall volume. Specifically, economies of Cyprus received 538,500,000 USD, Russian Federation – 124,000,000 USD, Poland – 29,300,000 USD, Georgia – 27,400,000 USD, Latvia – 24,100,000 USD, Moldova -22,300,000 USD and Panama – 18,900,000 USD.



Conclusions

1. 2007 brought to Ukraine almost a 30% growth of foreign trade turnover.
2. Over 95% of Ukrainian exporters were representatives of the private sector.
3. In 2007, the negative trend has preserved to increased negative balance of the country's trade.
4. One of the biggest problems in 2007 was the imperfect structure of goods in foreign trade. For the last 11 years, export is dominated by processing products and raw material.
5. In the regional aspect, the Russian Federation remained main trade partner of Ukraine (the portion of RF in the foreign trade turnover with goods and services was 27.4%), however, in 2007 its portion yields to trade with EU countries (33.5%).
6. In 2007, volumes of foreign investments in Ukraine grew significantly. Foreign investors injected into Ukraine's economy 6,014,300,000 USD of direct investments, including 421,400,000 from CIS countries (7% of the overall volume), and 5,592,900,000 USD from other countries (93%). Meanwhile, non-residents withdrew 1,031,500,000 USD of capital. Overall, the growth of cumulative foreign capital into the country's economy in the period between January and September 2007 increased by 70.5% compared to the respective period of 2006. Almost one third of these investments is aimed at the development of industrial production.

CHAPTER V

UKRAINE IN BILATERAL INTERNATIONAL RELATIONS

§ 1. UKRAINIAN-RUSSIAN RELATIONS: BETWEEN STRATEGIC PARTNERSHIP AND STRATEGIC DEPENDENCE

As declared in the fundamental inter-governmental treaties and agreements, the key principle on which Ukrainian-Russian relations should be built is the principle of strategic partnership. In reality, however, relations between Ukraine and Russia are far from the declared intentions. Year 2007, just like previous years, has not become an exception to this reality. There is a need to declare that such a level of relations between Ukraine and Russia is determined not by common strategic interests, but by the importance of each of the parties in its implementation. Certainly, Russia is critically important for Ukraine as it touches on and significantly determines its fundamental and vital interests related both to today and to the future of the country. It is also necessary to proceed from the fact that asymmetry is basically the essence of Ukrainian-Russian relations. A characteristic of this asymmetry is that Ukraine both falls behind Russia on key parameters, and is strategically dependent on the latter in many spheres of bilateral relations.

Despite its strategic advantages in the system of asymmetrical relations, Russia also appears dependent on Ukraine. Although, unlike Ukraine, Russia's dependence is more of a geopolitical nature, this makes it strategically important. Therefore, asymmetry of relations between Ukraine and Russia is mutual. On the basis of this, a conclusion can be made that *mutual asymmetric dependence* exists in relations between Ukraine and Russia. This dependence was largely determining the trends which were demonstrated in bilateral relations between Ukraine and Russia in 2007. In order to reveal them, it is necessary first of all to find out what Ukraine's place in the implementation of the Russian strategy in foreign policy was in 2007.

Russian foreign policy strategy is aimed at implementation of those vital interests and objectives which Russia pursued in the international scene. 2007 has become a significant year in this context as it was a time when Russian foreign policy priorities changed noticeably. This year can be considered the beginning of the second stage in V. Putin's foreign policy. The first stage, which fits within the period 2000 to 2006, envisaged the achievement of Russian self-sufficiency in European and world politics.

The key reason for the appearance of the “self-sufficiency” model in Russian foreign policy was lack of the resources required to maintain the status of a “great power”. This dependence became especially noticeable after the fall of oil prices and the “Asian financial fever”. The essence of this policy for Russia was that it attempted to match its geopolitical ambitions with resources which were insufficient to fulfill such ambitions. For Russia as an imperial type of state, foreign policy and geopolitical interests were two things that shaped its internal political regime. According to S. Medvedev, the history of Russia, is “the history of gaining resources and control over them, including territory (and strategic depth), size of population, natural reserves, industrial and technological potential etc. The Russian rituals of national security stem from the myth of “inexhaustible resources”⁷².

Thus, the problem of renewable resources has become the focal problem of V. Putin’s foreign policy. To resolve it, V. Putin changed the pyramid of strategic priorities. While previously internal resources were used for the achievement of foreign policy goals, now, on the contrary, foreign policy is used to promote an accumulation of internal resources.

According to this model, Russian foreign policy had to become more pragmatic and economy-oriented, i.e. focused on foreign economy results. During implementation of this model, Russia’s foreign policy was perceived rather as geo-economy, and not as geopolitics. As for geopolitical interests, while implementing such a model, V. Putin was forced to restrict Russia’s geopolitical ambitions. This need required from Russia that it reduce its traditional role in world geopolitics. However, this reduction turned out to be partial. V. Putin simply restricted the area of Russia’s geopolitical domination but did not retreat from it in principle. Thus, the Kremlin declaratively gave up rhetoric of “the multipolar world”, which was the official Russian foreign policy ideology from 1996-2000, and closed Russian military bases Kamran in Vietnam and Lurd in Cuba.

Significant restrictions of geopolitical claims were made also in the post-Soviet space. V. Putin did not object to the location of U.S. military bases in the countries of Central Asia and provision of air

⁷² S. Medvedev. *Russia at the End of Modernist Epoch: Foreign Policy, Security, Identity. /Russia and West in the New Millennium.* – George C. Marshall European Center for Security Studies, 2000.- P.59.

space for military and transport aviation of NATO countries in the course of military operations in Afghanistan. But V. Putin has clearly outlined the area of Russian geopolitical control in the “near abroad” which included Ukraine, Belarus, Kazakhstan, as well as Northern Caucasus.

V. Putin realized that he had to do his best to avoid confrontation with the United States of America and Western countries because such confrontation could have a negative impact on the process of domestic transformations and would require enormous expenses unbearable for Russia. Taking into account the tendency to unipolarity which was clearly demonstrated after the downfall of the bipolar world, V. Putin presented a new vision of Russia in this predominantly unipolar system of international relations. It was seen in the rapprochement with the West and achievement of a strategic partnership relation with the USA.

The terrorist attacks on 11 September 2001 and the following war on terrorism provided fertile ground to start rapprochement between Russia and the USA. V. Putin made good use of these events to express his support for G. Bush in his new policy. This support was demonstrated through Russia’s diplomatic support for the U.S. war in Afghanistan, and the neutral position in respect of the US military campaign against Iraq.

In this way, V. Putin managed to bring relations between Russia and the USA to the level of a strategic partnership in the area of international security, at least in two directions. The first direction remained traditional for US-Russian relations – maintaining a strategic balance of non-weaponized deterrence and non-proliferation of nuclear arms and missile technologies. V. Putin did not start a confrontation after the USA’s unilateral withdrawal from the treaty on anti-missile defense. Moreover, the START-2 treaty was ratified as well as the treaty “On Strategic Offensive Capability”. Since that time, the strategic partnership in the area of security was supplemented with one more direction – the common fight against international terrorism.

The policy of confrontation was abandoned not only in bilateral relations between the USA and Russia but also in relations with European countries – NATO members. As debates on cooperation within G-20 became more active, Russia gave its silent consent to the second wave of NATO

enlargement, including entry into the Alliance by the Baltic countries – part of the post-Soviet territory.

Thus, this first Putin model of foreign policy for Ukraine in effect recognized the existence of the unipolar world headed by the United States of America. In this unipolar world Russia was seeing itself as an ally of the USA, as a “deputy sheriff”. The Kremlin management believed that this place would allow Russia to resolve the most important tasks of that time:

- to stop the West’s criticism of the Kremlin’s policy towards Chechnya and to achieve recognition of the Chechen conflict as an internal Russian problem;
- to obtain the silent consent of the West for the building in Russia of an authoritarian political regime, and have it legitimized and supported at an international level;
- to achieve recognition by the West that Ukraine, Belarus, Kazakhstan and Northern Caucasus are the sphere of Russian monopolist domination.

The question now arises: how can Ukraine be included in this context of Russia’s international relations and its foreign policy interests? In V. Putin’s foreign policy strategy, Ukraine should completely fit into those principles, requirements and objectives which are described above.

Firstly, Ukraine is considered a supplement, a make-weight of the internal resource which Russia lacks to restore its status quo as a large regional power and revive its traditional geopolitical role on the European continent.

Secondly, despite the fact that Ukraine is critically important for Russia, the Kremlin was not prepared to face open confrontation with the West because of it. Partnership relations with the West and the USA are more important for Russia than Ukraine as they determine future prospects for the development of the Russian Federation⁷³. International events during the Orange revolution were clear evidence of this, when the ambitions of the Kremlin in respect of Ukraine turned into a severe rebuff to the West. As a result, pressured by the USA and Europe, Putin was forced to soften his position.

⁷³ Warm and Fuzzy. *The Economist*, September 27, 2003. – P.31

To what extent was implementation of such a model successful? In the political sense, it was generally successful. The West closed its eyes to the problem of Chechnya and the construction of an authoritarian regime in Russia; it lost control of the levers of influence on the problems with democracy in this country. But Russia did not succeed in forcing the West to recognize the post-Soviet territory as the sphere of monopolist Russian domination.

In the economic sense, while implementing this Putin model, Russia has managed to achieve self-sufficiency in securing resources for its foreign policy. Due to the soaring prices for oil and gas, Russia's hard currency resources reached USD 450 billion in 2007 which by this parameter put Russia in third place in the world after China and Japan⁷⁴. Russia established a stabilization fund worth USD 145 billion. The Russian economy demonstrated dynamic development. GDP grows at 7.5% annually. Experts believe that if the trend for high growth in world energy prices persists, along with a steady growth rate of the Russian GDP, with dollar devaluation at 15% over the next 10 years, Russian GDP will reach USD 5 trillion. As a result, according to these forecasts, Russia will have one of the largest economies in Europe by 2017.

The new resource potential enabled V. Putin to return to old geopolitical ambitions. The first symptoms of a return to this new-old course was V. Putin's speech during the celebration of the 60th anniversary of the Soviet Union's victory in the Great Patriotic War, in which he evaluated the collapse of the USSR as a huge geopolitical disaster for Russia⁷⁵. But the initial landmark for transfer of V. Putin's new foreign policy was 2007- in particular, his speech at the February Munich Conference on Security Policy.

At this conference, key postulates of this policy were presented. They are presented in the following précis of V. Putin's speech: "So, what is a unipolar world? No matter how one may embellish this term, a unipolar world will ultimately mean in practice only one thing: this is, one

⁷⁴ Anders Aslund: The Russian Economy Facing 2017. Alternative Futures For Russia to 2017/ CSIS Report. November 2007,– P.27

⁷⁵ Vladimir Putin, "Annual Address to the Federal Assembly of the Russian Federation" (speech, Moscow, April 25, 2005), available at www.kremlin.ru/eng/speeches/2005/04/25/2031_type70029type82912_87086.shtml.

center of power, one center of force, one center of decision-making. This is the world of one master, one sovereign. And this eventually is evil not only for those who are within this system but for the sovereign as well because it ruins the sovereign from inside... Moreover, certain norms, yes, in fact – almost the whole law system of one country, above all, of the USA, surpasses its national boundaries in all spheres: in economy, politics, and the humanitarian area, and is imposed on other countries... I think, maybe the process of NATO enlargement has no relation to the modernization of the alliance itself or to ensuring security in Europe. On the contrary – this is a serious provocative factor which lowers the level of mutual confidence”⁷⁶.

Therefore, the quintessence of the new foreign policy of V. Putin is revealed through the following postulates.

Firstly, a unipolar world has exhausted itself; it has a harmful nature, which is why it should be replaced by a multipolar system of international relations.

Secondly, the United States of America no longer has the right to world leadership.

Thirdly, the USA and NATO have lost their ability to ensure the security of Europe and continue to be a provocative (destabilizing) factor in Europe.

The clear intention of Russia is seen behind these postulates:

- to challenge U.S. leadership and take the lead in the struggle against America’s global domination;
 - to maintain a multipolar world in which Russia must play a leading role as a “great power”;
 - to belittle and discredit the role of the USA and NATO in ensuring international security;
- and
- to regain from the West the lost spheres of influence.

⁷⁶ Vladimir Putin’s speech at the Munich Conference on Security Policy, <http://www.polit.ru/dossie/2007/02/12/putinmunich.html>

Realizing these intentions will enable Russia to become a leading architect of the new world order, to restrict the geopolitical influence of the West, to narrow the sphere of extension of European civilization and the implementation of European democratic values by counterbalancing them with its own civilization project. All this will ultimately cause a significant extension and strengthening of Russia's influence on world international processes. Thus, ***Russia wishes to be not only one of the most economically powerful countries, but also to turn itself into the leading geopolitical force in the world.***

Contrary to the previous model which had a defensive nature, the new model of V. Putin's foreign policy is based on the principle of ***offensiveness***. The implementation strategy for the new model of Russian foreign policy is based on the following principles:

- play on contradictions existing in relations between the USA and the EU in order to weaken both parties and strengthen its own position in the world;
- make use of the energy factor as a means of spreading influence and domination in Europe;
and
- increase its own geopolitical weight through the re-integration of post-Soviet territory with its own civilization background.

Playing on contradictions between the leading European countries has always been a traditional principle of Russian foreign policy. In this way, while being weak, Russia was strengthening its own position in Europe and was exerting noticeable influence on European political processes. In a unipolar world, this principle does not work as there is no such comparable power which could be opposed to the United States of America. But in a multipolar world this principle appears to be productive. The EU in its aggregate economic power can be comparable to the USA. Consequently, by exploiting the contradictions between them, it is possible to bring about a situation in which these two geopolitical forces will weaken each other, allowing the balance of power in the world to incline in favor of Russia. In a situation where these two forces share common civilization values, such competition gives Russia additional chances for imposing and promoting its own ideology.

Energy factor is not only a powerful source for the replenishment of financial resources and a driver of the economic growth of the country, it is also the key instrument for strengthening the geopolitical influence of Russia in Europe. Dependence of EU countries on Russian energy carriers will force them to give political rebates to Russia. Depending on the extent of the EU's flexibility, Russia may use the energy factor as an instrument of pressure and of blackmail against European countries. As mentioned in the official Survey of Foreign Policy of the Russian Federation, "Importance of the energy factor and access to resources in general has increased in world policy. Russia's international position has strengthened significantly. A stronger, more self-assured Russia has made important contributions to positive changes in the world. As a result, the balance and competitive environment which were lost with the end of the Cold War are gradually recovering. Countries begin to compete for their influence on civilization in terms of fundamental values and development models"⁷⁷.

Civilization factor is the third component of the new foreign economic strategy of Russia. Compared to the previous model of foreign policy, this factor is for the first time introduced as a fundamental one. This is explained by the fact that the 21st century will be the century of civilizations. As the world system of international relations continues to develop and integration processes in this system get stronger, countries begin to unite into large civilization conglomerates based on common values. This means that in order to expand influence in a multipolar world it is not sufficient in the 21st century to have energy resources. For this purpose, it is necessary to acquire a certain civilization niche. Russia has taken into account this modern trend in its new model of foreign policy. As mentioned in the official Survey of Foreign Policy of the Russian Federation, "Myth of the unipolar world has gone for good in Iraq. The model itself appeared to be dysfunctional as there is not, and cannot be, any moral base of modern civilization in its foundation"⁷⁸.

Therefore, Russian foreign policy, according to its new model, must have an ideological load. The need to 'ideologize' the Russian foreign policy is caused by the lack of those common ideas which

⁷⁷Survey of Foreign Policy of the Russian Federation.- P.2
http://www.ln.mid.ru/brp_4.nsf/sps/3647DA97748A106BC32572AB002AC4DD.

⁷⁸ Survey of Foreign Policy of the Russian Federation.- P.2
http://www.ln.mid.ru/brp_4.nsf/sps/3647DA97748A106BC32572AB002AC4DD.

would be shared by the post-Soviet countries, and on the basis of which it would be possible to re-integrate them into the unified Russian state formation.

The idea of a return to the Russian state is not attractive for post-Soviet countries which have their own sovereignty. Russian ideologists believe that this new ideology on the basis of a Russian (Eurasian) civilization project should help to resolve this extra-complicated task.

The key idea of the new ideology is a deep understanding and acceptance by society of the fact that Russia is a unique and original country-civilization with its own way of historic development⁷⁹. “Essence of the project may be in the formation of civilization standards and of the unified socio-cultural space, which naturally requires a coordinated political system, unified historic time, coordination of social interests and needs”. “The center, a new nucleus of the Commonwealth culture as a civilization and socio-cultural space, may be the Urals-Siberia region which had withstood foreign cultural interventions and preserved the traditions and roots of the Russian culture better than others”⁸⁰.

Russian ideologists are confident that an understandable ideology accepted by Russia would help to “push” similar ideas into Belarus, Ukraine and Kazakhstan and have this ideology accepted by the majority of the population of these three republics”⁸¹. Moreover, such an ideological unity of post-Soviet territory would inevitably bring about the actual union of these three countries into one in a mid-term perspective”⁸².

Thus, ideology, mass media and the humanitarian sphere become key instruments of the new model of foreign policy in the Russian Federation. Which place is assigned to Ukraine in this new model? ***Ukraine remains the nucleus, the key segment of the whole geopolitical construction of Russia in the post-Soviet territory.*** It is simultaneously viewed both as a foothold of defense against

⁷⁹ Stepan Kuznetsov. Ideology and Tasks of the New Russia. Part 3. Uniqueness of the Russian Civilization as Key Determining Idea of the New Ideology //km.ru. 5.02.2006.

⁸⁰ L.G. Ivashov. Problems in Formation of Post-Soviet Civilization Space./ Problems of CIS Development and Reformation. – M., Izvestiya, 2007. – P.14-15.

⁸¹ Stepan Kuznetsov. Ideology and Tasks of the New Russia. Part 1. Importance of Ideology for Modern Society //km.ru. 1.02.2006.

⁸² Stepan Kuznetsov. Ideology and Tasks of the New Russia. Part 1. Importance of Ideology for Modern Society //km.ru. 1.02.2006.

external geopolitical influences and as a foothold for expanding the geopolitical and geo-economic domination of Russia.

Re-integration of Ukraine together with Belarus and Kazakhstan would allow Russia to concentrate 90% of the gross domestic product of CIS countries. The prerequisites for this are cultural and historical affinity, complementarity of economies, wide humanitarian ties, and the intertwining of the personal fates of the citizens of these countries. Such prerequisites give grounds for the belief that “It is the ideological unity which must be the foundation for the union of these countries (Belarus, Ukraine, Russia and Kazakhstan – author) ... into one country ...”⁸³.

Based on this conclusion, a prediction is made on Ukraine’s development according to the pendulum rule, i.e. on the irreversibility of its return to the Russian original state-civilization after the failure of Ukrainian Euro-integration aspirations.

Ukraine is important for Russian foreign policy because “the progress of Russian-Ukrainian relations is extrapolated on processes in the whole CIS territory and on the European continent as a whole”⁸⁴. It is not incidental that “relations with Ukraine” is one of the key directions of Russian foreign policy”⁸⁵.

Such is the geopolitical weight of Ukraine, it follows that Russia’s *key strategic objective* in *Ukrainian–Russian relations* is the acceleration of the anticipated pendulum effect, i.e. **not allowing this country to enter the European civilization space and engaging it in the Russian civilization geopolitical project.**

What tasks was Russia facing in the implementation of this project in the Ukrainian direction, and how far did it progress with their fulfillment in 2007? An obstacle for the implementation by Russia of such a civilization project is the state sovereignty of Ukraine and the formation of the Ukrainian political nation. As long as Ukrainian statehood exists, it is impossible to achieve

⁸³ Stepan Kuznetsov. Ideology and Tasks of the New Russia. Part 1. Importance of Ideology for Modern Society //km.ru. 1.02.2006.

⁸⁴ Survey of Foreign Policy of the Russian Federation. - P.20

⁸⁵ Survey of Foreign Policy of the Russian Federation. - P.20.

political identity and unite two states into one unique and original Russian state. As long as an independent Ukrainian nation exists, it is impossible to achieve ideological unity and that socio-cultural identity which should be the basis for the Russian civilization project.

Based on the aforesaid basic geopolitical interests and strategic objective, Russia tried to fulfill three groups of tasks.

The first group covers foreign policy tasks. They include: discrediting Ukraine as a sovereign state and independent subject of international relations; isolation of Ukraine from international integration processes; preventing Ukraine from entering the EU, the WTO and NATO.

Speaking to journalists during the G-8 Summit in June 2007, V. Putin characterized Ukraine as non-democratic and non-civilized: “There was a last hope for the guys from Ukraine but even they completely discredited themselves, everything goes to complete tyranny there. Absolute violation of constitution, of all laws etc.”⁸⁶ Moreover, while giving an interview to the U.S. “Time” magazine, V. Putin accused the USA of ruining the territorial integrity of Ukraine: “You started to ruin Ukraine, its territorial integrity and to disrupt its sovereignty. This is what the United States did to Ukraine. The same is happening with Georgia”. Speaking against American influence, V. Putin did not forget to remind the whole world that, in his opinion, Ukraine is a country of Russians. “Out of a population of 45 million, there are 17 million ethnic Russians, by the way, just according to the official statistics. Almost 100% of people there consider the Russian language as their mother tongue”. In addition, the Russian President expressed certainty that if we conducted a referendum in the former Union republics (including Ukraine – author), the number of supporters of their sovereignty would be in the minority⁸⁷.

