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Institute of World Policy*

A NEW FOREIGN POLICY FOR UKRAINE

EXPERT PERSPECTIVES

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FROM THE AMERICAN PEOPLE



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FOREWORD

The best-kept secret of the 2010 election campaign was a simple one: despite all the talk about economic and social policy, these fall outside the President's purview. It is foreign and defense policy that constitute the President's main constitutional prerogative. The absence of debate on this issue, due both to the economic crisis and to the ambivalent positions of the principal candidates, has led to intense speculation and to the perpetuation of myths surrounding the foreign policy stances of the main contenders.

Viktor Yanukovich has worked hard to shed his image as a Kremlin pawn. Yulia Tymoshenko, after arguing for NATO membership, has spared no effort in demonstrating her ability to work with Moscow. Most of the other candidates argued for a non-bloc status of some sort. Ukraine's main challenge today is not to make a choice between East and West, but to improve relations with both. The country needs to identify its key partners and define its foreign policy priorities.

The new Head of State will have to choose between a range of potential strategies. One is the "multi-vectoral" balancing act perfected by Leonid Kuchma, which can yield major payoffs but requires great diplomatic nimbleness. Another is making a clear "civilizational" choice, aligning foreign – and sometimes domestic – policy with that of the EU or Russia. Or the new President may search for a "third way," focusing on regional leadership, searching for new international partners, or even moving toward isolationism.

It is essential that Ukraine's new foreign policy be the subject of a substantive debate. To contribute to this discussion, two of Ukraine's foremost think-tanks – the International Centre for Policy Studies and the Institute of World Policy – have brought together some of the finest foreign policy thinkers in the country, representing a wide range of viewpoints, to propose innovative directions.

In the coming five years, Ukraine will have to balance a wide range of values and interests. Aimed at analysts and policymakers of all stripes, these pages are intended to structure the debate that must precede the fundamental choices ahead.

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EXECUTIVE SUMMARY

Ukraine's new President will face a daunting set of foreign policy challenges. The country's relations with Russia, the EU, and the US are at their lowest point in years, the result of empty declarations and deficient strategic thinking. Never since independence has Kyiv been on such bad terms with both its western and its eastern partners simultaneously. In addition, Ukraine's lack of strategy has handicapped its ability to pursue its national interest in several strategic areas—security, regional partnerships, energy security and increasingly, the environment.

If Ukraine is to regain its international luster, it will have to think strategically. That means choosing key partners and issues – and defining clear strategies toward each. This report identifies three essential partners for Kyiv, and four priority areas for Ukraine's foreign policy.

I. Ukraine's Key Partners

1. Russia

Serhyi Solodkyi

Kyiv's relations with Moscow have, since 2004, reached an unprecedented low. Restoring a good relationship with Russia must therefore top the new President's foreign policy agenda. Reestablishing a healthy relationship with Ukraine's northern neighbor is an end in itself, but also a means: Brussels and Washington have tired of the political and economic instability caused by Ukraine-Russia spats, and both are looking to improve their own relationships with Moscow. At the same time, Russia itself has grown weary of what it sees as western interference in its sphere of influence, and it fears that other countries may emulate Ukraine's decision to follow a different developmental model than its own. It will be up to Kyiv to avoid both unnecessary belligerence and the "unilateral loyalty" it has tended to display since independence.

Selected recommendations

- ✦ launch frank dialogue with the Russian leadership on Ukraine's Euro-Atlantic integration, through ministerial-level bilateral talks and/or trilateral consultations bringing together Ukraine, Russia, and NATO;
- ✦ foster and depoliticize the study of Ukrainian history in Ukraine and Russia;
- ✦ consolidate Ukraine's position as an essential transit state for EU-bound Russian hydrocarbons, including by gaining support from abroad;

- ✦ make clear that Ukraine will not accept any foreign military presence (Russian or otherwise) on its soil after the 2017 expiration of the Russian Black Sea Fleet's lease in Sevastopol.

2. The European Union

Tetiana Sylina

Ukrainians—both Ukraine's main political forces and its population as a whole—favor EU accession, which is seen as a means of enhancing the country's independence, territorial integrity, and economic and energy security. But Ukraine's politicians seem unable to grasp what European integration demands of them, especially when it comes to crucial reforms. Years of unkept promises, political and economic instability, and a deteriorating relationship with Russia have seriously damaged Kyiv's standing in the EU. Hence overcoming "Ukraine fatigue" in both Brussels and other European capitals will have to top the new President's agenda. This will mean both pushing through internal reforms and developing more mature relationships with Ukraine's foreign partners.

Selected recommendations

- ✦ improve relations with Moscow;
- ✦ intensify diplomatic contacts with Germany, whose Minister of Foreign Affairs represents a party open to Ukraine eventually joining the EU;
- ✦ improve bilateral relations with some of the more Ukraine-skeptic member states, and consider replacing Ukraine's ambassadors in these countries with more creative diplomats;
- ✦ become a leader within the Eastern Partnership;
- ✦ create a Ministry for European Integration under the First Deputy Premier, or combine the posts of Minister of Foreign Affairs and First Deputy Premier;
- ✦ conclude negotiations on the EU-Ukraine Association Agreement. The document should specifically lay out the Ukraine's prospects for membership and for the institution of a visa-free regime after completion of the relevant Roadmap;
- ✦ carry out constitutional, administrative, territorial and judiciary reform;
- ✦ improve executive discipline and review matters related to EU integration at every Cabinet meeting.