Such liberal treatment of statistics by President Putin was obviously aimed at persuading the readers of “Time” weekly once again that Ukraine really belongs to the sphere of exclusively Russian interests. As demonstrated by the experts’ survey, the Russian Federation is exerting the

⁸⁶ Putin Sees Complete Tyranny in Ukraine.// Ukrainska Pravda. – 04.06.2007. – 8:35/www.pravda.com.ua.

⁸⁷ Putin Q&A: Full Transcript// Time. December 18. – 2007. – P.7//
www.tinl.com/time/specials/2007/perona/eyear/article/.

biggest pressure on decision-making in Ukraine. 95.7% of the experts questioned think so. The USA holds the second place in its influence (61.7%)⁸⁸.

Ukraine's integration into the world economic system, in particular through membership of the WTO, and the relevant discussions with Russia have a long history. But it is obvious in this history that Russia had limited opportunities to prevent Ukraine from achieving this objective. First of all, Russia was not a WTO member itself and could not exert direct influence on the process of Ukraine's accession to the WTO. Secondly, Russia itself was building its trade relations according to WTO rules with the majority of countries in the world. Thirdly, the economic sphere of relations with Ukraine is not a priority for Russia.

Taking this reality into account, the Russian Federation did not object openly to Ukraine's intention to accede to the WTO. It only raised the issue of the timing of this process. Synchronization of accession to the WTO would enable Moscow to have additional levers to hold Ukraine back from membership of this international organization. This holding back would allow the Russian side, on the one hand, to receive additional time for involving Ukraine in the Common Economic Space and to delay the process of Ukraine's economic integration into the EU. It is known that economic integration into the EU begins with the establishment of a free trade zone which is impossible without Ukraine's membership in the WTO. On the other hand, Russia was afraid that Ukraine, when it becomes a WTO member, could use the WTO as a lever in Ukrainian trade policy.

When the Ukrainian Parliament adopted the last 13 WTO laws in December 2006, and following EU threats to block Russia's accession to the WTO, only two ways were left for Russia to slow down the process of Ukraine's WTO accession: firstly, to ask Kyrgyzstan as a WTO member to refuse to sign the relevant protocol with Ukraine; secondly, to encourage the "anti-crisis coalition" in the Verkhovna Rada not to hurry with obtaining membership of the WTO for Ukraine. As 2007 has demonstrated, these ways were not effective. Kyrgyzstan, despite long delays, finally signed the relevant protocol. Regarding the "anti-crisis coalition", it appeared that only communists supported the Russian interests to that end; they spoke about the possibility of WTO membership

⁸⁸ In the Eyes of Experts: Foreign Policy of Ukraine in 2nd Quarter of 2007. // Foreign Affairs. – 2007. – September. – P.1.

only after full-fledged integration into the Common Economic Space. Regarding the Party of Regions, corporate interests have dominated over Russian interests. Because of this, the terms of Ukraine's accession to the WTO were written to accommodate the interests of Donetsk financial and industrial groups. After losing all opportunities of achieving the synchronic accession to the WTO of Ukraine and Russia, and being confident that their Ukrainian colleagues had no intention of creating obstacles for Russia's accession to the WTO, the Russian side started to demonstrate a positive attitude to Ukraine's membership in this international organization. But during the time of V. Yanukovich's Government, Ukraine did not become a WTO member.

Integration of Ukraine into the EU creates a whole number of threats to the geopolitical and economic interests of Russia. Geopolitically, European integration makes it impossible for Russia to implement any re-integration projects in respect of Ukraine. It also leaves Russia bereft of any economic, energy or informational leverage on Ukraine for the realization of its geopolitical interests.

With the deepening of the process of obtaining EU membership for Ukraine, issues regarding the introduction of a visa regime with Russia, the strengthening of the Ukrainian-Russian border and the strengthening of the border regime to fight illegal migration are likely to become ever more important.

However, the main threats to the Russian interest from Ukraine's membership in the EU lie in the economic sphere. They are connected, first of all, with the displacement of Russian business from Ukraine and loss by Russia of a large segment of the Ukrainian market. According to Russian experts, merely observance by Ukraine of the EU principle on diversification of energy suppliers will cause losses for Russia of its export proceeds worth USD 3 billion annually⁸⁹. Implementing its Euro-integration course Ukraine will lose interest in the CIS.

But despite this quite broad spectrum of threats to Russian economic interests, there are two circumstances which make Russia look at Ukraine's EU membership positively. One of them is

⁸⁹ Concept of Relationship Between the Russian Federation and Ukraine in the Parliamentary Sphere. – P. 35. //Gulyaj-Pole, 13.03.2006.

that Ukraine is unlikely to obtain EU membership in the short-term or mid-term and maybe even in the remote future. The other circumstance is that in Ukraine and Russia there is a narrow spectrum of common Euro-integration interests connected with Russia's aspiration to create four common spaces in the sphere of economic relations with the European Union. Answering the journalist's question during G-8 Summit as to whether Ukraine's joining the EU can be acceptable, Putin said: "Yes". "I just do not know whether the European Union itself is prepared to accept new members, including enlargement to include Ukraine, but this is not our problem". "Ukraine is a state with 45 million people, with great economic and political, as we see, problems. So if it ever happens, we have nothing against it," he added. According to V. Putin, "if Russia creates with Europe certain rules of the game, and at the same time Russia creates with Ukraine, Belarus and Kazakhstan also common rules of the game, doesn't it mean that a certain harmonization takes place in Europe?"⁹⁰

Unlike the positive attitude towards Ukraine's hypothetical membership in the EU, Russia strongly opposes Ukraine's joining NATO. In 2007, the Russian side warned many times that if Ukraine's intention to obtain membership in NATO is implemented, Russia will review Ukrainian-Russian relations. In particular, Russia's Deputy Minister of Foreign Affairs, Grigory Karasin stated: "Joining the military and political bloc NATO, if it ever happens, will definitely require the re-formatting of priorities to ensure the security of Russia; it will touch in a negative way the whole complex of bilateral Russian-Ukrainian relations"⁹¹.

The thesis in favor of such a position, which can be heard from Russian officials and President V. Putin himself, contains the fear that NATO military bases and objects aimed against Russia will be located on the territory of Ukraine; that nobody threatens Ukraine; that the Ukrainian people do not want membership of NATO. This is how V. Putin explains the negative attitude of Russia towards Ukraine's membership in NATO: "We believe that this is harmful because NATO is a military and political bloc. This is an additional annoying element in relations with Russia"⁹². "We will be forced to re-target our missiles on the objects which we consider a threat to our national security. And I am obliged to announce about this today directly and openly," said Putin at the summarizing

⁹⁰ Putin Is Positive About Ukraine Joining EU But Believes That Joining NATO Is Dangerous.
//http://ictv.ua/ukr/news_world.php?news_id=97898.

⁹¹ Russia's Negative Attitude to Ukraine's NATO Perspectives.// <http://rpl.net.ua/2007/10/12>

⁹² Volodymyr Putin: Crisis in Ukraine Threatens With "Complete Tyranny".
//http://www.newsru.ua/world/04jun2007/putinukraina_print.html.

press-conference devoted to the visit of the President of Ukraine, V. Yushchenko to the Russian Federation”⁹³.

As 2007 has demonstrated, there are no threats to Russia from NATO. On the contrary, through fulfillment of its mission in Afghanistan, NATO ensures security for Russia in the South from the threats coming from this region. The Survey of Foreign Policy of the Russian Federation for 2007 mentions that “should the Afghan campaign be unsuccessful and should the USA and NATO leave, countries of Central Asia and Russia will remain alone with the consequences of the Afghan problem, which is complicated, first of all, by the drug terrorist threat, outbursts of fundamentalist spirit and destabilization of the region”⁹⁴.

The real reason for Russia’s fears regarding Ukraine joining NATO is the fact that, unlike the situation with the EU, membership of Ukraine in NATO is a completely realistic prospect which forever takes Ukraine out of the sphere of Russian influence and forever buries the hope of Russia to get Ukraine back. Russia will definitely use all possible leverage not to allow Ukraine’s membership in NATO. Those include both direct dialogue of Russia with NATO and Russian influence on the domestic situation in Ukraine. These levers include the gas factor, which Russia has already applied at the beginning of 2008 after submission by the Ukrainian leaders of the application to join the Action Plan regarding membership in NATO.

Definitely, a desirable solution of this problem for Russia would be the restoration of a bipolar security system on the regional level, key components of which would be NATO and OCST, with distribution of the relevant spheres of influence. An important task for Russian foreign policy is to strengthen further the international authority of the Organization of Collective Security Treaty through the development of its contacts with other regional organizations of similar profile including NATO⁹⁵. But does NATO need such a system? Obviously, not.

The second group of tasks of the Russian Federation in respect of Ukraine in 2007 was connected with implementation of its own re-integration projects. First of all, this concerned institutional re-

⁹³ "Opinion": Yushenko Chose Putin. /Podrobnosti, 18 February 2008 | 10:55.

⁹⁴ Survey of Foreign Policy of the Russian Federation. – P.21.

⁹⁵ Survey of Foreign Policy of the Russian Federation. – P.19.

integration through the involvement of Ukraine in the Common Economic Space and the use of the CIS format, as well as sector re-integration. The latter envisaged the capture of key segments of the Ukrainian economy as well as the cultural and information space of Ukraine.

These re-integration tasks are caused by Russia's persuasion of the frailty of the Ukrainian state. "A number of states have every reason to be referred to as states which are untenable, and their historic prospect is uncertain. Those are Kyrgyzstan, Moldova and Tajikistan. The last presidential election causes doubts regarding the historical prospects of Ukraine. By definition, they cannot be equal participants of political and economic integration; their fate is to be a protectorate of some great power"⁹⁶.

Integration unions like the Common Economic Space and the CIS have to fix in this sense the status of the Russian protectorates in post-Soviet territory. But 2007, like previous years, was not successful for the formation of the Common Economic Space. Ukraine kept sticking to its position, declaring its participation in this union as intentions to form a free trade zone. And this is despite the fact that the ruling "anti-crisis coalition" set the task of achieving a full-fledged participation of Ukraine in the Common Economic Space as a priority foreign policy objective. In the program of V. Yanukovich's Government, "a key foreign economy priority was the development of a relationship with post-Soviet common economic space"⁹⁷.

As regards the deepening of Ukraine's cooperation within the CIS, no political progress was observed in 2007. Ukraine restricted its activity in this organization to participation in work on the Convention on Legal Status of Labor Migrants and Members of Their Families from Countries - CIS Members and the Protocol on Introduction of Amendments and Additions to the Agreement on Guarantee of Rights of the Countries - CIS members in the Sphere of Pension Provision dated 03/13/1992. On 16 March 2007, the relevant laws on ratification were adopted.

The key issues put by Ukraine on the CIS agenda were connected with the introduction of the free trade zone, termination of "trade wars" between CIS countries, and attaching a purely economic

⁹⁶ V.A. Shmelyov. Crisis of CIS or Our Perception of CIS. // Problems of CIS Development and Reformation. – P.18

⁹⁷ Azarov Offers Excuses for the Russian Language and Common Economic Space. / Pershodzherelo. – 31.08.2006.- 10:32

direction to this organization. Russia, on the contrary, views the CIS as “framework organization for uniting post-Soviet space on the basis of its own civilization project. It is mentioned in the Concept of Relationship between the Russian Federation and Ukraine that “the Commonwealth of Independent States, in our opinion, should not be considered a structure of economic integration. Extremely important is the support of CIS as a forum for the exchange of opinions and as a means of searching for new forms of interaction of the “framework” organization of the post-Soviet space, as well as humanitarian functions. That is why the key elements of Russian policy in respect of the CIS are: focusing, first of all, on the issues of humanitarian and cultural cooperation (for instance, in the area of Russian language, and education) and, then to a certain extent, security, rejecting unrealistic economic initiatives”⁹⁸. This document of the Russian Foreign Affairs Ministry mentions that “the key role of the CIS concerns the problems of strengthening the common humanitarian space”⁹⁹.

Regarding economic instruments of re-integration, in this sense Russia gave advantage in 2007 to the mechanisms of bilateral relations. Among them, the first place still belongs to the gas factor and use of the energy dependence of Ukraine on Russia. The economic strategy of Russia in relations with Ukraine has a vividly expressed geopolitical and geo-economic context. It is aimed at the achievement of several strategic goals, in particular:

- power methods for stimulating the processes of Ukraine’s involvement in the Russian re-integration projects;
- as far as possible, squeezing out Ukrainian producers from the Russian market;
- obtaining control over the gas transportation system of Ukraine and other strategically important segments of the Ukrainian economy by encouraging the expansion of Russian corporations and private companies which are politically loyal to the Kremlin; and
- conducting regional re-integration by obtaining control over the political and economic situation in the Eastern and Southern regions of Ukraine.

⁹⁸ Concept of Relationship between Russian Federation and Ukraine in the Parliamentary Sphere. – P.30.

⁹⁹ Survey of Foreign Policy of the Russian Federation. – P.18.

During 2007, the leading role in the fulfillment of the aforesaid goals was given by Russia to investment expansion by large Russian business groups. Key targets of expansion by the Russian business groups were, first of all, such strategic sectors of the Ukrainian economy as non-ferrous metallurgy, petrochemistry, telecommunications, machine building, electric energy and the gas complex.

In machine building, the Russian companies buy the Ukrainian plants and vital industrial complexes of strategic importance, and work on the principles of assembly cooperation. The biggest achievement in this direction was the acquisition by the Russian-based Bryansk Machine Building Plant of the Lugansk Locomotive Plant at the minimum starting price of USD 295.5 million, while its appraisal forecast price was between USD 400 million and 2 billion¹⁰⁰. Moreover, the leading Ukrainian enterprises were not even allowed to participate in this auction. A similar case occurred with the Kharkiv Tractor Plant which is now under control of the Russian group GAZ belonging to Oleg Deripaska.

These examples testify to the use by Russia of two ways for conducting economic expansion and capture of the most important segments of economy. The first of them is the incorporation of the Ukrainian Government and its highest officials into Russian business interests, thus ensuring the most favorable and preferential national regime for Russian investments. The second way is purchase from Ukrainian business groups of the controlling block of shares of leading Ukrainian enterprises.

These two ways are inseparable components of Russian state policy which “must promote foreign trade expansion for prospective branches of the Russian economy. This relates, first of all, to the highly technological sector: aircraft industry, transport and energy machine building, defense-and-industrial complex. Russia must strive to ensure access for Russian products and services to the Ukrainian market with state export support, creation of most-favored-nation treatment and a national regime for Russian investments,” – stated in the Concept of Relationship between the

¹⁰⁰ Georgy Putilov. Conflict Around Sale of Luganskteplovoz May Transfer from Economic Surface into Political Surface /Ugmk. 18 April 2007/ Biznes.

Russian Federation and Ukraine”¹⁰¹. Another strategic direction of Russia economic expansion in 2007 was conducting regional re-integration of the Eastern regions of Ukraine through the mechanism of border cooperation.

The third group of tasks is the formation of the common humanitarian (Russian) space. This space corresponds to the fundamental interests of Russia connected with its civilization development. In respect of Ukraine, the key strategic purpose in this civilization context is not to allow self-identification of the Ukrainian nation and its development, as well as to re-format the model of development of the Ukrainian state into a Malorossia model – a protectorate of Russia, which would be more acceptable for the homogenization of the Russian civilization space.

The key objectives for Russia in achieving this strategic goal in the humanitarian sphere in respect of Ukraine can be the following:

- attachment of state status to the Russian language in Ukraine;
- capture of the information and cultural space of Ukraine and ensuring in it the domination of Russian information and cultural products;
- prevention of a revival of any historical memory of the Ukrainian nation and the discrediting of its national symbols;
- re-integration of the Eastern and Southern regions of Ukraine into the Russian information and cultural space and creation on their basis of a Malorossia community alternative to the Ukrainian society;
- strengthening in Ukraine of a puppet pro-Russian government and incorporation of the Ukrainian political elite into the Russian interests; and
- creation in Ukraine of an expert pool of political analysts and information centers which would be able to promote Russian state ideology and policies in Ukrainian society.

To what extent did Russia manage to achieve these tasks in 2007? In the sphere of humanitarian relations with Russia, this year was marked by the brutal ruining of Ukrainian state symbols on

¹⁰¹ Concept of Relationship between Russian Federation and Ukraine in the Parliamentary Sphere. – P.3.

mount Hoverla by Russian citizens, activation in the Crimea and Eastern Ukraine of the work of such pro-Russian radical youth movements as “Proryv” and the European Youth Union, and visits of such Russian personalities as Dugin, Leontiev and Zatulin in order to organize anti-Ukrainian propaganda. One of the actions of such propaganda was publication by M. Leontiev of the weekly magazine “Der Spiegel Profil” the founder of which is Glossy Publishing Ukraine LLC. They also included meetings of pro-Russian forces in Crimea, participants of which required the Verkhovna Rada of the Autonomous Republic of Crimea to adopt the Declaration on Reunion of Crimea with Russia, to announce the peninsula as being under its jurisdiction and to remove the Ukrainian state symbols from official buildings¹⁰².

Another set of measures aimed at implementing these tasks was the attempt to establish the symbols of Russian sovereignty in the Southern cities of Ukraine. In particular, this included erection of a monument to Catherine the Great, Russian Empress, in Odessa, and the intentions of the local power groups to erect similar monuments in Simferopol and Sevastopol, as well as a ban on erecting monuments to the national leaders of Ukraine from the time of the national liberation movement in the eastern and central regions of Ukraine. An example of such actions was the banning by local powers of the erection of a monument to Petlyura in Poltava.

Russia also tries to oppose attempts by the Ukrainian authorities to implement the state status of the Ukrainian language and to reduce the predomination of Russian in the movie industry of Ukraine. In particular, the Ministry of Foreign Affairs of the Russian Federation made official comments expressing its concern regarding the resolution of the Constitutional Court of Ukraine on the necessity to dub or subtitle in Ukrainian the movies of foreign production¹⁰³.

Russia also steadfastly refused to recognize the fact of the Ukrainian Famine of 1932-1933 as a manifestation of genocide against the Ukrainian people. The Russian leadership also makes loud statements against attempts by the Ukrainian authorities to vindicate the warriors of OUN-UPA and to restore historical justice regarding the role of separate historical personalities and events. Moreover, the President of Russia, V. Putin sees these steps as hostile to his country. “It is a

¹⁰² Pro-Russian Forces in Simferopol Ask Again to Return Crimea to Russia // UNIAN 31:01 – 16:53.

¹⁰³ Russia Didn’t Like the Constitutional Court Resolution on Ukrainian Dubbing of Movies // Obzor 10.01.2008. – 09:30.

question, first of all, of a peculiar interpretation by the Ukrainian side of the events of our common history, the ‘heroization’ of war criminals who collaborated with the Nazis, who unleashed in all regions of Ukraine “war” against historic monuments and burial places of Soviet warrior-liberators, strengthened the discrediting of the Russian language, (carried out) activities aimed at destroying the Ukrainian Orthodox Church. These hostile steps already cloud relations between our countries,” he said in his Message to the President of Ukraine, V. Yushchenko¹⁰⁴.

Due to the absence of state censorship and the commercial nature of Ukrainian newspapers, radio stations and TV channels, Russia may quite easily control information space in Ukraine and can fill it with its information products containing the relevant ideological bias. On the one hand, Ukrainian channels and radio stations use, presumably, Russian information products, movie products, and products of Russian show business. On the other hand, Russia can, on commercial terms, manipulate the sponsored materials on Ukrainian TV channels and in other mass media, as well as through off-shore shell firms, to acquire ownership of them and in this way influence their editorial policy.

Russian domination in the information and cultural space of Ukraine opens a wide range of opportunities for it to introduce its own state ideology into the public consciousness of Ukrainian citizens. These opportunities for Russia are especially important in the Southern and Eastern regions of Ukraine.

In trying to bring about the transformation of the mentality of a large portion of the population in these regions from the Soviet into the Russian provincial mentality, the Russian state ideology may find here a favorable foundation because, according to the concept of the new Russian ideology, “Boundaries of the Russian people as both an ethnos and a nation are very flexible. In those times when the dignity of a Russian grows, the number of those willing to accept this dignity increases (not only for the sake of profit but also as genuine feeling), in the times of a fall of this dignity, in the times of self-uncertainty, the national field shrinks as dried-up skin”¹⁰⁵. That is why the first

¹⁰⁴ Putin Doesn’t Like That Ukrainian History Does Not Conform to KGB-FSB Standards // *Obzor*. – 18.12.2007. – 17:56.

¹⁰⁵ Yegor Kholmogorov. Restoration of the Future. /Project of the National Strategy Institute. - //Agency of Political News, 2005, 15 March.

steps towards the restoration of the national myth of Russia should relate to the recovery of everything “Russian” as dignified, and through this established dignity to define boundaries and meaning for the Russian people. This should entail restoration of national autocracy, “i.e. establishment of the stable power as a Russian power which protects the sovereignty of Russia”¹⁰⁶. “That is why when the projects of imperial reconstruction are set up, it is necessary to start with expansion – economic, cultural, and population expansion”¹⁰⁷. “If we agree that mostly the Russians accept the ideology of the new Russia because they make up about 80% of population, then the Russians (and they are also “Ukrainians and Belarusians”) will probably accept this ideology, as their world-view is not different from the world-view of the Russians in “continental” Russia”¹⁰⁸.

Acceptance of this ideology by the Ukrainian nation would leave the state without any prospects for development as a nation, would allow it to be incorporated in the Russian social environment and would destroy Ukrainian sovereignty. Transformation of Ukraine as a sovereign state into the Malorossia model ensures achievement of these strategic goals. However, to achieve these goals it is necessary to have a puppet government which would agree with and be able to participate in the development of Ukraine as a future part of Russia.

It would seem that of all previous Governments, that of V. Yanukovich and the “anti-crisis coalition” better corresponded to the expectations of the Russian party. Russia gave its absolute support to the “anti-crisis coalition” during the political crisis in spring 2007 through all political and diplomatic means. The model of foreign policy of V. Yanukovich’s Government really envisaged a strict, unilateral, pro-Russian orientation in exchange for economic preferences. V. Yanukovich’s Government was totally prepared to promote implementation of the Russian geopolitical projects and to make political concessions.

¹⁰⁶ Yegor Kholmogorov. Restoration of the Future. /Project of the National Strategy Institute. - //Agency of Political News, 2005, 15 March.

¹⁰⁷ Yegor Kholmogorov. Restoration of the Future. /Project of the National Strategy Institute. - //Agency of Political News, 2005, 15 March.

¹⁰⁸ Stepan Kuznetsov. Ideology and Tasks of the New Russia. Part 1. Importance of Ideology for the Modern Society//km.ru. 1.02.2006

For the sake of political preferences in the form of cheap energy carriers and increased volumes of trade on the bilateral level, the Government of V. Yanukovich and the “anti-crisis coalition” were prepared to make significant political concessions to Russia, including rejection of NATO and regional leadership, rejection of the development of GUAM and Baltic – Black Sea cooperation, rejection of democratic standards in foreign policy, and of the issue of demarcation of land and delimitation of sea sections of the inter-state border with Russia. V. Yanukovich’s Government and the “anti-crisis coalition” were prepared to view the European integration of Ukraine as part of a big geopolitical project by Russia; to review the issue of the extension of the Russian Black Sea Fleet’s presence on the territory of Ukraine after 2017; to coordinate the foreign policy activities of Ukraine with the foreign policy ministry of Russia according to the interests of the latter; prepared to take up full membership in the Common Economic Space; to give the status of state language to Russian and to maintain at the highest state level activities of the Moscow Orthodox Patriarchate in Ukraine; to be loyal towards the activities of the pro-Russian separatist forces in Crimea and Eastern regions of Ukraine; to consider an issue on “joint” management of the gas transportation infrastructure of Ukraine; to act as a Russian satellite in the geopolitical, military and political rivalry between Russia and the West and in particular, the USA, - namely: the issues of the placement of the U.S. elements of Antimissile Defense, or gas problems, - and were prepared to make many other geopolitical and geo-economic concessions.

As a demonstration of such devotion, the “anti-crisis coalition,” which was a majority in the Ukrainian Parliament, refused even to allow access for the detachments of military forces of other countries to the territory of Ukraine for participation in the multi-national military exercises in 2007. Though, as it turned out, by doing so they also prohibited access for 4 Russia combat aircraft to participate in a bilateral military exercise of anti-aircraft defense of both countries, which took place on the territory of Ukraine.

But as reality has demonstrated, expectations by the Russian side of the support of the Government of V. Yanukovich were exaggerated. V. Yanukovich’s Government undoubtedly promoted the privatization of Ukrainian enterprises by Russian business structures, as well as access by Rosukrenergo, a subsidiary company of Gazprom, to the Ukrainian domestic gas market. In addition, V. Yanukovich, during his meeting with the President of Russia, V. Putin at the MAKS-

2007 aviation salon in August 2007, signed a Memorandum on the merger of the Ukrainian and Russian aircraft complexes. This document related to the Russian Amalgamated Aviation Corporation (AAC) and Ukrainian State Aviation Concern, “Aviation of Ukraine”¹⁰⁹. He also did everything possible to block Ukraine’s movement towards NATO. However, V. Yanukovich, together with the “anti-crisis coalition”, did not manage to give the status of a state language to the Russian language, to transfer the gas transportation system to Russia, or make Ukraine a full member of the Common Economic Space.

At the same time, in 2007 V. Yanukovich’s Government managed to reduce the tensions of the trade war though Ukraine occupied 2nd place after USA in the number of trade investigations initiated by the Russian Federation. The practice of preliminary consultations was introduced in respect of the possible introduction of restrictive measures in the area of trade. V. Yanukovich’s Government also managed to increase significantly the volume of trade with the Russian Federation. Volume of trade in goods between Ukraine and the Russian Federation in 2007 increased in comparison with 2006 by 32.3% - to USD 29.6 billion. Ukrainian export increased by 46.1% - to USD 12.6 billion, and import from Russia by 23.7% - to USD 17 billion. Taking into account the rendering of services, the general commodity turnover between the two countries in 2007 was USD 33.14 billion.

Due to the ending of the Russian Federation’s prohibition on the import of Ukrainian meat and dairy products, Ukraine increased the export of food to Russia by 6.8%. Supply of machine building products to Russia increased by 59.54% and reached USD 4.78 billion. The supply of metallurgy products to Russia increased by 19.6% and chemical products by 34.1%¹¹⁰. At the same time, in 2007 Ukraine increased the import of energy carriers from the Russian Federation by 17.2% - to USD 8.134 billion, machine building products by 25.7% - to USD 3.412 billion, metallurgy by 41.9% - to USD 2 billion and chemicals by 33.2% - to USD 1.5888 billion¹¹¹. As a

¹⁰⁹ V. Materikin. The Government “Gives Away” Aircraft Plants to the Russian Oligarch Deripaska? // Ekonomichna Pravda. – 2007. – 24 September.

¹¹⁰ Volume of Trade Between Ukraine and Russian Federation Increased by 32% - [http:// www.Price review.com.ua /](http://www.Price review.com.ua/) 01.02.2008. – 12:30.

¹¹¹ Volume of Trade Between Ukraine and Russian Federation Increased by 32% - [http:// www.Price review.com.ua /](http://www.Price review.com.ua/) 01.02.2008. – 12:30.

result, Ukraine ended 2007 with a negative trading balance with Russia to the amount of USD 5 billion.

Due to the efforts of V. Yanukovich's Government, together with the Prime Minister of the Russian Federation, M. Fradkov a Program of Economic Cooperation between the two countries for 2008-2010 was signed on 22 August 2007. It included around 50 items of cooperation in the area of fuel and energy complex, aviation and space industry, nuclear energy, military, industrial and agro-industrial complexes¹¹².

But despite certain achievements in economic relations with Russia, the key problem for Ukraine in 2007 remained the volumes and price of supplied gas. This issue became very important during the visit of the Prime Minister of Ukraine, V. Yanukovich, to Moscow on 21-22 August 2007. It related to the approval of a price for natural gas to be supplied to Ukraine for the period 2008-2011. The Russian side suggested tying this issue to a possible transfer of part of the Ukrainian gas transportation system to the control of the Russian Federation in exchange for the entry of the National Joint Stock Company, Naftogaz of Ukraine, into the assets of the Russian gas producing companies on the territory of Russia, and a relatively low increase of gas price in 2008. As Yevgen Bakulin, the then Chairman of the Board of the National Joint Stock Company stated: "Gas price in 2008 will be around USD 143 for 1,000 cubic meters, but we need to complete negotiations"¹¹³.

A proposal to exchange a portion of Ukrainian gas pipes for access to the extraction of gas in Russia, according to the President of the Russian Federation, V. Putin, was made by the Ukrainian Government itself. The National Security and Defense Council of Ukraine made an assumption that the gas price announced for Ukraine was connected to a possible transfer of the Ukrainian gas transportation system to the control of the Russian Federation. Obviously, in this way the Government of V. Yanukovich tried to satisfy a strategic interest and an old dream of Russia- to get control of the Ukrainian gas transportation system (GTS) through which it delivers gas to Europe. And this happened despite the fact that transfer of GTS into foreign ownership is prohibited by

¹¹² A. Kinakh: Volume of Trade Between Ukraine and Russian Federation in 2007 Exceeded USD 30 billion/ 10.09.2007. – RBK – Ukraine.

¹¹³ Yushenko Says He Did Not Give a Mandate for Gas Negotiations with Russia./ 22.08.2007. – 14:53_www.pravda.com ua. Ukrainska Pravda.

Ukrainian legislation. Of course, these intentions of V. Yanukovich caused a rebuke from the President of Ukraine, V. Yushchenko, who said that he had given no mandate for negotiations between the Russian Federation and Ukraine in the area gas transportation¹¹⁴.

The next gas conflict between Ukraine and Russia appeared two days after the end of the extraordinary Parliamentary election in Ukraine of 30 September 2007. And though Russia, in the words of its Foreign Minister, S. Lavrov hurried to assure that “There is no political basis in this situation when the money was to be paid but was not paid”, the majority of observers and the international community assessed this conflict as another attempt to put pressure on Ukraine. In particular, Senator R. Lugar said, “Actually, the Russians said in this way: if Yanukovich did not win, we want to receive our money now”¹¹⁵.

The reason for this conflict was the debt owed to Gazprom by the Ukrainian and intermediary structures for gas consumed to the amount of USD 2 billion. Obviously, the concern of the Russian side was also caused by the statements of BYuT leader Yu.Tymoshenko who, in coalition with Orange forces won the extraordinary Parliamentary election that she intended to abolish intermediary structures in the relationship between Ukraine and Gazprom of Russia. On 15 October 2007, the First Deputy Chairman of the Government of the Russian Federation and Chairman of Gazprom Board of Directors, D. Medvedev announced that intermediaries in gas relations between Ukraine and Russia appeared “in a certain historical context” on the initiative of the Ukrainian side¹¹⁶. Through such action the Government of V. Yanukovich was involving Ukraine in an ever-deepening system of dependence on Russia. Of course, the Russian side was interested in the existence of such a Government in Ukraine and in the existence of the “anti-crisis coalition” in the Ukrainian Parliament. Thus, not surprisingly, with the dissolution of the Verkhovna Rada in April 2007, tension in relations between Ukraine and Russia increased. 59.5% of the experts questioned confirmed this condition¹¹⁷. A sociological survey in Russia also

¹¹⁴ Yushenko Says He Did Not Give a Mandate for Gas Negotiations with Russia./ 22.08.2007. – 14:53_www.pravda.com.ua. Ukrainska Pravda.

¹¹⁵ Moscow Asks Not to Mix Politics with the Russian Gas. UNIAN. 10.10, 2007, 12:30. 5//www.zavtra.com.ua/news/mir 52523.

¹¹⁶ Ukraine and Russia May Do Without Intermediaries in Gas Sphere. // UNIAN, 17.10.2007., 11:35.

¹¹⁷ In the Eyes of Experts: Foreign Policy of Ukraine in the 2nd Quarter of 2007. // Foreign Affairs. – 2007. – September. – P. 11.

confirmed this trend. 35% of Russian citizens polled believed that Ukraine is a country hostile to Russia, and only 12% have the opposite opinion¹¹⁸.

Evidence of such tension in 2007 were the deportation from Crimea on June 25 of O. Dugin, who is known for his chauvinist, anti-Ukrainian views, and is the leader of the international Eurasian movement “Eurasian Youth Union”, - and the corresponding actions of the Russian side, such as prohibiting the entry into the Russian Federation of M. Zhulinsky, advisor to the President of Ukraine, and also that of a well-known Ukrainian politician and businessman, P. Poroshenko.

In August 2007, the Ministry of Foreign Affairs of Ukraine sent an urgent note to the Ministry of Foreign Affairs of the Russian Federation with a request to provide official confirmation of a statement by the Russian Embassy Counsel, V. Lysenko on Moscow’s intention to review the 1997 Big Agreement between both countries which confirms the Ukrainian status of Crimea¹¹⁹. Numerous attacks by the President of the Russian Federation, V. Putin regarding the “problems” with democracy, the instability and the interpretation of history in Ukraine, as well as attempts by the Russian side to close the Ukrainian library in Moscow did not help to strengthen relations.

Problems connected with the presence of the Black Sea Fleet on the territory of Ukraine were also the reason for the aggravation of relations in 2007. The block of these problems included:

- inventory-taking of land plots, objects and state property of Ukraine transferred to the use of the Black Sea Fleet of the Russian Federation;
- navigational and hydrographic systems for ensuring the security of maritime traffic in the Black and Azov Seas;
- military and political issues;
- issues and legal aspects related to the functioning of military detachments of the Black Sea Fleet of the Russian Federation on the territory of Ukraine; and
- ecological security and environmental issues.

Intentions by the Ukrainian side to find solutions for these problems encountered strong opposition from the Russian Federation. The beginning of the aggravation was the decision of the Genicheskiy

¹¹⁸ Russians Have No Special Sympathy for Ukraine. // UNIAN, 23. 08. 2007,17:40.

¹¹⁹ Ministry of Foreign Affairs of Ukraine Requires from the Russians Explanations About the Statements on the Status of Crimea. 23.08.2007. 18:20//www//novynas.com.ua/politics/5972.

City Commercial Court in Kherson region to withdraw the base station for the radio-navigation system Mars-75 from the list of items of the Black Sea Fleet of the Russian Federation and transfer it to the Ministry of Transport of Ukraine on the basis that transfer of a navigational and hydrographic system on lease is prohibited by Ukrainian legislation. In response, the Russian Federation stated that it had no intention of recognizing the decisions of Ukrainian courts in respect of the transfer to Ukraine of an item of the Black Sea Fleet which ensures the navigational and hydrographic security of maritime traffic in the Black Sea because, according to its interpretation, this system is an object of international agreement.

Of the military and political issues, the most important was discussion of the prospects for the deployment of the Black Sea Fleet after the end of the Agreement on Status and Conditions of Presence of the Black Sea Fleet of the Russian Federation on the Territory of Ukraine in 2017. As mentioned V. Ogryzko head of the Ukrainian part of the sub-commission of the Russian-Ukrainian State Commission and the then First Deputy Minister of Foreign Affairs of Ukraine, “Withdrawal of the fleet is not an easy task as around 14,000 Russian servicemen are present in Ukraine today, as well as a lot of military hardware and ammunition. And it is necessary to prepare and withdraw all this. The Ukrainian side must accept all items and property in an appropriate condition. Therefore, there is a lot of work and it should be done in time”¹²⁰. But an attempt to include this issue in the agenda of the 5th meeting of the sub-commission caused protests by the Russian delegation.

Chairman of the Committee of the State Duma of the Russian Federation on CIS issues, Andrey Kokoshin issued a strong statement concerning this issue. He said: “Duma had a negative reaction to the statement of the First Deputy Minister of Foreign Affairs of Ukraine that after 2017 the Black Sea Fleet will have to be withdrawn from Ukrainian territory”. “Any attempts to withdraw the Russian Naval Forces from Crimea cannot be judged otherwise than as an attempt to drive a wedge between our two countries,” (A. Kokoshin¹²¹).

¹²⁰Russia Wants to Talk About the Black Sea Fleet Beyond Politics.//<http://ua.for-ua.com/ukraine/2007/08/02/171634.html>.

¹²¹There Will Be No Stability in the Region Without the Russian Fleet.// <http://novynar.com.ua/politics/4047>.

Resolution of the issue on inventory-taking of the items of the Black Sea Fleet of the Russian Federation also caused a painful reaction from Russia. The grounds for such a reaction were the statements of several Ukrainian politicians that the lease price for the Black Sea Fleet bases in Sevastopol would be increased if, in the process of inventory-taking, Ukraine finds that the Russians have unregistered objects and property. Reacting to these statements, Counsellor of the Embassy of the Russian Federation in Ukraine, V. Lysenko stated that he believed that inventory-taking of the items of the Black Sea Fleet of the Russian Federation conducted by the Ukrainian side is a pressure on Russia. This was not envisaged by the Big Agreement. The fact that Russia has agreed to this is “a sign of the good will of my country,” he declared¹²².

Conflict on this issue was brought to an end with a comment made by the Minister of Foreign Affairs of Ukraine, A. Yatsenyuk in which he stated that Ukraine would not review the conditions of lease on the Ukrainian bases of the Black Sea Fleet of the Russian Federation. “Our statements, as statements of the Ministry of Foreign Affairs, are quite clear. We do not require early withdrawal of the fleet because we are a European country and it is written in our bilateral agreements that the fleet is located in the Ukrainian bases until 2017”¹²³.

Among the legal aspects of the presence of the military detachments of the Black Sea Fleet of the Russian Federation, problematic for Ukraine, remains the issue of the functioning of the Prosecutor’s offices of the Russian Federation on the territory of Ukraine and existence of “dual” citizenship for the servicemen of the Black Sea Fleet of the Russian Federation and their family members. These issues were raised at the meeting of the Ukrainian-Russian task force on legal aspects of the functioning of the military detachments of the Black Sea Fleet of the Russian Federation on the territory of Ukraine which took place on 26-27 September 2007 in Kyiv. At this meeting, ways of solving these problematic issues were suggested taking into account the fact that it is unacceptable that the court, Prosecutor’s offices and other competent authorities of the Russian Federation function in the territory of Ukraine. As a result of negotiations, the Russian side agreed to develop a mechanism for cooperation between the authorized bodies of Ukraine and the Russian

¹²² MFA of Ukraine Requires from the Russians Explanations Regarding Statements on the Status of Crimea. <http://novynar.com.ua/politics/5972>.

¹²³ Yatsenyuk: Ukraine Will Not Review the Terms of Lease for the Bases of the Black Sea Fleet of the Russian Federation. // UAToday.net. 27.08.2007. <http://www.uatoday.net/rus/news/polit/222735>.

Federation in order to ensure the surrender of Ukrainian citizenship by the servicemen of the Black Sea Fleet of the Russian Federation and their family members on the basis of their applications to the competent Ukrainian authorities¹²⁴.

Regarding the resolution of ecological problems, the situation was significantly aggravated by the ecological disaster in the Kerch Strait caused by the shipwrecks on 11 November 2007 of the Russian tankers and three ships loaded with sulphur. As a result of this accident, thousand of tons of fuel oil were spilled into the sea.

Despite the existence of difficult complex problems in bilateral relations between Ukraine and Russia, the countries managed to maintain during 2007 quite a constructive political dialogue in which pragmatic approaches dominated. Within the framework of this dialogue, the visit of the Minister of Foreign Affairs of Ukraine, A. Yatsenyuk to Moscow took place on 16 April 2007, and in October 2007 the Russian Minister of Foreign Affairs, S. Lavrov made a visit to Ukraine, during which projects at the level of inter-regional cooperation were discussed, in particular: creation of the transport route in the Kerch Strait, activation of efforts on the rehabilitation of the basin of Siversky Donets river, organization of joint fairs and deepening of cooperation between the universities¹²⁵.

During 2007, there was a continuous political dialogue between the Presidents of both countries. Though the visit of the President of Ukraine, V. Yushchenko to Russia planned for April 2007 was postponed as a result of the domestic political situation in Ukraine, the Presidents of both countries still found an opportunity to meet during an informal CIS summit which took place in St. Petersburg on 10 June 2007. The President of Ukraine announced that he observed with concern “the tension forming lately in Ukrainian-Russian relations”, “(I) would like to assure you that the Ukrainian side gives no grounds for the formation of such complications,” he said¹²⁶. During the meeting, they spoke about the Ukrainian-Russian Action Plan for 2007-2008 which was never

¹²⁴ Ukraine Has Determined Conditions for Presence of the Black Sea Fleet of the Russian Federation. – 29.09.2007. – 15:11 //Obozrevatel.

¹²⁵ Yatsenyuk and Lavrov Liked Their Communication.//ProEUROPA, 2007, 19 October. 15:04.
<http://www.proeuropa.info/news/?id=8381>.

¹²⁶ Yushenko Will Meet Putin to Talk About “Unpleasant Things”. // ["Ukrainska Pravda"](#), 06.06.2007, 15:19.
<http://www.tsybulko.com.ua/article.php?articleID=5854>.

signed in 2007. This plan contained 23 items and covered such spheres as border and customs control, delimitation of water borders and demarcation of land borders, the presence of the Black Sea Fleet in Sevastopol, issues of cooperation in the energy sector, aircraft construction, the space area, as well as humanitarian and social issues.

This plan was aimed at a solution of the priority tasks for bilateral relations set by the Presidents of both countries at the first joint meeting of the inter-state Ukrainian-Russian “Yushchenko-Putin” commission on 22 December 2006. Among these tasks for 2007, the following were envisaged:

- to begin the work of the Joint Commission on Demarcation of the Land Portion of the Russian-Ukrainian Border;
- to activate the negotiation process in respect of the Kerch Strait and to sign agreement on border delimitation in the Azov and Black Sea; and
- to resolve unregulated issues of the presence of the Black Sea Fleet of the Russian Federation on the territory of Ukraine.

Work on the first issue was not started in 2007. It is planned that the first meeting of the Joint Commission on Demarcation of the Land Portion of the Russian-Ukrainian Border will start only in April 2008, though during the meeting in April 2007 with his colleague, the Minister of Foreign Affairs of the Russian Federation, S. Lavrov the Ukrainian Minister of Foreign Affairs, A. Yatsenyuk agreed that the relevant task forces would begin their work on border demarcation.

On the second issue, the parties managed to achieve some progress in 2007. On 29 November 2007, the 28th round of negotiations between Ukraine and Russia on the Azov-Kerch and Black Sea problems took place. The agenda for these negotiations contained 4 issues: approval of delimitation lines of the Ukrainian-Russian border in the Azov Sea; delimitation of the Kerch Strait and other issues related to its aquatic area; delimitation of territorial waters and continental shelf of the Black Sea; preparation of the bilateral agreements on cooperation in the area of maritime traffic, fishery and environment protection in the Azov, Black Seas and Kerch Strait.

The best results were achieved by the parties on the issue of delimitation of the sea border in the Azov Sea. The parties agreed on the necessity of border delimitation according to the international conventions on sea law. In accordance with this approach, the border in the Azov Sea will pass along the modified midline and will take into account the length of the shore of the countries.

But the Russian side does not agree to apply this approach to the Kerch Strait, and insists on fulfillment of the instruction of 2003 from Presidents of both countries on the creation of a joint consortium on the use of the Kerch Strait. Russia also considers it unacceptable to review provisions of 2003 Ukrainian-Russian Agreement “On the Status of the Azov Sea”. The Ministry of Foreign Affairs of Ukraine, in its turn, intends to address Russia with a request to compensate for the losses resulting from the ecological disaster in the Kerch Strait, which is assessed by the Russian side at USD 267 million¹²⁷, and by the Ukrainian side at approximately USD 1.5 billion¹²⁸.

Conclusions

As analysis shows, 2007, just like the previous year, did not become the year of significant progress in handling the difficult complex of problems connected with presence of the Black Sea Fleet of the Russian Federation on the territory of Ukraine. Ukraine did not manage to resolve any of the important issues which first appeared in these problems in 1997.

The Kremlin also did not manage to resolve finally the “Ukrainian issue” in 2007 irrespective of the pro-Russian orientation of V. Yanukovich’s Government and the “anti-crisis coalition” in the Verkhovna Rada of Ukraine. V. Yanukovich appeared to be not very consistent in the implementation of the pro-Russian policy. In his activities, he was forced to take into account corporate interests of the representatives of big business who financed his party, and to articulate Euro-integration rhetoric. All this did not correspond to the overstated expectations of Moscow in respect of V. Yanukovich.

¹²⁷ Russia Reminded Ukraine of the Agreement of the Kerch Strait // Glavred/ News. 29.11.07// 20:03.

¹²⁸ Yury Glukhov. Kyiv Decided on the Amount of Compensation from Moscow. // UNIAN, 20. 03. 2008.,12:00. <http://www.unian.net/ukr/news/news-242098.html>.

In addition, V. Yanukovich was unable to capture full power in Ukraine in the sphere of foreign and security policy; therefore he was unable to implement in full the geopolitical ambitions of the Kremlin which were a priority for Russia in its relations with Ukraine.

It was exactly this circumstance which forced the leaders of Russia to focus in their relations not only on Prime Minister V. Yanukovich but also on the President of Ukraine, V. Yushchenko. The political crisis has further strengthened the doubts of Moscow regarding V. Yanukovich's ability to implement Russian interests. This, in its turn, aggravated the concern and annoyance of the Kremlin which added tension to Ukrainian-Russian relations. These relations were transformed from satellite dependence to the condition of tension.

Obviously, this tension in Ukrainian-Russian relations will be preserved in 2008 but the key objective of the new Government of Yu. Tymoshenko will be to take Ukraine out of strategic dependence. First of all, this relates to the reduction of energy dependence on Russia. The strategy of Yu. Tymoshenko on this issue will obviously include both diversification of energy supply sources, and direct relations with Gazprom in the area of gas supply and transparent schemes for gas payment.

Yu. Tymoshenko believes that another strategic direction for the solution of the problem of gas dependence on Russia is the de-monopolization of the delivery of Russian gas to Europe. In this she will count on the support of the European Union. As mentioned in her article in "The International Herald Tribune", "The European Union should also consider the issue of breaking the Gazprom monopoly for gas pipeline infrastructure, as well as on the licensing of independent suppliers of natural gas. Share of such independent suppliers in Russia is already 20% of the volumes of domestic sales of gas, and these supplies keep growing. ... Therefore, the Europeans could equally divide between themselves the risks of possible energy blockade, including separate agreements which strengthen the sensitivity of others to energy blackmail"¹²⁹.

¹²⁹ Ru 17.04.2007/12:05. – Tymoshenko and Russia – Corrupted and Expansionary Country ("The International Herald Tribune").

Regarding the domestic economic policy of Yu.Tymoshenko's Government which may impact on relations with Russia, most probably the following directions will become the key ones:

- creation of the system of incentives and preferences to attract foreign and domestic investments to the economy of the country;
- introduction of transparent and open rules for privatization of state-owned enterprises;
- 'de-shadowing' of the economy; and
- fighting corruption.

On the condition that these directions will be implemented successfully, Russia will be forced to review its expansionary economic policy in respect of Ukraine. In the area of foreign policy, Yu. Tymoshenko will obviously base it on the understanding that "it is necessary to interact with Russia as it is really a world power but it should also be responsible for compliance with the norms and rules of such power both in its relations with the West, and in respect of its neighbors over which it dominated for a long time". "Definitely, the most important instrument of foreign policy is the support of economic and political reforms in this country. This policy used to be a favorite instrument of interaction between the West and Russia from the moment of the fall of communism. But it cannot substitute for serious efforts aimed at counteracting the old expansionary and the current strivings of Russia to recover its status as a great power at the expense of its neighbors"¹³⁰.

Apparently, development of bilateral relations in 2008 will depend significantly on domestic situations in Ukraine and Russia, as well as on external factors. In Russia this is, first of all, the change of power configuration connected with the Presidential election. In Ukraine it is the stability of the coalition and the tandem of Prime Minister Yu. Tymoshenko and President V. Yushchenko which will strengthen their ability to protect the national interests of the country.

The future of Ukrainian - Russian relations in 2009 will also depend on which strategy Russia will choose in respect of Ukraine. It can concentrate its efforts on ruining the tandem of the Government and President, and the destabilization of the domestic political and economic situation

¹³⁰ Ru 17.04.2007/12:05. – Tymoshenko and Russia – Corrupted and Expansionary Country ("The International Herald Tribune").

in Ukraine. But at the same time, it has an opportunity to construct a new system of equal and mutually beneficial neighborly relations with Ukraine. Ukraine must make all possible efforts to avoid any destructive trends in the development of relations with the Russian Federation.

§ 2. UKRAINE'S RELATIONS WITH THE LEADING COUNTRIES OF WESTERN EUROPE

Ukraine – Great Britain

Political Ties. In 2007, Ukrainian diplomacy concentrated its efforts on strengthening Great Britain's support for the Ukrainian course towards European and Euro-Atlantic integration, and for its entry to the world economic space, as well as further development of cooperation in the political, economic, military and cultural spheres. Great Britain, in its turn, continued to demonstrate its support for the European choice of Ukraine, in particular within the framework of the official negotiations started in February 2007 and devoted to the conclusion of the New Enhanced Agreement between Ukraine and the EU.

The issue of prospects for European and Euro-Atlantic integration of Ukraine, Ukraine's WTO accession, formation of the free trade zone between Ukraine and the EU were the focus of the meeting between Prime Minister of Ukraine, V.F. Yanukovich and Prime Minister of Great Britain Tony Blair which took place during the World Economic Forum in Davos in January 2007. Discussion of these issues continued on 26-27 February 2007 during the working visit of the UK Minister for Europe, Geoff Hoon who was received by the President of Ukraine, V.A. Yushchenko and Prime Minister of Ukraine, V.F. Yanukovich. In March 2007, the Ukrainian Investment Summit and, for the first time, the Ukrainian Energy Summit took place in London.

In April 2007, in the government document "Britain in the World", London confirmed its position regarding further enlargement of the EU, in particular to include Turkey and the Balkans, as well as giving support to Ukraine's prospects for EU membership as a "catalyst" of internal transformation processes. In the letter of the new Prime Minister of Great Britain, Gordon Brown to the President and Prime Minister of Ukraine, it was stressed that London remains a firm supporter of the European integration of Ukraine, as well as openness as to Ukraine's possible membership in the EU.

Great Britain actively demonstrates its positive attitude and provides support for cooperation between Ukraine and NATO under the Program “Partnership for Peace”, Charter on Distinctive Partnership, Intensified Dialogue. At the same time, a lot of attention is given to fulfillment of a bilateral program of Ukrainian-British cooperation in the military and political spheres.

Great Britain continues to give assistance to Ukraine in the reform of its defense and security sector. Costs to London for financing the relevant projects are about USD 1 million annually.

Great Britain does not consider it possible and has no intention of influencing the final decision of the Ukrainian side regarding future relations with the Alliance. The British Government deems the relevant statements of the Prime Minister of Ukraine in Brussels with respect to NATO-Ukraine Action Plan as a “temporary delay in Ukraine’s participation in the Action Plan but not the rejection of this mechanism”. If Ukraine confirms its interest in joining the Action Plan at a later stage, the British diplomats in general agree with the expediency of making, within Ukrainian society and its political establishment, a clearer distinction between fulfillment by the state of the Action Plan and the actual membership of the state in the Alliance.

A priority of British policy with respect to Ukraine in 2007 was support of further internal political and economic transformations on the European grounds, strengthening of democratic foundations and protection of human rights which must ensure the stable development of Ukraine and gradual European and Euro-Atlantic integration. The numerous Ukrainian-British projects conducted with the financial support of the British Council and the Department for International Development (DFID) promote the development of democracy and implementation of market reforms in Ukraine. In 2007, an agreement was reached on conducting training programs on the issues of European integration, which are financed by the Foreign Office and implemented by London Metropolitan University on the basis of the National Academy of State Management under the President of Ukraine.

Dynamics of the Ukrainian-British dialogue in 2007 were negatively affected by the difficult domestic policy processes in Ukraine, the change of the Government team in Great Britain and re-thinking of priorities in foreign policy by the new Government of Gordon Brown.

In July 2007, the Secretary of State for Foreign and Commonwealth Affairs, David Miliband outlined three key priorities of international policy for Great Britain: counteracting climate changes, fighting extremism and terrorism, and increasing EU effectiveness. In December 2007, Mr. Miliband emphasized the priorities of the European policy: development of the EU not as a super power but as a “model for regional development”; enlargement of the EU as an instrument of stability on the continent; creation of free trade zones with all EU neighbors – countries of Maghreb, Middle East and Eastern Europe, and considering free trade zones not as alternative to EU membership but as a step to it.

Trade and economic cooperation is developing dynamically. As of January-September 2007, total volume of trade between Ukraine and Great Britain was USD 1.7 billion, which is 30% more than for the same period of 2006. As of 1 October 2007, direct investments of Great Britain in Ukraine were USD 1.8 billion (fifth place among all investor-countries).

Search for new priorities for the foreign policy of Great Britain was against the background of a relative cooling of relations with the USA, dilution of leader positions of London in Euro-integration processes, critical re-thinking of British policy in Iraq and Afghanistan, and aggravation of British-Russian relations.

New trends and problems in the international and European policies of Great Britain may lead to a relative decrease of the role of Ukraine in London’s foreign policy priorities and a restriction of opportunities to lobby support for the interests of Ukraine in relations with the EU and NATO, but with preservation of general support for the course of Ukraine towards European and Euro-Atlantic integration.

Ukraine – Germany

Political dialogue. Central location of Germany on the European continent, its political influence and economic power, its role as the leader of Euro-integration processes objectively make this country a priority partner for Ukraine in the international arena and in particular, in Europe. Among Ukraine's foreign economic partners, Germany occupies second place in volume of trade turnover (after Russia) and is a leading investor in the Ukrainian economy (about one-fourth of the total volume of foreign investments).

Determining factors for relations between Ukraine and Germany in 2007 were Germany's chairing of the G-8 and of the European Union, as well as the political instability in Ukraine, the extraordinary parliamentary election and change of Government. In addition, bilateral relations were also influenced by lack of dynamics in the Ukrainian-German political dialogue at a high level after the Government of "Big coalition" headed by A. Merkel came to power in Germany. One of the first steps of this Government was the cancellation of the Sixth Ukrainian-German political consultations at the highest level scheduled for the end of October 2005. These consultations were not organized in the following years either (the last, Fifth Ukrainian-German political consultations were held in February 2004 in Berlin, and the last visit to Ukraine of the German Federal Chancellor, G. Schroeder took place in December 2001).

In 2007, the President of Ukraine, V. Yushchenko visited Germany three times. The issues of Ukraine's Euro-integration policy, European energy security and development of bilateral cooperation were on the agenda for negotiations between the President of Ukraine, V. Yushchenko and the Federal Chancellor of Germany, A. Merkel within the framework of the working visit of the Head of State to Germany on 8-10 February 2007. On 24 August 2007, the President of Ukraine made a working visit to Bavaria and met with the German Federal Minister of Foreign Affairs, F.-V. Steinmeier and Prime Minister of Bavaria E. Schtoiberger. On 3 October 2007, the Head of State made an official visit to Berlin to participate in the award ceremony of Qudriga'2007 prize.

The Ukrainian leadership was confident that support by Germany, which chaired the EU in the first six months of 2007, for the principles of political association and economic integration and provision on the prospect of Ukraine's accession to the EU as a basis for the New Enhanced

Agreement between Ukraine and the EU to replace the Partnership and Cooperation Agreement (PCA) was strategically important for Ukraine. The position of the German leadership in respect of these issues turned out to be reserved. This position was clearly worded by A. Merkel during the working visit to Germany of the Prime Minister of Ukraine, V. Yanukovich on 28 February 2007: “With respect to membership prospects ... we made it clear that the European Union is at the stage of digesting its new enlargement. And once we conduct these negotiations of the Enhanced agreement, this testifies to the fact that Ukraine has a special place in relations with the EU”.

The negotiation process on the conclusion of the New Enhanced Agreement between Ukraine and the EU was started in February 2007, during the visit to Ukraine of the Head of German Foreign Policy Ministry F.-V Scheinmeier as Head of the EU “Big 3”. The German side includes the New Enhanced Agreement in the format of European Neighborhood Policy (ENP) which contains no mention of possible EU membership though they stress in Berlin that “the EU door is open for Ukraine”. In practice, this means that Ukraine must become a flagship of ENP, an example for other neighbor-countries, and the New Enhanced Agreement and Free Trade Zone (FTZ) must crown the neighborhood policy.

Due to the active support of Berlin officials within the framework of Germany chairing the G-8 in 2007, preparatory work was finished and an agreement was signed on the construction of the new confinement for the Chernobyl nuclear power plant. Ukraine’s accession as a recipient-country to the Initiative “Global Partnership Against Proliferation of Weapons of Mass Destruction and Relevant Materials” also took place.

In 2007, positive dynamics in consultations between foreign policy ministries in Ukraine and Germany persisted, just like the dynamics in trade and economic, military and political, and cultural and humanitarian cooperation.

The issues of the European and Euro-Atlantic integration of Ukraine, bilateral relations, and interaction in international organizations were central to the negotiations of the Minister of Foreign Affairs of Ukraine, A. Yatsenyuk during his official visit to Germany on 23-24 May 2007. In the course of the visit by First Deputy Minister of Foreign Affairs of Ukraine, S. Ogrzyzko and his

meeting with the State Minister of Foreign Affairs of Germany, G. Erler in November 2007, the readiness of Germany for the Sixth Ukrainian-German consultations in the first six months of 2008 was confirmed.

In September 2007, for the first time in the history of bilateral relations, a visit to Ukraine of the Federal Minister of Economy and Technology of Germany, M. Gloss took place. In November, a Joint Agreement on Training of Managerial Cadre in the Sphere of Entrepreneurship with the use of funds from the state budget of Germany was signed between the Cabinet of Ministers of Ukraine and the Government of Germany. In the course of a visit to Ukraine by the Federal Minister of Health Protection of Germany, U. Schmidt in August 2007, a Joint Statement on Cooperation in Areas of Fighting HIV/AIDS, Infectious and Oncologic Diseases, Improvement of Qualification of Ukrainian Doctors in German Clinics was signed. In October 2007, a cultural and information agency of Ukraine was opened at the Ukrainian Embassy in Germany. In November 2007, the Day of Ukrainian Economy in Germany took place in Magdeburg; also the joint meeting of the Board of Ukrainian-German and German-Ukrainian Forums took place.

Trade and economic cooperation. Germany remains the second most important trading partner of Ukraine (after the Russian Federation). In nine months of 2007, commodity and services turnover between Ukraine and Germany was USD 5,754 million, including export – USD 1,485 million (increase of 37%), compared to the relevant period of 2006 and import – USD 4,268 million (increase of 36%). The balance of bilateral trade in goods and services is negative – USD 2,783 million. Germany occupies first place among countries of the world in volume of direct foreign investments in the Ukrainian economy. As of 1 October 2007, Germany has invested USD 5,759.3 million in the Ukrainian economy. The number of subjects of entrepreneurial activities with German capital is 1,236 enterprises.

Ukraine - France

Political dialogue. In 2007, Ukrainian-French relations were influenced by both internal political instability in Ukraine and presidential and parliamentary elections in France. At the same time,

these relations acquired a new positive dynamic as a result of the coming to power of President Nicolas Sarkozy.

The impulse of the time of the “Orange revolution,” which was warmly welcomed in French political circles, preserved its momentum. Visits to France of the President of Ukraine, V. Yushchenko on 22 June 2005 and of the Prime Minister, Yu. Tymoshenko on 12-14 June 2005 initiated a new stage in the Ukrainian-French political dialogue.

But Ukraine continued to see its relations with France, as above all, an important factor of its “Euro-compatibility” and a component of the policy of approximation and integration into EU. In Paris, relations with Ukraine were viewed mainly in the context of European Neighborhood Policy, a policy with regard to countries of Central and Eastern Europe and relations with Russia. In addition, development of bilateral relations took place against the background of a rejection of the draft European Constitution and the crisis of French European policy. Ukrainian strivings for membership in the European Union contradicted the positions of J. Chirac’s administration on the impossibility of further EU enlargement.

A lengthy domestic policy crisis in Ukraine has caused a slowing down of cooperation with the European countries, in particular, with France. In 2007, the Ministry of Foreign Affairs of France made public two official positions of Paris – the first one related to the dissolution of the Ukrainian Parliament (April 3) and said that dissolution of the Parliament is an internal affair of Ukraine and should be resolved through dialogue and understanding; and the second one related to the political crisis in Ukraine (April 18) and called for the quickest possible settlement of this crisis and the ensuring of the normal functioning of democratic institutions.

The rise to power of N. Sarkozy marked a certain transformation of the European policy of France in general and the attitude of France to Ukraine in particular. Already in his program pre-election speech N. Sarkozy mentioned the possibility “of uniting the (European) continent all the way to Kyiv”. In the course of election debates, a thesis was also pronounced that such countries as Turkey, Ukraine, Russia and Mediterranean countries should invent a new form of relations with

the EU which would include economic and political cooperation, as well as promoting the development of democracy

In accordance with this, France suggested a project to create a Mediterranean Union consisting of 15 countries (countries of Southern Europe and countries of Maghreb and Middle East). In the case of Ukraine, France initiated the introduction of a new status – EU “associated partner”.

This proposal appeared for the first time during the meeting of the President of Ukraine, V. Yushchenko with the President of France, N. Sarkozy on 5 October 2007 in Paris during which the Ukrainian side raised the issue of including in the text of the future New Enhanced Agreement between Ukraine and EU a provision on Ukraine’s European prospects.

A proposal regarding the status of EU “associated partner” reflected the efforts of the French side to find a compromise between support by Paris for Ukraine’s Euro-integration ambitions, and the general position of France on the deepening of relations between Ukraine and the EU according to the logic of ENP and exclusion of the provision on membership prospects from the text of the New Enhanced Agreement between Ukraine and EU. In December 2007, the French side transferred to Ukraine the Positioning document “Ukraine – EU associated partner” in which it expressed its vision of such status and elements of the new agreement between Ukraine and the EU.

The first comments have shown that preparation of the agreement between Ukraine and the EU on “associated partnership” may become one of the priorities of the French when they chair the EU in the second six months of 2008. The Agreement on association should reflect new, privileged relations between the EU and Ukraine and promote the comprehensive approximation of Ukraine to the European Union. This agreement must contain compromise wording regarding the final goal in relations between Ukraine and the EU, taking into account both Ukraine’s Euro-integration endeavors and the view of these problems by the European Union in accordance with ENP. There is a possibility that political consent on the text of the new agreement on association will be achieved at the EU-Ukraine summit in September 2008. At that meeting, the problems of creating Free Trade Zones between Ukraine and the EU will be separated from the new Agreement as the

relevant negotiations require more time. In all cases, the French initiative should become the subject of analytical work on the Ukrainian side and readiness for consultations with France, other EU countries and the European Commission if France does propose the relevant projects as chair of the EU.

Concerning prospects of relations between Ukraine and NATO, France follows the principles of “open door” and phasing in integration steps towards the Alliance. Regarding that, it was envisaged that a specific position of France will form after analysis of the whole complex of French approaches to NATO, as well as analysis of the domestic situation in Ukraine. This approach was reflected in the statement of the French Minister of European Affairs, J.-P. Jouyet at the beginning of 2008 with regard to Ukraine’s lack of readiness to join the Action Plan at the summit in Bucharest.

Trade and economic cooperation. The growth trend has been preserved in the trading relations between Ukraine and France in 2007. During six years beginning from 2000, commodity turnover increased by almost three times. In 2007, volume of bilateral trade increased by 36% and reached USD 1.7 billion. Negative balance for Ukraine has exceeded USD 700 million. France occupies the eighth place as a trading partner of Ukraine. France is among the top 10 investor-countries in Ukraine. As of 1 September 2007, direct French investments are USD 1,026 million. French investments were made in 230 Ukrainian enterprises.

Among 2007 events which were important in the economic aspect of Ukrainian-French cooperation, it is necessary to emphasize the signing in March of an inter-governmental Agreement on promotion of projects according to the mechanism of joint implementation of the Kyoto Protocol to Limit or Reduce Greenhouse Gas Emission. It is an agreement which will enable France to transfer to Ukraine the relevant technologies and, in exchange for this, to receive the right to increase emissions from its own territory. In September 2007, an agreement was concluded with the French consortium NOVARKA on the construction in five years of a new confinement for the 4th reactor of the Chernobyl nuclear power plant.

Ukraine – Spain

Political dialogue. During recent years, the political component of relations between Ukraine and Spain had stagnated somewhat. The last visit of the Minister of Foreign Affairs of Ukraine to Spain took place way back in 1994, and the last visit of the Minister of Foreign Affairs of Spain to Ukraine – in 2001. In October 1996, the state visit of the President of Ukraine to Spain took place.

In this regard, important events which gave an impulse to the development of the Ukrainian-Spanish political dialogue occurred exactly in 2007. On 5 July 2007, the Minister of Foreign Affairs of Spain, M.A. Moratinos visited Ukraine on an official visit (as OSCE Chairman-in-Office) to participate in the 16th annual session of the OSCE Parliamentary Assembly. The Spanish Minister was received by the President of Ukraine, V. Yushchenko. Negotiations with the Minister of Foreign Affairs of Ukraine, A. Yatsenyuk were conducted, and during these negotiations the issues of bilateral cooperation and Ukraine's Euro-integration aims were discussed.

On 16-17 November 2007, the Minister of Foreign Affairs of Ukraine made a working visit to the Kingdom of Spain in the course of which he conducted negotiations with the Minister of Foreign Affairs of Spain, Deputy Chairman of the Congress of Deputies (Parliament) of Spain, Chairman of the Parliamentary group of friendship with Ukraine, I. Hil Lasaro, and opened the Ukrainian-Spanish economic forum. A bilateral Memorandum on Cooperation for Ukraine's Approximation to the EU was signed during the visit; it will allow the creation of prerequisites for transfer to this country of Spanish experience in the process of European integration.

At the same time, the position of Spain on future relations between Ukraine and the EU remains unchanged; it stands against fixing in the text of the New Enhanced Agreement the prospects for Ukraine's accession to EU. Madrid believes that ENP contains a component of such prospects for the future.

Spain has a neutral position on the possibility of Ukraine joining NATO. It focuses its efforts on assisting Ukraine in reforming its foreign affairs. This was confirmed by the results of an exchange of visits in 2006-2007 between the military delegations of Ukraine and Spain.

Trade and economic cooperation. A certain stagnation was present in 2006 in trade and economic cooperation. During January-November 2007, in comparison with the same period of the previous year, total volume of mutual merchandise trade increased by 23% and reached USD 870.4 million. Export from Ukraine increased by 23.4% and reached USD 498.5 million. Import increased by 21.6% and reached USD 371.8 million. The balance of trade was positive; its amount was USD 126.7 million.

Direct investments of Spain were USD 59.8 million as of 1 July 2007. They were received by 118 enterprises of Ukraine. In March 2007, a powerful Spanish industrial group “Uralita” made a decision to invest Euro 90 million in construction in Ukraine of a modern factory for the production of insulating materials.

§ 3. RELATIONS OF UKRAINE WITH SCANDINAVIAN COUNTRIES AND COUNTRIES OF EASTERN EUROPE

Ukraine – Denmark

Political dialogue. In 2007, bilateral relations acquired features of real partnership. Ukrainian-Danish relations are characterized by a high level of mutual understanding and interaction, common opinions and approaches to events in the world, dynamic development of cooperation in the political, trade and economic spheres, as well as in military, political, humanitarian and other spheres.

The official visit of President Yushchenko to Denmark on 15-16 March 2007 helped to strengthen the support of Denmark for the European and Euro-Atlantic integration of Ukraine, a deepening of the comprehensive Ukrainian-Danish partnership, a significant expansion of the contractual and legal framework of bilateral relations, activation of trading and economic, investment and regional cooperation.

Prime Minister A. Fog Rasmussen has accepted an invitation to visit Ukraine with the first official visit in the history of bilateral relations; this visit is planned for 22-24 April 2008. In the course of the first personal meeting of the heads of the two countries on 16 March 2007, President V. Yushchenko renewed an invitation to Queen Margaret II to pay a state visit to Ukraine.

Inter-Parliamentary cooperation is actively developing. Ukrainian delegations which visit Denmark conduct regular meetings in the Parliament. On 5-7 September 2007, a visit to Kyiv was made by the delegation of the Folketing Committee on European Affairs which met in particular, with Chairman of the Verkhovna Rada, O. Moroz, Deputy Chairman of the Presidential Secretariat, O. Chaly and Deputy Minister of Foreign Affairs, A.I. Veselovsky. The permanent delegation of the Folketing in the OSCE Parliamentary Assembly took part in the 16th OSCE session in Kyiv on 5-9 July 2007. Danish members of Parliament attended the Parliamentary elections in Ukraine in 2006 and 2007.

Trade and economic cooperation between Ukraine and Denmark is developing in the areas of energy, energy saving, energy efficiency and environment protection. With the assistance of the Danish Environment Protection Agency, 10 projects were implemented in Ukraine, including the incineration of waste in Kyiv waste disposals, water purification in Kyiv and Lviv, reconstruction of the sewage collector in Kyiv with the application of non-destructive technologies, modernization of heating systems for the premises, effective coal burning, reduction of energy spending in the ventilation systems of public and industrial buildings, safe storage of pesticides, and preparation of energy auditors for the sector of centralized heat supply etc.

In February 2007, a decision of the Folketing has approved the new Strategy “On Implementation by the Danish Side of the Projects of Joint Implementation and Projects of Pure Development” which unfortunately stopped allocation of state funds for implementation of bilateral projects and programs in the area of environment protection, as well as decreased significantly the financing of the Danish Environment Agency which led to the closing of its regional offices in CIS countries (including Ukraine) and Baltic countries. The projects that were already started were transferred for implementation to the Scandinavian Financial and Ecological Corporation. Due to lack of agreement on the terms of cooperation between this Corporation and Ukraine (the draft of this agreement is now in the final stage of approval), implementation of the projects is frozen. After it is signed, it is likely that investments will be attracted to communal energy saving, water supply and water purification, agriculture, production of mineral fertilizers on the basis of nitric acid, solid-waste recycling etc.

Implementation of the project of the Consultative Service at the Agricultural Council related to the creation in Ukraine of the system of agricultural and advisory and consultative service continues.

Humanitarian cooperation. Cooperation between Ukraine and Denmark in the humanitarian area has an irregular nature and depends on the initiatives of separate institutions and agencies of both countries. The Danish side has no experience of concluding inter-agency agreements in this sphere. Cooperation between Lviv and Aarhus created conditions for activation of contacts between the National Ivan Franko University and University of Aarhus on the basis of the 1997

agreement which was confirmed at the meeting of the Ambassador with University Principal, N. Smit.

Cooperation between the Diplomatic Academy at the Ministry of Foreign Affairs of Ukraine and the Danish Institute of International Research was started. A Memorandum on Cooperation related to cooperation between the Diplomatic Academy at the Ministry of Foreign Affairs of Ukraine and the Danish Institute of International Research was signed. In fulfillment of this Memorandum, an international conference devoted to Ukraine, and with the participation of Professor M. Kirsenko took place in Copenhagen on 3 September 2007.

Kyiv and Odense are sister cities. The days of Odense in Kyiv and days of Kyiv in Odense have been traditional for many years now. In March 2007, A Protocol on Intentions regarding cooperation between Lviv and Aarhus was signed, and within the framework of this Protocol, the delegation of Aarhus, headed by Mayor N. Vammen, visited Lviv in May 2007.

In the cultural sphere, in March every year for 11 years now the National Taras Shevchenko Opera and Ballet Theater has been giving performances on tour in Denmark. In 2007, the theater presented Nabucco with great success. The Chamber choir “Kyiv” and Kyiv ensemble “Dyvograj” visited Denmark many times for concerts.

Since 2004, there continues close cooperation between the International K. Nielsen Music Contest and the International V. Horowitz Competition for Young Pianists. A number of Danish musicians popularize Ukrainian composers. For instance, Professor of the Royal Conservatoire, flutist H. Svitser, founder of musical dialogues “Ukraine – Denmark” has recorded disks with Ukrainian music, prepared a series of TV and radio programs, published musical notations of the works of Ye. Stankovich and plays his music at concerts in Denmark; a well-known pianist O. Vaulin regularly includes in the program of his concerts music of V. Silverstov and takes part in master classes in Ukraine. Another popularizer of Ukrainian music in Denmark is O. Zapolsky, first

violinist of the Danish Radio Symphonic Orchestra who organized an ensemble of young violinists who play music by Ukrainian composers.

Cooperation was organized between Livadia Museum and the Museum of Amalienborg. Cooperation was also arranged between the Viking Ship Museum in Roskilde and the Children's Navigation School in the area of the replication of historical ships. Periodically, the works of Ukrainian artists are exhibited in Denmark. Ukraine is regularly represented at the exhibitions in Copenhagen city hall under the auspices of Prince Consort Henrik. For the seventh time S. Savchenko, artist from Lviv, presented his works in "Gallery 68" as part of the cultural night in Copenhagen in October 2007.

Significant humanitarian assistance to Ukraine is given by the philanthropic organizations "Danish Help to the East", "Scandinavian Children's Mission", "European Mission" and "Children of Romania" which is active in Transcarpathia. A priority is health improvement for children from the areas which suffered from the accident at the Chernobyl nuclear power plant, and medical services. With the assistance of the Danish department of "Scandinavian Children's Mission", 200 Ukrainian children visited Denmark. Owing to "Danish Help to the East", diagnostic and treatment centers were created in Transcarpathia. Cooperation between Rotary clubs is growing, and members of Rotary clubs take part in different events in the humanitarian area. Work on creating a network of clubs Ukraine-Denmark and Denmark-Ukraine is being conducted¹³¹.

Ukraine – Sweden

Political dialogue. Political relations between Ukraine and Sweden are characterized by similarity of approaches to the solution of important issues of international policy. Both countries have a common history and European identity, share values and priorities in the context of the EU and within the frameworks of international organizations, foremost being the United Nations. Both countries actively develop cooperation with NATO. Among high level events in 2007, there were official and working visits to Ukraine by the Minister of Foreign Relations of Sweden, K. Bildt, as

¹³¹ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

well as meetings of the Ministers of Foreign Affairs of Ukraine and Sweden at the 62nd session of the UN General Assembly in New York.

Trade and economic cooperation. Swedish investments, together with high technologies, promote development of the national economy of Ukraine. The Swedish side increased volumes of technical assistance to Ukraine, which was a reflection of the current Strategy of the Swedish Government for 2005-2008, with the achievement of the level of 150 million Swedish crowns (about USD 20 million) in 2008.

As of September 2007, commodity turnover between Ukraine and Sweden was USD 392 million. Volume of direct Swedish investments in the Ukrainian economy increased by 53.5% (as of September 2007 it was USD 210 million).

Ukraine - Norway

Political dialogue with Norway is developing on all levels and takes the form of regular bilateral consultations at the level of Ministries of Foreign Affairs of both countries. These consultations took place in September 2002 (Oslo) and in April 2004 (Kyiv). The last round of consultations at the level of directors of the relevant departments of Ministries of Foreign Affairs of both countries took place in Oslo on 26 November 2007.

On 25-27 April 2007, the Minister of Foreign Affairs of Ukraine, A.P. Yatsenyuk made a working visit to Norway to participate in the meeting of the Ukraine-NATO Commission, which took place in Oslo during an informal meeting of the Ministers of Foreign Affairs of NATO member-countries.

In the area of inter-parliamentary cooperation, direct contacts were established in the last few years between the Verkhovna Rada of Ukraine and the Norwegian Storting. At the invitation of the Chairman of the Verkhovna Rada of Ukraine, a delegation of Norwegian Members of Parliament – members of the Standing Committee of Storting on Foreign Affairs headed by the Chairman of the

Committee, U. Akselsen visited Ukraine on 12-25 March 2007 to conduct meetings and negotiations on the problems of activating bilateral Norwegian-Ukrainian cooperation.

Trade and economic cooperation. According to the data of the State Committee of Ukraine on Statistics, 2007 confirmed positive dynamics of further growth of the volumes of bilateral commodity turnover. For instance, in January-September 2007, volumes of commodity turnover increased by 37% compared to the same period of 2006 and reached USD 232.9 million. At the same time, export from Ukraine to Norway increased by 33% and reached USD 87.8 million. This happened mainly due to the supply of chemical industry products (inorganic compounds), metallurgy and shipbuilding.

Volumes of direct investments by Norway in the Ukrainian economy gradually increased. According to data from the State Committee of Ukraine on Statistics, as of October 2007 they were USD 76.2 million; the larger portion of these investments being in the communications area (USD 71.2 million) and in the publishing business (USD 3 million). Among other investment spheres there are auxiliary transport services (USD 87,000), agriculture (USD 25,500), light industry (USD 10,000), as well as machine building and services to legal entities¹³².

Humanitarian cooperation. In 2007, there was further development of bilateral cooperation with Norway in the area of culture, education, sports, and in the humanitarian sphere. According to the plan of the Ministry for Family, Youth and Sports, in January-September 2007, a number of Ukrainian sports delegations and teams visited Norway to participate in different sports competitions in particular, competitions in yachting, beach volleyball, skating, biathlon, orienteering, table tennis etc. In April 2007, a member of the UEFA executive committee from Norway supported the Ukrainian-Polish bid for the Euro Football Championship in 2012 during voting (in Cardiff, Wales).

A noticeable event in the cultural life of Norway was the participation in their annual festival of wooden boats (Risør, August 2007) of the Ukrainian Cossack “chaika”-boat “Presvyata Pokrova” which later, due

¹³² Information based on materials of the Ministry of Foreign Affairs of Ukraine.

to the significant interest of the Norwegian scientific circles and public of the country, visited Oslo at the invitation of the Norwegian Marine Museum with the support of the Ukrainian Embassy in Norway.

On 19 October 2007, a charity event devoted to helping Aids-infected and homeless children in Ukraine were held in Oslo. As a result of this charity event, funds were collected for transfer to Ukrainian non-government organizations – partners of relevant NGOs of Norway assisting AIDS-infected and homeless children in Ukraine.

According to the data of the State Customs Service of Ukraine, Norway occupies fifth place in volume of its humanitarian aid for 9 months of 2007 (during January-September, 893 tons of aid worth USD 159,000 were delivered) ¹³³.

Ukraine - Finland

Political dialogue. Further activation of Ukrainian-Finnish relations in 2007 was facilitated by the meeting of Prime Minister of Ukraine, V.F. Yanukovich with President of Finland, T. Galonen on 25 January 2007, within the framework of the World Economic Forum in Davos which was devoted to the activation of economic cooperation between both countries in the context of the fulfillment of the agreements reached during the official visit of the President of Ukraine, V.A. Yushchenko to Finland in October 2006. On 11-12 April 2007, the Vth meeting of the Inter-Governmental Ukrainian-Finnish Commission on Trade and Economic Development was held in Kyiv. Co-Chairmen of the meeting were Deputy Minister of Industrial Policy of Ukraine, V.S. Novitsky and Deputy State Secretary of the Ministry of Foreign Affairs of Finland, P. Huhtaniemi. General issues of the status of economic development in both countries, the situation in the EU, relations of Ukraine with this organization, Ukraine's accession to the WTO, and issues of bilateral economic and trade relations were discussed during the meeting.

Activation of the Ukrainian-Finnish political dialogues at Parliamentary level was influenced by the visit to Ukraine of Vice Speaker of Edusunta (Parliament) of Finland, J. Koskinen (6-7 July

¹³³ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

2007). In the course of negotiations with the Chairman of the Verkhovna Rada of Ukraine of the Vth convocation, O.O. Moroz, the representative of the Finnish Parliament leadership stated that Finland gives significant attention to further democratic transformations in this country.

During the conversation, the parties noted the existence of permanent interaction and mutual understanding of Ukraine and Finland in the political sphere, the positive dynamics of the Ukrainian-Finnish economic relations, absence of unresolved problems and similarity of positions of both sides on numerous international issues. Representatives of the leadership of the Finnish Edusunta and Verkhovna Rada of Ukraine spoke in favour of the further development of inter-Parliamentary cooperation.

Trade and economic cooperation. On 27-28 February 2007, a delegation of representatives of the State Committee on Nuclear Regulation of Ukraine, Ministry of Fuel and Energy of Ukraine, National Joint Stock Energy Company “Energoatom” and Kharkiv Institute of Physics and Technologies visited Helsinki to participate in the seminar of the Finnish Center on Nuclear and Radiation Safety. The seminar covered the Finnish experience in ensuring the operational security of the nuclear power plants and considered possibilities for extending bilateral cooperation.

On 30 May – 3 June 2007, a delegation of the State Committee of Nuclear Regulation of Ukraine headed by its Chairman O.A. Mykolaychuk visited Finland. The purpose of the visit was to study issues related to construction of new nuclear power plants and prolongation of the safe operation of the objects of nuclear power plants in excess of their design lifetime. The Ukrainian experts conducted negotiations with the Chairman of the Finnish Center on Nuclear and Radiation Security, Yu. Laaksonen, Deputy Director of Section on Regulation of Nuclear Reactors, P. Koutaniemi and other experts of the Center. The following issues were considered during the negotiations: licensing and regulation of activities of nuclear power plants in Finland, methodology for development of design documentation for construction of nuclear power plants, observance of security requirements, aspects of modernization of the objects of nuclear power plants, and conducting investment activities. The delegation visited the nuclear power plant Olkiluoto in Rauma and held working consultations with the management of the Finnish private energy generating company “TVO”.

A delegation of experts from the National Joint Stock Energy Company “Energoatom” headed by G.V. Sazonov Director of Projects and Development, visited Finland on 3-6 June 2007. The Ukrainian experts visited the nuclear power plants Loviisa and Olkiluoto and studied the positive and acceptable experiences of the Finnish side on the location, design and construction of modern nuclear power plants and the prolongation of their safe operations for application in Ukraine.

During the visit to Finland on 20-24 May 2007 of the Deputy Head of Kyiv State City Administration, I.M. Salij a meeting with the management of the Finnish Road Administration was organized. At this meeting, issues of rendering expert assistance to the Ukrainian side in the installation in Kyiv of the system for traffic regulation using “intellectual traffic lights” were discussed.

In order to study the experience of the Finnish Tax Administration in the sphere of the creation and functioning of the network of information and consultative centers on tax issues, a delegation of the State Tax Administration of Ukraine headed by Deputy Chairman of the State Tax Administration, Ya.V. Yanushevich visited Finland on 4-8 June 2007.

The Ukrainian side also maintains cooperation with experts of the Northern Ecological Financial Corporation (NEFCO) which has experience in the implementation of about 15 ecological projects in Ukraine.

According to the data of the State Committee on Statistics of Ukraine, total commodity turnover between Ukraine and Finland increased in 10 months of 2007 by 18% compared to the corresponding period last year and reached USD 470.31 million. Volume of Ukrainian export to Finland for this period decreased by 4.5% compared to the same period of 2006 and was USD 36.34 million. Meanwhile, import of Finnish products increased by 41% and reached USD 433.97 million. Negative trade balance for Ukraine was USD 397.63 million. Volume of direct foreign investments from Finland in the economy of Ukraine was USD 17 million as of 10/01/2007¹³⁴.

¹³⁴ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

Ukraine-Poland

Strategic Partnership. Ukrainian-Polish relations in 2007 took place during conditions of political crisis in both countries: the preparation for and conducting of extraordinary Parliamentary elections, as well as change of the ruling coalitions and government teams. Nevertheless, the strategic partnership has received its further development in the form of dynamic relations developing in different spheres of bilateral relations at different levels.

During 2007, a number of documents determining key vectors for bilateral cooperation for the near future were adopted. One such document was the Road Map for Ukrainian-Polish Cooperation in 2007-2008 signed by the Presidents of both countries on 27 April 2007 in Warsaw. This Road Map marked the priorities of bilateral cooperation in the areas of institutional cooperation, European and Euro-Atlantic integration, economic cooperation, energy security, border cooperation, humanitarian cooperation, and solution of the problems of past history.

The Strategic partnership has also received its action plan in the form of a Joint Statement of the Presidents of Ukraine and the Republic of Poland “Common Challenges – New Dimensions of Strategic Partnership”. This document sets a number of ambitious tasks for the strategic partners, in particular it appeals to other EU countries and European institutions to support implementation of the July decision of the European Parliament, which envisaged possible prospects for Ukraine’s EU membership. Poland also confirmed its readiness to support Ukraine in consideration of the issue of accession of the latter to the NATO Membership Action Plan. The parties confirmed their intention to create the Baltic-Black Sea-Caspian transit corridor. The Statement envisages further steps on the transformation of the common border into “the line of cooperation between the Polish and Ukrainian people”, as well as taking advantage of “a historic chance” namely, to conduct the European Football Championship in 2012.

In the year which was so fruitful for bilateral relations, the key subjects of cooperation were security in delivery of energy resources, preparation for the European Football Championship Euro 2012 and visa policy.

Energy was the subject of most of the meetings between Presidents: for instance, during the visit of V. Yushchenko to Poland on 7 March 2007, to Krakow Energy Summit on 11-12 May 2007, and during the official visit of President Kachynsky to Ukraine on 5-7 December 2007. Summing up the discussions and agreements reached it should be stated that the parties reached understanding on the strategy for the creation of the Baltic-Black Sea-Caspian energy transit corridor, the basis of which should be Odesa-Brody-Plotsk-Gdansk oil pipeline. The Polish side undertook an obligation to complete construction of its section of oil pipeline (including priority search for the ways to redeem lands from private ownership for construction). Also discussed were other future directions of cooperation, in particular in electrical energy and the joint design and operation of deposit fields of energy resources.

Many of the observers believed that visit of Presidents V. Yushchenko and L. Kachynsky to the presentation of the joint Ukrainian-Polish bid to hold the European Football Championship in 2012 determined the success of this bid. Victory in the first round of voting by the UEFA Executive Committee, in competition with such serious competitors as Italy and the ambitious Hungarian-Croatian duo, can be viewed as giving carte-blanche, providing a new impulse for the development of humanitarian cooperation between the two countries, as well as for cardinal internal changes in each of them. The winners will not only face problems with construction of stadiums and hotels but also will have to resolve such significant issues as the development of the proper transport infrastructure, ensuring the stay of an unprecedented number of tourists in this part of the world for quite an extensive period of time, resolution of the issues of trans-border movement (including construction of many border checkpoints), ensuring public security (from security during matches and traffic security to fighting organized crime and terrorism).

Already in the first year, the media of both countries widely discussed the possibility that Ukraine and Poland may lose the chance to hold the Championship. Though both countries cannot boast of significant success and are still at the stage of preliminary preparation, it should be mentioned that there still remains enough time, and UEFA inspections in both countries passed without significant criticism.

Visa issues became one of the key problems of Ukrainian-Polish relations in 2007 taking into account that Poland among many other new EU members joined the Schengen zone on 21 December 2007. According to the Agreement on Facilitation of Visa Issuance between Ukraine and the European Union of 18 June 2007, the cost of a Polish visa became equal to visas of other EU countries from 1 January 2008 (for example, a free visa which had allowed a stay in Poland for 90 days is now replaced with a visa to countries of the Schengen zone which costs Euro 35).

Unlike other Schengen countries, issuance of Polish visas to Ukrainian citizens will undergo serious changes, and this may create additional burdens on Polish consular institutions and present inconveniences for the citizens of Ukraine. Primarily, this is caused by the fact that Polish consulates issue a lot more visas than other Schengen countries (in 2007 the total number of visas issued by the General Consulate of the Republic of Poland in Lviv alone equaled the number of visas issued by all other EU countries together, and all Polish Consulates in Ukraine issued three times as many visas). It can be said already today that Poland will see fewer Ukrainian tourists in the 2007-2008 winter season.

Poland is one of the initiators of further facilitation of EU visa procedures for the citizens of Ukraine, all the way to complete cancellation of visas. To a certain extent, this is caused by Polish interest in Ukrainian manpower which has already become a significant element of Poland's economic life. But Poland is also interested in Ukrainian investment capital and in a constant increase of the flow of tourists from Ukraine.

Signing of the agreement on small cross-border movement remains problematic and the most urgent for solution in this area; negotiations on this issue were postponed due to the political situation in both countries. Lack of such agreement has a significant impact on the economic well-being of the Ukrainian and Polish border territories.

With regard to other spheres of cooperation, Poland, which claims the role of "the constructor" of EU Eastern policy, stands for giving Ukraine the prospects of participation in the new basic agreement which must replace the Agreement on Partnership and Cooperation between Ukraine and the European Union (APC). Ukraine can count totally on the support of the Republic of

Poland in this issue. Polish members of the European Parliament and officials in EU structures (except representatives of the League of Polish Families) actively supported the Ukrainian position at the negotiations between Ukraine and the EU. The special position of Poland regarding Russia within the EU, taking into account the latest trends in Common foreign policy and security policy, promoted development of a dialogue between Ukraine and the EU, in particular in the energy sphere and in political dialogue.

Poland's interest in Ukraine's membership in the North-Atlantic Alliance is dictated by its national security interests. Ukraine may continue counting on the support and active assistance of the Polish side in this issue, in particular in support of accession to the NATO Action Plan. Both sides are interested in the extension of military and military-and-technical cooperation.

In the sphere of overcoming negative stereotypes with regard to problems of past history, very important was a Joint Statement made by the Presidents of Ukraine and Poland on the occasion of the 60th anniversary of Operation "Visla" on 27 April 2007. This Statement confirmed the political will of the leadership of both countries to continue the process of uniting, the opening of historical truth and commemoration of victims of fratricidal conflicts.

As concerns future directions of cooperation between Ukraine and Poland, in the short and medium term they will probably be as follows: interaction in the context of signing a new basic agreement and the creation of a free trade zone between Ukraine and the EU; Polish support for Ukraine joining the NATO Membership Action Plan; completion of construction of the Odesa-Brody-Plotsk-Gdansk oil pipeline and, accordingly, actions on the creation of the Baltic-Black Sea-Caspian energy transit corridor; conclusion of the agreement on small cross-border movement and continuation of dialogues on facilitation of visa procedures between Ukraine and Schengen zone countries; and definitely - preparation for Euro 2012.

Political dialogue. On 7 March 2007, President of Ukraine, V.A. Yushchenko visited Plots (Poland) on a working visit. The official delegation which accompanied the Head of State included Acting Minister of Foreign Affairs, V.S. Ogryzko, Secretary of the National Security and Defense

Council, V.A. Gaiduk, Vice Prime Minister of Ukraine, A.P. Klyuev and Deputy Head of Presidential Secretariat of Ukraine, O.O. Chaly.

The subject of Ukrainian-Polish negotiations were issues related to the deepening of bilateral dialogue, activation of energy interaction, development of trade, humanitarian and cross-border cooperation, as well as problems of European integration and international security.

On 11-12 May 2007, President of Ukraine, V. Yushchenko took part in the work of the Energy summit held in Krakow with participation of the Presidents of Poland, Lithuania, Azerbaijan, Georgia and representatives of the Republic of Kazakhstan.

On 10-11 October 2007, the next energy summit was held in Vilnius with participation of the Presidents of Ukraine and Poland. Within the framework of the Vilnius Energy Summit, an Agreement was also signed between companies from Azerbaijan, Georgia, Lithuania, Poland and Ukraine on becoming participants in the international enterprise “Sarmatia” which will conduct a feasibility study for the project of oil transportation from the Caspian Sea region via Azerbaijan, Georgia, Ukraine and the Republic of Poland to international markets (Odesa-Brody-Plotsk-Gdansk).

On 19 April 2007, Prime Minister of Ukraine, V. Yanukovich made an official visit to the Republic of Poland, and on 22-23 May 2007, Minister of Foreign Affairs of Ukraine made his official visit. On 16 January 2007, Secretary of the National Security and Defense Council, V. Gaiduk met with the Chairman of the National Security Bureau of the Republic of Poland, V. Stasyak.

Characteristic features of the current situation in Ukrainian-Polish inter-state relations are an intensity of bilateral dialogue at the highest level, as well as an *extensive network of permanent consultation mechanisms for bilateral cooperation*¹³⁵.

¹³⁵ Consultative Committee of the Presidents of Ukraine and Republic of Poland (CCP, functions since 1993), Mixed Commission on Trade and Economic Cooperation (CET, functions since 1995 at the level of Prime Ministers), Permanent Ukrainian-Polish Conference on European Integration (UPC, functions since 1999), Inter-Governmental Coordination Council on Inter-Regional Cooperation (ICCIC), annual Economic Forum “Ukraine-Poland” under auspices of the Presidents of both countries.

Ukrainian-Polish inter-Parliamentary relations are characterized by the trend to a more and more active extension and strengthening. A big role in this is played by the Parliamentary Assembly of Ukraine and Poland (PAUP), the first statutory meeting of which took place on 13 October 2003 in Kyiv. On 19-20 March 2007, the IIIrd sitting of the Parliamentary Assembly of Ukraine and Poland was held in Kyiv. During this sitting the parties signed joint statements on the European ambitions of Ukraine, further cooperation, development of cross-border cooperation, as well as cooperation in the area of reforms of local self-government bodies.

Cooperation between the group of Deputies of the Verkhovna Rada of Ukraine on inter-Parliamentary ties with the Republic of Poland and the Polish-Ukrainian Parliamentary group in the Seim of Poland is now at the level of permanent contacts. The main results of the meetings between them were confirmation by the Polish side of support for Ukraine on its way towards European and Euro-Atlantic integration, as well as the readiness of both sides to give a new impulse to the development of inter-Parliamentary cooperation both on a bilateral level and in the format “Ukraine-Poland-Lithuania”.

Increasing attention in bilateral cooperation is given to *inter-regional cooperation* conducted on the basis of the Agreement between the Governments of Ukraine and the Republic of Poland on Inter-Regional Cooperation of 1993. As a result of this Agreement, there exists the Inter-Governmental Coordination Council on Interregional Cooperation (ICIC). In June 2004, the Strategy of Ukrainian-Polish Inter-Regional and Cross-Border Cooperation was signed; its key objective is implementation of inter-regional and cross-border projects in order to approximate the models of administrative and self-government management of the regions in Ukraine and Poland, and approximation of their level to European standards.

An efficient factor for activation of cooperation in this sphere is personal contacts between the regional level managers within the framework of annual conferences of the heads of regions from Ukraine and Poland, which were started in 2002.

Other components of Ukrainian-Polish cross-border cooperation are *border and customs spheres*. In 2007, there were 12 international border checkpoints at the common Ukrainian-Polish border,

and only 6 of them were for automobiles with an average distance of 80-90 km between them, which does not comply with EU standards.

As an Instrument of European Neighborhood Policy, the parties in fact approved a list of priority checkpoints for construction, which should be carried out in 2007-2013. Fulfillment of these agreements will allow increased traffic capacity across the Ukrainian-Polish border by approximately 100% (compared to 2005) and will affect 30 million persons and 10 million vehicles¹³⁶.

Humanitarian cooperation is regulated by more than 40 by-laws and is characterized by multifaceted directions. In the area of education, the work is aimed at the organization of scientific and educational cooperation between educational establishments, promotion of research in the history of Ukrainian-Polish relations, and ensuring proper terms for teaching of the native language to the national minorities – Poles in Ukraine and Ukrainians in Poland.

In recent years, it became possible to achieve certain developments on the issue of the preservation of Ukrainian burial places in Poland, mainly due to the solution of the problem of Polish military graves in the Lychakiv Cemetery in Lviv and signing of the Protocol (6 June 2005) on mutual memorializing of burial places in over 80 localities on both sides of the border.

Ukraine - Lithuanian Republic

Political dialogue. The strategic nature of Ukrainian-Lithuanian relations was confirmed in 2007 by the high level of contacts between the leaders of both countries.

The working visit of the President of Ukraine, V.A. Yushchenko to Lithuania on 10-11 October 2007 demonstrated mutual interest in deepening cooperation in all directions. The President of Lithuania, V. Adamkus during his working visit to Ukraine in August 2007 demonstrated full support for the Ukrainian powers in matters of democratic transformations and economic reforms. The official visit of the Prime

¹³⁶ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

Minister of Lithuania, G. Kirkilas to Ukraine on 12-13 April 2007 allowed a deepening and expanding of bilateral economic cooperation.

During Ukrainian-Lithuanian negotiations at the highest level, priority was given to the solution of the energy problem, reduction of dependence of both countries on external suppliers of energy carriers. Participation of the President of Ukraine, V.A. Yushchenko in the “Vilnius Conference on Energy Security 2007: Responsible Energy for Responsible Partners” caused a deepening interaction for the creation of a common space for the transportation of energy carriers between the Caspian, Black and Baltic Seas.

An effective stimulus to inter-Parliamentary contacts was given by the approval of the new list of the Ukrainian members of the Inter-Parliamentary Assembly (IA) of the Verkhovna Rada of Ukraine and Seim of Lithuania -a group of Deputies of the Ukrainian Parliament on inter-Parliamentary relations with Lithuania. On 12 December 2007 and 27 April 2007, two sittings of the Presidium of the Inter-Parliamentary Assembly were held in Vilnius; these sittings stressed the importance of inter-Parliamentary relations for the further integration of Ukraine into the European structure, and the coordination of actions between the Parliamentary delegations of both countries in the European institutions.

Trade and economic cooperation. In 10 months of 2007, commodity turnover between Ukraine and Lithuania was USD 581.59 million. Ukrainian export in this period was USD 288.93 million (increase of 31.5%), and import of Lithuanian goods to Ukraine – USD 292.66 million (increase of 18.4%). Negative trade balance for Ukraine was USD 3.73 million.

According to the data of the State Committee on Statistics of Ukraine, as of 07/01/2007, direct Lithuanian investments in Ukraine were USD 63.7 million. Ukraine is in fourth place (after Latvia, Russia and Poland) among the ten top recipient-countries for investments from Lithuania. Volumes of Ukrainian investments in the Lithuanian economy also grew. Total volume of Ukrainian investments, as of the first six months of 2007, was USD 3.4 million¹³⁷.

¹³⁷ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

Ukraine - Estonia

Political dialogue. The key event of 2007 in Ukrainian-Estonian relations was the official visit of the Prime Minister of Estonia, Andrus Ansip to Ukraine (15-17 January) which laid new foundations (including legal foundations) for bilateral cooperation and ensured its systemic and comprehensive nature. During this visit, the Agreement between the Cabinet of Ministers of Ukraine and the Government of the Estonian Republic on economic, industrial, scientific and technical cooperation was signed. It envisages renewal of the activities of the Inter-Governmental Joint Commission on economic, industrial, scientific and technical cooperation. At the same time, this visit allowed the construction of a clear “road map” for fulfilling the agreements reached during the visit of the President of Ukraine, V.A. Yushchenko to Estonia in December 2006.

Trade and economic cooperation. According to the data of the State Committee on Statistics of Ukraine, in 10 months of 2007, volume of commodity turnover between Ukraine and Estonia was USD 293.32 million which is 42.9% more than in the same period of 2006. Export in this period was USD 172.04 million (increase of 73.7%), import – USD 121.28 million (increase of 11.5%). Positive trade balance for Ukraine in this period was USD 50.76 million.

Total volume of Estonian investments in the economy of Ukraine, according to the data of the State Committee on Statistics of Ukraine, increased as of the second six months of 2007 by USD 8.7 million and reached USD 61.8 million.

Ukraine-Moldova Relations

Political dialogue. The Republic of Moldova holds an important place in the foreign policy interests of Ukraine which is caused by the existence of a common border, the large Ukrainian Diaspora in Moldova and the Moldavian Diaspora in Ukraine. According to official data, in the Republic of Moldova there are over 600,000 Ukrainians and in Ukraine about 250,000 Moldavians. Other factors of Moldova’s importance for Ukraine are similarity of foreign policy priorities,

prospects for the development of mutually beneficial economic cooperation, and the problem of the regulation of Transdnistria conflict.

Bilateral contacts and political relations are marked by a significant intensity. In 2006-2007, there were a number working meetings of the Presidents of Ukraine and the Republic of Moldova during which the heads of state noted the coincidence of their strategic objectives with respect to European integration, confirmed their adherence to consistent democratic and market reforms, as well as confirmed their intention to strengthen cooperation in order to ensure effective conditions for combating trafficking and other illegal activities at the Ukrainian-Moldavian border.

The meetings of Prime Ministers, members of Government and heads of security offices of both countries and two sittings of the Inter-Governmental Ukrainian-Moldavian mixed commission on trade and economic cooperation took place in 2007. On 8 June 2007, an official visit to Ukraine by the Vice Prime Minister, Minister of Foreign Affairs and European Integration of the Republic of Moldova, A. Stratan was made; important issues of bilateral relations were discussed during this visit.

Holding of the 13th sitting of the Inter-Governmental Commission and an official visit of the President of Ukraine, V.A. Yushchenko to the Republic of Moldova are planned for the first six months of 2008. As of December 2007, the legal framework of bilateral relations contains 112 valid agreements.

Transdnistrian regulation. Since July 1995, at the invitation of the leadership of Moldova and Transdnistria, Ukraine has taken an active part in the negotiation process on the political regulation of the Transdnistrian problem as a guarantor- country. The position of Ukraine is based on the principles of non-interference in the domestic affairs of the Republic of Moldova, absolute respect for its territorial integrity and sovereignty, observance of basic human rights and freedoms, non-use of force and regulation of the consequences of conflict exclusively through peaceful, political methods.

On 11 April 2005, during the GUAM summit held in Chisinau, the President of Ukraine, V.A. Yushchenko advanced the initiative “Towards Regulation – Through Democracy” on the basis of which the Ukrainian Plan of Transdnistrian Regulation was drafted.

It envisages in particular, the following: creation of conditions for the development of democracy, civil society, freedom of speech and a multi-party system; holding in Transdnistria of free and democratic elections (under the control of the EU, the OSCE, the European Council, Russia, the USA and other democratic countries) to the Supreme Council of Transdnistria; transformation of the current format of peacekeeping activities in the region into the international mechanism of military and civil observers under the auspices of the OSCE; conducting international monitoring with the participation of Ukrainian specialists at the enterprises of the military-industrial complex of the region; initiation of the work of the EU monitoring mission in order to inspect transportation of cargo and people across the Ukrainian-Moldavian border. One of the key moments of the Ukrainian initiatives was renewal of the negotiation process and attraction of the European Union and the USA to it. But despite obvious positive dynamics, in March 2006, after renewal by the joint decision of the Governments of Ukraine and Moldova of the unified customs control at the Ukrainian-Moldavian border, the negotiation process initiated in “5+2” format was suspended.

Nevertheless, in the context of the fulfillment of the Ukrainian Plan of Regulation, consultations of intermediaries and observers are organized regularly, and the situation around regulation is analyzed during these consultations, specific issues are resolved, and a search for ways of reviving the negotiation process in “5+2” format is made.

Trade and economic cooperation between Ukraine and Republic of Moldova is characterized by positive dynamics. According to the data of the State Committee of Statistics of Ukraine, in January-October 2007, commodity turnover between Ukraine and Moldova was USD 872 million and increased in comparison with the similar period of 2006 by USD 236.5, or 37.2%. In its volumes, Ukraine holds the first place among trading partners with which the Republic of Moldova carries out foreign economic activities. In foreign trade, there is a positive balance between our countries in favor of Ukraine – USD 610.5 million, which shows an increase of USD 163.5 million compared to the same period of 2006.

Key groups of goods exported from Ukraine are mineral products (electric energy, diesel fuel, and petrol), non-precious stones and products from them, products of the food industry, alcoholic drinks and beverages, tobacco, machines, equipment and electrical equipment.

Ukraine imports mainly products of the food industry, alcoholic drinks and beverages, tobacco, mineral products, machines and equipment, textile and products from it, paper and cardboard, ferrous metals and electrical equipment.

Humanitarian cooperation. The presence of a Ukrainian minority of 600,000 is one of the factors for strengthening the “Ukrainian presence” in Moldova; it also makes it necessary to carry out certain work aimed at satisfying the cultural and educational needs of the Ukrainian community. In that part of the Republic of Moldova controlled by Chisinau, Ukrainian language and literature are taught in 54 secondary educational institutions. In the Transdnistria region of the Republic of Moldova, there are three secondary educational institutions where the subjects are taught in Ukrainian (school in Rybnitsa, high school in Bendery and theoretical lyceum in Tiraspol). Also, there are separate classes with Ukrainian the language of tuition in Kamyanka and village Oknitsa of Kamyanka district in Transdnistria.

At the same time, the ruling Party of Communists of Moldova, in its attempts to block the policy of pro-Romanian unionists, adheres to the concept of “Moldavian-Russian bilingualism” aimed at the formation of two equal groups among the population: Moldavians and “Russian-speaking” citizens. For the Ukrainian minority (as for the Bulgarian and Gagauz minorities) this means in practice that as a result of ‘Russification’, the status of the Ukrainian language, at best, will be diminished to a separate subject in Russian-speaking schools.

Ukraine gives annually a quota of 220 places (110 through the Ministry of Education of Moldova and 110 through public organizations of the Transdnistrian region of Moldova) for education in higher educational establishments of Ukraine funded from the State Budget, and helps with school textbooks; Ukrainian specialists participate in writing the textbooks, while teachers of Ukrainian are invited to Moldova to participate in refresher courses, seminars etc.

The first Ukrainian House in the Republic of Moldova (in Beltsy) was opened and carries out its activities with the assistance of the Ministry of Foreign Affairs of Ukraine. The MFA of Ukraine also gives financial aid to support the creation of the Ukrainian Public Cultural Center in Bendery.

On 20 January 2007, the formal opening of the Cultural and Information Center at the Embassy of Ukraine in Moldova took place, and in October 2007 the Ukrainian Cultural Center at the Transdnistrian Taras Shevchenko State University in Tiraspol was opened

Cooperation on border and customs issues between Ukraine and Moldova has strengthened and become more specific lately. In particular, the process of demarcation of the Ukrainian-Moldavian state border continues. The Regulation on Demarcation of the State Border was signed and came into effect. Since May 2003 and till now, joint works on the physical demarcation of the state border line and putting up the signs continue.

The Protocol between the Cabinet of Ministers of Ukraine and the Government of the Republic of Moldova on Introduction of Amendments and Additions to the Agreement between the Government of Ukraine and Government of the Republic of Moldova on Checkpoints at the Ukrainian-Moldavian State Border and Simplified Regime for Citizens Residing in Border Districts, dated 29 May 2006 came into effect on 16 February 2007. According to provisions of this Protocol, from the moment of its enactment, the citizens of Ukraine and the Republic of Moldova residing in border districts of both countries can also cross the Ukrainian-Moldavian state border at local checkpoints according to the simplified procedure and with passports for trips abroad.

According to the Agreement between the Government of Ukraine and Government of Moldova on Organization of Joint Control at the Checkpoints on the Ukrainian-Moldavian State Border, dated 11 March 1997, the organization of such control is envisaged at 7 checkpoints (one of them – “Kuchurgan-Pervomaisk” is on the Transdnistria section of the border). Joint control is exercised at five checkpoints: “Kelmentsi-Larga”, “Rossoshany-Brichen”, “Reni-Dzhurdzhulesht”, “Zelena-Vedmezhe” and “Mamalyga-Kryva”. Organization of joint control at the checkpoint “Mayaki-Palanka-Udobne” is complicated by the specifics of its location and existence of numerous uncontrolled field roads from the territory of Moldova, and at the checkpoint “Kuchurgan-Pervomaisk” – by non-regulation of the Transdnistria conflict.

Ukraine-Georgia Relations

Political dialogue. As of December 2007, the legislative framework included 106 bilateral international agreements and 20 international legal documents. Of these, 7 are no longer valid, and 17 have not come into effect due to unfinished internal procedures of the countries.

Similarity of positions of Ukraine and Georgia regarding integration into European structures predetermines their close cooperation in the international European and regional organizations: UN, European Council, OSCE, Organization of Black Sea Economic Cooperation (OBEC) and CIS. Both countries actively interact within the frameworks of GUAM.

On 1-2 March 2007, the President of Ukraine, V. Yushchenko made an official visit to Georgia. During his visit, the President of Ukraine met with the President of Georgia, M. Saakashvili, Prime Minister, Z. Nogaideli, and Chairman of the Parliament, N. Burdzhadze. On 11-13 May 2007, a working meeting of the two Presidents took place during the Krakow conference.

On 6-7 June 2007, the President of Georgia, M. Saakashvili visited Ukraine on a working visit and met with the President of Ukraine, V. Yushchenko. On 10-11 October 2007, during the “Vilnius Conference on Energy Security’2007: Responsible Energy for Responsible Partners”, working meetings of the Presidents of both countries took place. In the course of these meetings, the parties confirmed their readiness to strengthen cooperation in the sphere of energy in the general format, and to activate cooperation on the bilateral and regional levels, above all in the area of field production and transit of energy carriers.

On 31 March 2007, the Minister of Foreign Affairs of Georgia, G. Bezhuashvili made a working visit to Ukraine during which he met with the Prime Minister of Ukraine, V. Yanukovich. On 5-9 July 2007, Chairman of the Parliament of Georgia, N. Burdzhadze visited Ukraine to participate in the OSCE Parliamentary Assembly. During her visit, N. Burdzhadze had meetings with President V. Yushchenko and Minister of Foreign Affairs, A. Yatsenyuk.

Trade and economic cooperation. Ukraine is one of Georgia’s key trading partners. In recent years, a gradual increase of Ukraine’s participation in foreign trade with Georgia has been

observed. In January-October 2007, total foreign trade turnover between Ukraine and Georgia was USD 523.88 million. Compared to the corresponding period of 2006, it increased by USD 160.05 million, or by 53.8%, including commodity turnover worth USD 473.88 million with its growth of 59% compared to the relevant period of 2006. In January-October 2007, the trade balance for Ukraine was positive to the amount of USD 359.72 million.

Further development of bilateral economic cooperation and strengthening of interpersonal contacts will be facilitated by the Agreement between the Cabinet of Ministers of Ukraine and the Government of Georgia on the organization of a direct international railway and ferry connection through the ports of Kerch (Ukraine) and Poti/Batumi (Georgia), which was signed on 26 September 2007.

Taking into account that Ukrainian-Georgian relations acquired the nature of strategic partnership, fulfillment of a significant potential of mutual economic cooperation is implemented through the mechanisms of joint events allowing:

- the promotion of a consistent fulfillment of the bilateral agreements achieved at the highest, inter-governmental and inter-ministerial levels;
- the ensuring of the fulfillment of provisions of the Program of Long-Term Economic Cooperation between Ukraine and Georgia for 1999-2008 and conducting regular meetings of the Joint Inter-Governmental Ukrainian-Georgian Commission on Economic Cooperation (JIC); and
- the use of the maximum accumulated experience of cooperation with active attraction of the regional potential of both countries.

Humanitarian cooperation. Fruitful and close relations exist historically in cultural and humanitarian spheres between Ukraine and Georgia, and they continue to develop actively in the current period.

Independent countries created a solid and comprehensive agreement-and-legislative framework which allows the strengthening of Ukrainian-Georgian cooperation in the humanitarian area, inter alia. Among the bilateral documents signed in this sphere the most important are agreements on tourism, sports, culture and education. A significant event in bilateral relations was the holding in 2005-2006 of the Year of Georgia in Ukraine and in 2006-2007 – of the Year of Ukraine in Georgia.

§ 4. RELATIONS OF UKRAINE WITH THE UNITED STATES OF AMERICA AND CANADA

Ukraine - USA

Political dialogue. In 2007, relations between Ukraine and the USA continued to develop actively in the spirit of strategic partnership – according to the Joint Statement of the Presidents of Ukraine and the USA: “Agenda of the Ukrainian-American Strategic Partnership in the New Century” dated 4 April 2005.

During 2007, Ukraine and the USA maintained a substantial political dialogue. On 23-25 February 2007, the Ukrainian-American inter-ministerial consultations were held. On 30 April – 1 May 2007, the Minister of Foreign Affairs of Ukraine, A.P. Yatsenyuk made a working visit to the USA during which he met with the Secretary of State, Condoleezza Rice. Negotiations between A.P. Yatsenyuk and Condoleezza Rice were also conducted within the framework of the 62nd UN General Assembly in New-York on 22 September 2007.

Important was interaction on acute international issues and overcoming of common threats and challenges, in particular counteracting terrorism, - and continuation of cooperation in Iraq and Afghanistan. On 8 April 2007, the US President George Bush signed the NATO Freedom Consolidation Act which was adopted by the US Congress. This Act created the legislative background for Ukraine’s prospective membership in the Alliance.

The American side facilitated completion of the negotiation process with regard to approval of the draft Report of the Task Force on Consideration of Ukraine’s Application on WTO Accession. Political dialogue in the format GUAM-USA has acquired regularity.

Bilateral *cooperation in the military and military-and-technical sphere* will remain at the same high level. Active contacts of representatives of Defense Ministries in both countries were aimed at improving the possibility of the Ministry of Defense of the USA promoting defense reform in Ukraine and improving the Joint Rapid Deployment Forces of the Ukrainian Armed Forces, developing and

modernizing a network of training ranges, increasing financing for the program of military assistance and increasing the general level of interaction between two Defense Ministries.

The USA remains the biggest donor of *technical assistance* to Ukraine. Specifically, according to preliminary evaluations, the US Government has allocated in 2007 USD 80 million to Ukraine within the framework of the Freedom Support Act, USD 10 million – for external assistance in the military area, USD 2.176 million – for health protection, USD 1.725 million – for international military training exercises and utilization tours, USD 1.360 million – for solution of the issues of non-proliferation, counteracting terrorism and mine clearance.

Total amount of US technical assistance for implementation of the social-and-political and humanitarian projects in Ukraine is approximately USD 145.3 million in 2007.

Trade and economic cooperation. According to the data of the State Committee on Statistics of Ukraine, volumes of commodity turnover between Ukraine and the USA increased in 10 months of 2007 by 14.2% compared to the same period in 2006 and reached USD 1,952.7 million. At the same time, Ukrainian export decreased by 13.4% and equaled USD 883.4 million, and import increased by 55% and reached USD 1,069.3 million. Negative trade balance in commodity turnover for Ukraine was USD 186 million.

Total volumes of bilateral trade in services increased in 9 months of 2007 compared to the relevant period of 2006 by 32.3% and reached USD 595.1 million. At the same time, export of services was USD 308.3 million (a growth of 38.2% compared to the relevant period of 2006), and import was USD 286.8 million (a growth of 26.6%). Positive trade balance for Ukraine was USD 21.5 million¹³⁸.

Further development of trade and economic cooperation will be facilitated by the prolongation on 27 November 2007 for 12 months of the validity period of the Agreement on Termination of Anti-Dumping Investigation of 1997, which guarantees access to the US market for the Ukrainian trimmer carbon rolled products of flat origin.

¹³⁸ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

In volumes of direct investments in the Ukrainian economy, the USA occupies 6th place after Germany, Cyprus, Austria, United Kingdom and Netherlands. As of 1 October 2007, the Ukrainian economy attracted USD 1,421.1 million of US investments which was 5.3% of the total volume of direct foreign investments in the economy of this country.

As of 1 October 2007, volumes of investments from Ukraine in the US economy were USD 5.7 million. In the territory of Ukraine, there are 1,391 enterprises with American capital. But in the territory of the United States of America there are only 5 Ukrainian enterprises.

Energy problems remain an important component of bilateral cooperation. Diversification of sources of nuclear energy for the Ukrainian nuclear power plants and implementation of high technologies in the area of nuclear energy were facilitated by further implementation, together with the US company “Westinghouse”, of the second stage of the Project on Qualification on Nuclear Fuel for Nuclear Power Plants of Ukraine which envisages production of the commercial batch of fuel collections for Pivdenoukrainsk nuclear power station.

Among key Ukrainian-American projects in the area of nuclear energy it is necessary to mention the signing on 17 September 2007 of the contract between the State Joint Venture “Chernobyl Nuclear Power Plant” and the American company “Holtech International” on completion of the construction of the storehouse for spent fuel of dry type for the Chernobyl Nuclear Power Plant.

An important place also belongs to the cooperation of the State Enterprise National Joint Stock Energy Company “Energoatom” with “Holtech International” within the framework of the contract concluded on 26 December 2005 on fulfillment of works in the construction of the storehouse for spent fuel of dry type for the Rivne, Khmelnytsky and Pivdenoukrainsk Nuclear Power Plants.

Agreement on the distribution of hydrocarbons extracted in the Kerch section of the Black Sea continental shelf is called for to facilitate attraction of foreign investments and technologies in the extraction of Ukrainian oil and gas (signed on 19 October 2007 with the US company “Venco”).

Cooperation was started with the US Ministry of Energy on the issues of energy saving technologies, alternative and renewable energy¹³⁹.

Ukraine-Canada Relations

Political dialogue. An important feature of bilateral Ukrainian-Canadian relations in 2007 was activation of the bilateral political dialogue and termination of the lengthy pause in bilateral contacts at high and highest levels. In particular, on 6-8 May 2007, the first visit in seven years of the Minister of Foreign Affairs to Canada took place. During this visit, the Government of Canada announced the allocation to Ukraine of additional financial aid to the amount of C\$ 5 million for improvement of security systems at the border checkpoints in order to prevent illegal transportation of nuclear materials within the framework of the program “Global Partnership”.

In addition, the first visit in six years of the Minister of Foreign Affairs of Canada to Ukraine was undertaken on 17-19 July 2007. During this visit, the head of the Canadian foreign policy agency announced an allocation by Canada to Ukraine of financial aid to the amount of C\$ 16 million for development of democratic institutions and the judicial system in this country.

At international forums, the heads of foreign policy agencies of Ukraine and Canada met in April during the sitting of the Ukraine-NATO Commission in Oslo, and in September 2007 during the 62nd session of the UN General Assembly in New York.

Ukraine today is on the list of 25 countries of the world on which activities of the Canadian International Development Agency (CIDA) are focused. 2007 saw the beginning of a new stage of cooperation within the framework of the Canadian program of technical assistance to Ukraine which is conducted by the Canadian International Development Agency. CIDA coordinates, completely or partially (together with other agencies), 31 projects of international assistance to Ukraine which are implemented with the participation of government agencies and scientific institutions of Canada, as well as non-government and international organizations. The

¹³⁹ Information based on materials of the Ministry of Foreign Affairs of Ukraine.

overwhelming majority of these projects are related to capacity development programs for Ukrainian specialists and internships for students.

As of the beginning of 2007, the total amount of Canadian technical assistance given to Ukraine since 1991 exceeded C\$ 302 million. On this indicator, CIDA is the fourth largest bilateral donor for Ukraine.

In connection with the expiry of validity period of the CIDA document “On the Way of Reforms: Network of Programs for Ukraine” (2002-2006), a program document of this Agency for Ukraine for the next five-year period is being drafted and should be approved soon.

Trade and economic cooperation. The Energy sphere is a priority direction of the Ukrainian-Canadian relations. It is a question in particular, of the instruction from the President of Ukraine in October 2007 to the Cabinet of Ministers of Ukraine to create a task force to carry out a comprehensive study of international and national experience, and to prepare on such a basis proposals on the expediency and possibility of installing the Canadian reactors of CANDU type in Ukraine.

According to the data of the State Committee on Statistics of Ukraine, volumes of commodity turnover between Ukraine and Canada increased in 10 months of 2007 by 1.4% compared to the relevant period of 2006 and reached USD 181.991 million. At the same time, Ukrainian export decreased by 18.7% and equaled USD 84.196 million, and import increased by 28.3% and reached USD 97.795 million.

Total volumes of bilateral trade in services increased in 9 months of 2007 compared to the relevant period of 2006 by 28.3% and reached USD 87.4 million. At the same time, export of services was USD 67.6 million (a growth compared to the relevant period of 2006 of 41.7%), and import was USD 19.8 million (a decrease of 3.2%). Positive trade balance was USD 47.9 million.

In 9 months of 2007, Canadian investments in the economy of Ukraine were USD 176.1 million.

§ 5. UKRAINE'S RELATIONS WITH COUNTRIES OF THE MIDDLE EAST, ASIA, AFRICA, LATIN AMERICA AND THE ASIA-PACIFIC REGION

Ukraine and the South and Central Asia Countries

Political dialogue In 2007, the national diplomacy kept working purposefully on the promotion and protection of Ukraine's national interests in the South and Central Asia. In the reporting period, development of Ukraine's relations with the Central and South Asia region countries demonstrated positive dynamics.

Ukraine actively developed the bilateral relations with **Kazakhstan**. On February 1-2 2007 N. A. Nazarbayev, the President of the Republic of Kazakhstan, paid an official visit to Ukraine; as part of this visit the grand opening ceremony of the Year of Kazakhstan in Ukraine was held. The negotiations between V. A. Yushchenko, the President of Ukraine, and N. A. Nazarbayev, the President of the Republic of Kazakhstan, resulted in signing of the Action Plan for 2007-2008 ("Road map-2"). In addition, the Presidents inked an intergovernmental Protocol on making changes to the Agreement between the Cabinet of Ministers of Ukraine and the Government of the Republic of Kazakhstan on cooperation in the Kazakh oil supplies and transit through the Ukrainian territory, and a few other bilateral documents.

The Ukraine-Turkmen political dialogue was given a new urge during V. A. Yushchenko's, the President of Ukraine's, visit and participation in the inauguration ceremony of the newly elected President of Turkmenistan, Mr. G. M. Berdimukhamedov, in Ashkhabad on February 14, 2007. During the bilateral meeting, heads of both states paid special attention to the cooperation in the fuel and energy area. A working visit of A. P. Yatseniuk's, Ukraine's Minister of Foreign Affairs, to Turkmenistan on October 25-26, 2007, further contributed to stronger ties between the two countries. The Ukrainian side expressed support to the establishment of the U.N. Central Asian Regional Center for Preventive Diplomacy, the opening ceremony of which took place in Ashgabat on December 10, 2007.

Ukraine's relations with **Uzbekistan** also developed positively. The VII meeting of the Joint Ukraine-Uzbek committee on Comprehensive cooperation took place on February 19, 2007 in Kyiv as part of Sh. Mirziyoyev's, the Prime-Minister's of Uzbekistan visit to Ukraine. As a result of negotiations, the heads of the national delegations on the Joint Committee, Prime-Ministers of both countries, signed Minutes of the Committee meeting.

On April 25-26, 2007 V. Yanukovich, the Prime-Minister of Ukraine paid an official visit to Uzbekistan. During the visit, the Agreement on cooperation in the area of prevention of emergency situations and liquidation of their consequences between the Cabinet of Ministers of Ukraine and the Government of the Republic of Uzbekistan was signed, as well as a number of interdepartmental bilateral documents and agreements in the area of business cooperation.

Relations between Ukraine and the **Kyrgyz Republic** became significantly stronger too: the II meeting of the Joint intergovernmental Ukraine-Kyrgyz committee on cooperation was held on May 14-16, 2007. In November, 2007 the Ukrainian government delegation headed by M.Y.Azarov, First Prime-Minister and the Minister of Finance of Ukraine, paid a working visit to Bishkek. As a result of the visit, the Protocol between Ukraine and the Kyrgyz Republic on access to the goods and services markets within the framework of Ukraine's accession to WTO and the Protocol on cooperation between the MFAs of Ukraine and the Kyrgyz Republic were signed.

A. P. Yatseniuk's, Minister of Foreign Affairs of Ukraine working visit to **the Islamic Republic of Afghanistan** on July 13-14, 2007 helped to promote the Ukraine-Afghan bilateral relations. During meetings with the Afghan leaders considerable attention was paid to issues of the postwar reconstruction, participation of Ukrainian companies in prospecting of hydrocarbon resources in Afghanistan and the development of military and technical cooperation between the two countries. The first round of political consultations on the level of Deputy Ministers of Foreign Affairs was held in Kyiv in September, 2007. The President of Ukraine approved the decision to open in Kabul a branch of the Ukrainian Embassy to Turkmenistan. On November 27, 2007 Ukraine delivered to Kabul city airport 17.4 tons of the humanitarian cargo worth approximately \$200,000 USD.

In an effort to maintain good contacts between Ukraine and **Pakistan**, in September 2007, Ukraine arranged for a visit of D. Salim's, the Director General of the Department of European issues of the Pakistani MFA, to Ukraine.

Notwithstanding escalation of the foreign policy situation around **Iran**, economic component of Ukraine's bilateral relations with Iran preserved its positive development dynamics. The Third joint meeting of the Committee on issues of trade regimes between Ukraine and Iran took place November 17-19, 2007 in Teheran.

In the reporting period, the **Ukraine-India relations** demonstrated strengthening dynamics, too, in particular, in scientific and technical areas. In September 2007, P. Patel's, Minister of Civil Aviation of India, came with a working visit to Ukraine, and negotiations of the leaders of the National Space Agency of Ukraine and the head of the Organization of Space Research of India (Khaiderabad city, India) were held. Also, the Fifth meeting of the Ukraine-India Committee on Scientific and Technical Cooperation took place in Ukraine on October 23-25, 2007.

Visit of Mr GL Peiris, **Minister of Export Development and International Trade**, to Ukraine on September 12-13, 2007 also helped to strengthen relations with the South Asia countries.

Trade and Economic Cooperation. In the reporting period the economic component of Ukraine's cooperation with the Central and South Asia countries expanded. The goods turnover between Ukraine and countries of the region amounted to \$8.173 Bn USD for 9 months of 2007 (\$8.085 Bn USD for 12 months of 2006).

Ukraine and the Middle East Countries

Political Dialogue A landmark event in the political dialogue with the Middle East countries was the State visit on November 13-15, 2007 of V. A. Yushchenko's, President of Ukraine, to the State of **Israel** with the attendance of the Palestine National Autonomy. During this visit to Israel President Yushchenko and President Sh.Peres signed the Joint Declaration on Further Development of Partnership and Friendship. The Leader of Ukraine announced the initiative to launch the "Dialogue of Truth for the Sake of Future", the basis of which would be the comprehensive discourse on Ukraine-Jewish relations, establishing contacts between political, academic, artistry and public circles of both countries, arranging conferences, seminars, joint research studies. As part of strengthened cooperation in the area of investments and in view of Ukraine's preparation to hosting the Euro 2012 Soccer Championship, the Ministry of Economy of Ukraine and the Ministry of Commercial Trade and Labor of the State of Israel signed the Memorandum of Mutual Understanding and Cooperation in Preparation to Euro-2012.

While visiting Ramallah, the President of Ukraine had a meeting with M. Abbas, President of the Palestinian National Autonomy. V. A. Yushchenko announced the intention to open Ukraine's representative mission in the PNA, which would facilitate settlement of the important issues of further cooperation.

In the context of the development of inter-parliamentary cooperation, active assistance was provided in arranging Ukrainian visit for M. Al-Abrash's, Head of the National Assembly of Syria, on January 29-30, 2007. Assistance was also provided to visits of heads of industry agencies – namely, visit of U.A.Boiko, the Minister of Fuel and Energy of Ukraine, to Libya on February 7-9, 2007.

In the reporting period political consultations were held with the MFAs of the UAE, Jordan, Syria, Israel and the Palestinian National Autonomy. Efforts were made to optimize diplomatic presence in the Middle East countries, in particular, towards the accreditation of the Ambassador of Ukraine to UAE as the concurrent Ambassador to Qatar and Bahrain, and the Ambassador of Ukraine to Egypt as the concurrent Ambassador to Sudan. Opening of Ukraine's representative mission in Ramallah (Palestinian territories) is in the process of negotiations. Assistance was provided in holding joint meetings of the Ukraine-Sudan and Ukraine-Israel committees in 2007.

The MFA took appropriate steps in connection with the drastic exacerbation of the situation on the Palestinian territories (Gaza Strip) in March 2007, which was caused by escalation of the armed conflict between “Hezbollah” and Fatah supporters. In the face of threat to safety and lives of scores of Ukrainian citizens and their families who found themselves in the zone of the armed conflict, the national diplomacy coordinated work of Ukraine's Embassies in Tel-Aviv and Amman as well as Ukrainian authorities in order to facilitate evacuation of our compatriots and their family members from Gaza ¹⁴⁰.

Due attention was paid to the establishment of the direct contacts between representatives of Ukrainian business circles and countries of the Region, encouraging Ukrainian enterprises to participate in the exhibitions, international conferences and round tables, hosted in the Near East countries. In particular, the Ukrainian ministries and authorities, individual enterprises and companies were given assistance in participation in the *IDEX 2007*, the VIII International military

¹⁴⁰ Information based on material provided by MFA of Ukraine

equipment exhibition (November 18-22, 2007, Abu-Dhabi), in the “Dubai 2007” Tenth International Air Expo (November 11-15, 2007).

Trade and economic cooperation. The Middle East region retained its importance as a market for Ukrainian goods. For 9 months of 2007, Ukraine’s trade volume with countries of the Region amounted to USD 3.3 billion (export – USD 3,1 billion, import – USD 0,2 billion, positive balance 2,9 billion USD), what in fact is equal to the respective values for the whole 2006.

Ukraine and African Countries

Trade and economic cooperation. The African direction has to be viewed as an important and long-term component of Ukraine’s foreign policy with the huge potential for the development of mutually beneficial cooperation with countries of the continent almost in all spheres of contemporary international relations.

Importance of the African continent for Ukraine is explained by its huge territory being a home to 53 countries with 700 million population, most of which have large natural resources and poorly developed industry, which may translate into excellent opportunities for mutually beneficial cooperation with Ukraine. From the economic point of view the countries of this part of the world represent promising markets for industrial, agricultural, military technical goods and services (construction of oil and gas pipe-lines, railroads, large power generation and industrial plants); an important source of industrial and agricultural raw materials; one of the biggest productive fishing zones of the World ocean; a strategic international communications hub where the vitally important sea transport communications take course to the Asian countries.

African market demonstrates demand for diverse goods - anything from the simplest household goods to the most complicated modern equipment; taking into consideration relatively low living standards of the continent’s population, this demand may be met with high-quality and inexpensive goods (in accordance with the European standards), and this is where Ukrainian producers may have a card to play. Our cooperation may lean on more than 50 thousand Africans, who studied in the USSR’s and Ukrainian Institutes in their due time. Nowadays many of them are holding key positions in governmental authorities and commercial institutions of the African countries.

Countries of the continent make considerable contribution to formation of the positive foreign trade balance of Ukraine. According to the State Statistics Committee, Ukraine's goods turnover with the African countries for 10 months 2007 amounted to USD 2.84 billion leaving USD 1.84 billion of positive balance. The increase of Ukrainian export was 117%.

Ukraine is gradually reinstating in the position of the market leader, which it had lost after collapse of the USSR, in North Africa (Algeria, Egypt, Libya, Morocco, and Tunis). In the last 10 years, Ukraine's turnover of goods with countries of the continent has increased eight-fold, while Ukrainian export grew by 11 times.

The foreign economic activity of Ukraine in relations with the African countries is aimed to achieve the following main goals:

- increase the national export potential due to the use of advanced local technologies in implementation of the economic projects, including through founding subsidiaries of Ukrainian companies or joint ventures in Africa;

- building-up export of the broad range of high added value goods;

- engaging Ukrainian enterprises into the development of natural resources and finding alternative sources of supply of minerals and semi-finished goods for the national economy (certain mineral raw materials including rare-earth metals), and broadening the geography of energy sources for Ukraine;

- participation of Ukrainian enterprises in large-scale international projects: construction of oil and gas pipe-lines, railroads, seaports, airfields, power generation plants, big industrial projects; development of transport and social infrastructure;

- increase exports of military technical production to the above mentioned regions countries, strengthening their loyalty to Ukraine in this area.

Although in the last few years we observed notably intensified and deepened trade and economic and military technical cooperation of Ukraine with the African countries, it is the unexplored potential of this region and Ukraine's limited diplomatic presence in the continent remain important barriers restraining the development of relations with the African countries.¹⁴¹

¹⁴¹ Information based on material provided by MFA of Ukraine

To-date, twelve diplomatic institutions have started their activity in Africa, namely: in Algeria, Angola, Gabon, the Republic of Guinea, Ethiopia, Egypt, Kenya, Libya, Morocco, Nigeria, the South African Republic and Tunis.

Ukraine and the Latin America Countries

Political dialogue. Development of Ukraine's relations with the Latin America and Caribbean countries needs to be recognized as important part of Ukraine's long-term effort to reaffirm its position as an active subject of international relations in the world political and economic environment.

In 2007, Ukraine's MFA focused on strengthening of the positions of Ukraine through invigoration of the political dialogue with countries of the region, build-up of trade and economic and investment cooperation. During 2007, Ukraine expanded its contractual base for the relations with the Latin America countries. In particular, the first intergovernmental document in the history of Ukraine-Paraguayan relations was signed in November in Asunción city, the No-visa Agreement for All Types Passports. In addition, all internal State procedures, needed for endorsement of the Framework Agreement with the Government of the Republic of Argentine regarding cooperation in sphere of peaceful uses of outer space (October, 2007) were completed. At the experts level they held the first round of negotiations on the text of the draft Agreement between the Ukrainian Government and the Government of the United Mexican States regarding Assistance and Mutual Protection of Investments (May, 2007 Kyiv). Accord was reached with the Government of Argentina to sign an Agreement of Recognition of Diplomas of Higher Education, which would enable thousands of high-skilled Ukrainian specialists to be employed in Argentina in accordance with the acquired profession.

Thanks to efforts of the Ukrainian diplomats, the Parliament of Peru (June, 2007), Ecuador and Paraguay (October, 2007) and Columbia (December, 2007) adopted resolutions to recognize Holodomor in Ukraine in 1932-1933 as genocide against the Ukrainians.

Trade and economic cooperation. Given that the relations between Ukraine and the leading Latin-American countries, i.e. Brazil, Mexico, Argentina, do not have any problematic questions and are not prone to conflict, Ukraine's foreign office makes efforts through intensified political

dialogue to create favorable conditions for strengthening foothold of our commodity producers in the Latin-American markets.¹⁴²

As a result of focused activities, a number of projects have been launched in high-tech industries such as aircraft building, power engineering and space cooperation.

The following should be mentioned among the most noteworthy projects:

- repair of AN-32 aircraft fleet of the military forces and national police of Peru, the country, which is the world's third largest user of Antonov aircrafts;

- with the beginning of work in August 2007 of the Ukraine-Brazil "Alkantra Cyclone Space" enterprise, the joint space project on launching of commercial satellites from the Brazilian Alkantra spaceport with help of Ukrainian "Cyclone-4" booster officially reached the stage of practical realization;

- the project for insulin production under a Ukrainian license at "Fiokruz", a Brazilian enterprise in the state of San-Paulo, is set to be launched;

- solid prospects exist for the realization by Kharkiv OJSC "TURBOATOM" of a number of projects in the South America countries, in particular, modernization and boosting capacity of the Argentinean hydro power station "Salto Grande" (the project value is estimated at USD 65 million), construction of a thermoelectric power station of 650 megawatt capacity in an Argentinean province Santa-Kruz, and of the Argentina-Paraguay hydro power station "Christie Corps" on the Parana river (the project proposals, prepared by the Ukrainian partners, was very well received and now the respective parties are looking for investors).

However, the existing potential for the development of trade is still underutilized which is supported by the statistical data. In 2006, goods turnover between Ukraine and the region amounted to USD 1,252.0 million, of which 418.2 million was trade with Brazil, 226,7 million – with Mexico, and 100,5 million USD - with Argentina. For 8 months of 2007 the total volume of trade was USD 1,332 million, including 386,4 million - with Brazil, 136,6 million with Mexico, and USD 100 million - with Argentina¹⁴³.

Ukraine and the Asia - Pacific Region Countries

¹⁴² Information based on material provided by MFA of Ukraine

¹⁴³ Information based on material provided by MFA of Ukraine

Japan. Rapports between governments of Ukraine and Japan were maintained in 2007 by way of holding political consultations with participation of U. Kostenko and S. Yati, Deputy Ministers of Foreign Affairs of Ukraine and Japan, respectively, on March 18, in Tokyo. The Ukrainian side commended the concept declared by the Japanese side to assist in building of the “Arch of Freedom and Prosperity”, where Ukraine was made part of. Moreover, Ukraine expressed hope that due to this, new opportunities will open for strengthening of Ukraine-Japan relations. Principal outcome of the consultations was that the sides outlined key steps to further promote the bilateral relations.

Visit of the delegation from the Ministry of Transport and Communication of Ukraine to Japan took place on July 8-13, 2007. The main purpose of the visit was to discuss with the government and private sector participants the prospects of implementing projects under the Official Development Aid Program sponsored by the Japanese Government (OAD), namely: “Reconstruction of SIA Borispil”; and “Building of an overpass bridge for the Pivdenny Bug river in Mykolaiv city”, and the engagement of Japanese companies from transport industry in other infrastructure projects in Ukraine.

On July 26, 2007, Tokyo ran tender bidding processes among companies to purchase and supply medical equipment for children’s hospitals of Lugansk and Kirovograd regions in Ukraine. Given the importance and long-term effect of the above mentioned grant program, U. O. Gaidayev, the Minister of Health Care of Ukraine, paid a working visit to Japan to attend this tender bidding at the invitation of the Japanese International Cooperation Agency (JICA). During his stay in Tokyo the Minister also visited the Japanese Agency for International Cooperation (JICA) where he met with directors of this government organization.

On September 14 – 16, 2007 in Tokyo, at the annual World Tourist Fair, JATA WTF 2007, Ukraine presented its national stand for the first time in life of the fair.

During 2007, development of the bilateral trade kept its pace. For the first nine months of 2007, the overall goods turnover increased almost by 50% and exceeded the annual values for 2006, having reached USD 1,023.61 million.

Increase of the bilateral trade resulted mainly from increase in the Japanese import by 56.91% or by USD 347.49 million, reaching USD 958.04 million (respective figure for 2006 was USD 610.55 million). At the same time, export of Ukrainian goods fell between January and September,

2007 by 9,8% or by USD 7.13 million, vis-à-vis same period in 2006, to the level of 65.58 million USD (in 2006 – 72,71 million USD).

Increase in the goods turnover was mainly caused by growth of Japanese export, which although was diversified, but for almost 90% was represented by machine and technical assets.

China. In the course of 2007, the MFA of Ukraine was getting prepared to the Tenth Meeting of the Intergovernmental Ukraine-China Trade and Economic Cooperation Committee. In October 2007, the Ukrainian part of Committee under the supervision of D. V. Tabachnik, Vice-Prime-Minister of Ukraine, held the meeting where they considered in details different ways of promoting Ukraine's bilateral relations with the People's Republic of China.

As part of celebration of the 15th anniversary of the establishment of diplomatic relations between Ukraine and the Chinese People's Republic and with the purpose to boost political dialogue, O. O. Moroz, Chairman of the Verkhovna Rada of Ukraine paid an official visit to China (March 2007), and Hui Liangyu, Vice-Prime-Minister of the State Council of P.R.C. paid an official visit to Ukraine (April 2007). During these visits, the parties discussed the whole range of issues on Ukraine-China relations. In addition, as part of the program of celebration of this important event in Ukraine-China relations, the Ministry assisted in preparation to and arrangement of a visit to China of the delegation of "Ukraine-China" society, led by L. M. Kravchuk, the Honored President¹⁴⁴.

The Republic of Singapore. A landmark event in relations of Ukraine with this state was the visit of M. Ya. Azarov, First Vice-Prime-Minister of Ukraine, to Singapore in January 24-27, 2007. During this visit Azarov met with Lee Sien Lung, the Prime-Minister and the Minister of Finance of the Republic of Singapore, and Lee Kuan Yew, the Minister Mentor and the Founder of the Modern Singapore. The parties focused on the prospects and ways of development of the Ukraine-Singapore political dialogue, expanding trade and economy, scientific and technical, and military and technical cooperation with the Republic of Singapore. Particularly, they discussed opportunities of reciprocal cancelling of visa regime between the two states which could contribute to strengthening of the bilateral relations and promotion of business contacts.

¹⁴⁴ Information based on material provided by MFA of Ukraine

MFA of Ukraine assisted in arranging a visit to Singapore of N. E. Boitsun, a Deputy Minister of Economy of Ukraine, where she participated in the session of the World Economic Forum in South-East Asia on June 24-25, 2007. The purpose of the visit was to represent the Ukrainian economic potential to the world community and government institutions of different countries, in order to encourage investments into the economy of Ukraine and to promote trade and economic relations.

Moreover, the MFA of Ukraine assisted in arranging visits to Singapore of: V. T. Pyatnytsky, a Deputy Minister of Economy of Ukraine, to hold the first round of negotiations regarding signature of the Bilateral Agreement on Free Trade between Ukraine and the Republic of Singapore (May 6-8, 2007); and O. O. Slyusarenko, a Deputy Minister of Economy of Ukraine, to participate in the international forum “Global Enterpolis Singapore 2007“ to raise interest of investors from the Republic of Singapore to the economy of Ukraine, including the projects connected with hosting Euro-2012 Football Championship¹⁴⁵.

¹⁴⁵ Information based on material provided by MFA of Ukraine

AFTERWORD

The Publication “Foreign Policy of Ukraine – 2007: Strategic Assessments, Forecasts and Priorities” prepared by the Institute of Foreign Policy, includes a comprehensive analysis of the annual accomplishments of the country’s foreign policy. The scientific analysis prepared in the format of a Year book is typical for many countries of the world. The rationale behind such a publication is that it brings to the agenda the most acute issues of Ukrainian foreign policy and is meant to encourage the nation to discuss ways of addressing them.

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, foretell future challenges and suggest timely preventive actions.

Certainly, publication of the Annual Strategic Review, where you can find reliable information and objective estimations, is evidence of the transparency of Ukrainian foreign policy and its conformity with European standards. The Annual Strategic Review combines the scientific and analytical part, stated in conclusions and estimations from leading foreign experts, and information materials provided by the Ministry of Foreign Affairs of Ukraine.

The team of foreign policy experts produced the following conclusions on the basis of the analysis of Ukraine’s foreign policy for 2007.

At the beginning of XXI century the modern world entered the era of global and regional transformations. In a more global sense the conclusions regarding global transformations in the Ukrainian context can be stated as follows:

- failure to determine the direction of public modernization prevents Ukraine from mobilizing its inner resources for securing its communication and technological competitiveness, so badly needed given the present extent of globalization;
- Ukraine’s low rank in the global competition rating is a result of the low level of national identity and the disunity of Ukrainian society;

During 2007 Ukraine made major foreign policy efforts to secure itself a good place in world politics. The principal accomplishments in this area included: the increase in the volume of technical aid to Ukraine through the U.N projects line, in particular the elimination of the consequences of the Chernobyl accident and protection of the environment; broad world-wide recognition of the Holodomor tragedy of 1932-1933; active participation in international

peacemaking activity and settlement of frozen conflicts; improved rapport with the Ukrainian Diaspora, and increase of attention to security of the rights and legitimate interests of Ukrainian citizens and legal entities abroad.

However, the domestic policy conflict, lack of coordination of activities of the main branches of power and other internal and external causes in 2007 prevented Ukraine from improving its international image and realizing its national interests to the fullest extent in the international arena.

In the international aspect, year 2007 was marked by a worsening of the international security environment around Ukraine. First of all, it was reflected in a rather threatening development of the situation in the field of security for the Euro-Atlantic area, and control over arms and strategic stability. Primarily, we are talking about the suspension of the fulfillment of AGCFE by Russia and, as a result, a real threat of a collapse of the control regime over conventional armed forces in Europe. After all, it is clear that further strain in relations between Russia and the USA and NATO due to the different view points on the role and importance of AGCFE, may produce negative effects both for Ukraine and for the security system and stability on the European continent as a whole.

In this context, the year under review was marked with the further immersion of Ukraine in the buffer zone and growing threats caused to Ukraine by such a condition. All this has been occurring against the background of a reiteration by the Russian leaders of the possibilities, under certain circumstances, of a preventive use of nuclear weapons by Russia. Thus, for the first time in recent years, we faced the real threat of a considerable worsening of the international situation on a huge area from North America to Europe and North Asia.

Our state has repeatedly confirmed its commitment to adhere to and meet its international obligations in the security sphere. Therefore, Ukraine focuses its activity on pursuit of state policy in the fields of non-proliferation, arms control and disarmament, realization of measures to strengthen confidence and security, control of exports and the promotion of international military and military-technical cooperation with foreign countries in accordance with international agreements. Nevertheless, in caring about international stability and security, Ukraine is guided primarily by its own national interests.

The main problem faced by Ukraine in the implementation of the Euro-Atlantic Integration policy is an immature political elite incapable of placing national interests above corporate and

personal concerns. As a result of the policy aimed at the destruction of Ukrainian national identity which had been pursued in Soviet times, it became very difficult and unusual for a significant portion of the Ukrainian population to recognize Ukraine as an independent country. Ukraine has a considerable number of people who have no evident Ukrainian national identity and in their attitude towards NATO are guided, first of all, by their customary perceptions, cultural or language attributes, desire to achieve a certain level of wealth or by the situational impact.

Notwithstanding the external and internal shocks endured by Ukraine and the EU in 2007, economic relationships between the countries were getting stronger. The trade in merchandise was growing rapidly; however, high domestic demand in Ukraine caused further dominance of import growth rates, which were twice as high as growth of exports. Almost half of imports from the EU consisted of machinery and equipment. An important achievement in 2007 was the signing and ratification of the Agreement about readmission and the simplification of the visa regime with the EU, and the Convention about the legal status of working migrants. However, notwithstanding the important accomplishments and high growth rates of economic cooperation as a whole, Ukraine's role as an EU economic partner remained smaller than was potentially possible.

Year 2007 brought Ukraine an almost 30% increase in foreign trade turnover. More than 95% of Ukrainian exporters work in the private sector. During the year we could see the reverse tendency to a credit balance increase in the trade balance of the country. One of the biggest problems of 2007 was the incomplete trade structure of foreign trade. For the last 11 years, export has been dominated by processing goods and raw materials.

In the regional context, the Russian Federation remained the key trading partner for Ukraine (the RF's specific proportion in the foreign trade turnover in goods and services amounts to 27.4%); however, in 2007 its share was smaller than trade with EU countries (33.5%). Despite the complex range of problems in Ukraine-Russia bilateral relationships during 2007, both sides managed to maintain a quite constructive political dialogue ruled by pragmatic approaches. The sides reached the greatest effectiveness in the question of delimitation of a sea border in the Azov Sea. The Parties agreed on the need to delimitate borders in accordance with international maritime law conventions.

However, the analysis suggests that as with previous years, the year 2007 did not become the year of essential changes in the settlement of the complicated issues in Ukraine-Russia relationships. The Kremlin also failed to finally resolve the "Ukrainian issue" in 2007, despite the

pro-Russian orientation of V. Yanukovitch's government and the anti-crisis coalition in the Verkhovna Rada of Ukraine. It is this circumstance which made the Russian leaders align their relationships both with V. Yanukovitch, the Prime-Minister and with V. Yushchenko, the President of Ukraine.

Obviously, development of bilateral relations in 2008 will largely depend on domestic situations in both Ukraine and Russia, and on external factors. In Russia it is, first of all, the change of the government structure connected with the presidential elections. In Ukraine, it is the stability of the coalition tandem of Y. Tymoshenko, the Prime-Minister, and V. Yushchenko, the President which could strengthen their ability to promote Ukraine's national interests.

In 2008, the future of the Russia-Ukraine relationship will depend on the strategy which Russia adopts towards Ukraine. Russia can actually focus on the destruction of the tandem of the government and the president, and on the destabilization of the foreign policy and economic situation in Ukraine. However, at the same time it has an opportunity to build a new system of equitable and mutually beneficial good-neighbor relations with Ukraine. Ukraine has to make every effort to avoid the destructive tendency in relations with the Russian Federation.

The proximity to Europe gives Ukraine a unique chance to change the positioning system for the formation of its identity from ***"Ukraine is not Russia"*** formulation to the formulation ***"Ukraine is an integral part of Europe"***. The representation of Ukraine as a part of political and economic Europe in relations with the Russian Federation gives it enormous advantages, and on the one hand allows the removal of the whole set of Russia's geopolitical claims, and on the other hand it greatly enhances the potential for economic cooperation.

Standing at the crossroads of the geopolitical interests of the countries of the West, East, North and South, Ukraine has huge opportunities for playing to the interests of these states and thus finding its partners and allies, promoting its interests in these four directions and winning itself the status of a regional leader whose opinion has to be considered by the Russian Federation.

ANNEX

List of foreign multinational documents, signed by Ukraine in 2007.

1. Council of Europe Framework Convention on the Value of Cultural Heritage for Society, date of signing by Ukraine 31.10.07
2. Convention of the Council of Europe on the Protection of Children against Sexual Exploitation and Sexual Abuse, date of signing by Ukraine 14.11.07
3. Agreement between the United Nations and the Government of Ukraine on the enforcement of sentences of the International Tribunal for the Former Yugoslavia, date of signing by Ukraine 07.08.07
4. Agreement between the Government of Ukraine and EBRD on activities and status of permanent mission of EBRD in Ukraine, date of signing by Ukraine 12.06.07
5. Amendments to the Loan Agreement (Social Security Reform Project) between Ukraine and the IBRD signed on 28.11.2005, dated 03.10.07
6. Community Readmission Agreement between Ukraine and the European Community, dated 18.06.2007
7. Agreement between Ukraine and the European Community on Simplification of Visa Procedures dated 18.06.2007
8. Protocol to the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and Ukraine of the other part, to take account of the accession of the Republic of Bulgaria and Romania to the European Union dated 27.03.2007
9. Memorandum of cooperation between the Cabinet of Ministers of Ukraine and the International Energy Agency dated 11.12.2007

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