3. The United States

Oleksandr Shcherba

After years of being seen as a key counterweight to Russia in the former Soviet Union, Kyiv's importance to the United States has shrunk considerably. With Washington falling prey to Ukraine fatigue and the Obama administration seeking to reset relations with Moscow, Ukraine has been reduced to a simple card to be played in resolving more important issues in US–Russian relations. The US is moving from an ideological, democracy-promoting foreign policy to a more pragmatic, interest-driven one. If Ukraine is to maintain a healthy relationship with the US, it will have to grow out of its status as a mere beneficiary of American support into that of a true partner—one capable of bringing real assets to the table.

Selected recommendations

- ✦ establish a single coordinating agency responsible for developing relations with the United States;
- ✦ define clear and targeted priorities for bilateral cooperation, such as military and civil service reform, combating corruption, and training a new class of politicians and civil servants;
- ✦ move beyond an East-versus-West mentality and improve relations with Russia;
- ✦ improve conditions for foreign investment by fighting corruption and protecting foreign capital;
- ✦ focus on implementing joint projects rather than on issuing joint statements;
- ✦ make Ukraine comprehensible to the US by fostering the development of a Western-oriented, English-speaking political elite;
- ✦ stop seeing the US as a benefactor and work toward establishing a mutually-beneficial partnership.

4. Developing Regional Partnerships

Given its size, position, and degree of development, Ukraine can aspire to a major regional role. To achieve this, it will have to better engage with its neighbors, both near and more distant. Relations with Poland, Romania, Moldova, Belarus, Turkey, and Georgia present opportunities for the country to assert itself as a force for democracy and stability in Eastern Europe, and may in some cases be used to bolster its EU bid. However, major obstacles remain.

4.1 Poland

Viktor Zamiatin

For Ukraine, the importance of maintaining close relations with Poland is based on four main concerns. First, it is essential that Ukraine enjoy healthy relationships with its neighbors. Second, Poland's experience of EU and NATO integration holds important lessons for Ukraine. Third, economic cooperation between Ukraine and Poland holds great potential. And fourth, of all Ukraine's neighbors, Poland is in the best position to enhance Ukraine's security.

Selected recommendations

- ✦ promote contacts between local governments and business circles in each country;
- ✦ depoliticize the difficult history of Ukrainian-Polish relations, and focus current cooperation on concrete matters such as the Baltic-Black Sea-Caspian energy space, the Ukrainian-Polish-Lithuanian peacekeeping brigade, and organizing the 2012 Euro Cup;
- ✦ develop joint scientific research projects, and promote educational and professional exchanges;
- ✦ draw lessons from the Polish experience of EU and NATO integration, including the implementation of necessary reforms;
- ✦ get rid of the notion that Poland can and should become the only, or even the main, locomotive for Ukraine's progress towards the EU and NATO. Instead, Ukrainian-Polish relations can and should become a model of how to develop bilateral relations between Ukraine and every EU and NATO member country.

4.2 Romania

Volodymyr Kravchenko

Ukraine's relations with Romania have historically been difficult. Bucharest routinely uses the Romanian minority in Ukraine as political leverage. Romania is trying to raise its profile in the Brussels, while at the same time competing for the attention and resources of EU and NATO members. Controlled tensions with Kyiv are part of Bucharest's bid for regional leadership, which only Ukraine is in a position to challenge. In addition, Ukraine and Romania have competing environmental and economic interests in the Danube basin, which Bucharest has been more skilled at pursuing.

Selected recommendations

- ✦ win over allies in the EU and NATO to counterbalance the Romania's Ukraine-skeptic friends, such as France. Potential partners include the US, Poland, and Hungary;
- ✦ bring an end to the unwarranted granting of Romanian citizenship to Ukrainians, and resist attempts by Bucharest to use the Romanian minority in Ukraine to extract concessions from Kyiv;
- ✦ publicize Ukraine's good track record as regards the treatment of its Romanian minority;
- ✦ defend its economic and environmental interests in the Danube basin by bringing violations or contentious issues to the attention of the relevant EU and UN institutions;
- ✦ clearly establish positions on major issues, and ensure executive discipline in defending them.

4.3 Moldova

Aliona Hetmanchuk

The Republic of Moldova is the smallest of Ukraine's neighbors, but also the most troublesome. An undemarcated border, the frozen conflict in Transnistria, a Ukrainian community on both sides of the Dnister whose interests are not always defended, common challenges linked to neighboring Romania—all these prevent Kyiv from dropping Chisinau from its sights. The cornerstone of Ukraine's policy towards Moldova is preserving the sovereignty and territorial integrity of this important neighbor. It is through this prism that the Transnistrian problem is seen in Kyiv.

Selected recommendations

- ✦ follow a consistent policy directed at maintaining Moldova's sovereignty and territorial integrity;
- ✦ make it clear to Chisinau that full-fledged dialogue with Kyiv is conditional to progress toward the demarcation of the Ukraine-Moldova border;
- ✦ promote a stronger role for the European Union in resolving the Transnistria conflict;
- ✦ prevent any backroom attempts to carry out Moldova's European integration plans purely along the Chisinau-Bucharest axis;

- ✦ push Romania to finally sign a basic agreement and the Border Treaty with Moldova;
- ✦ more actively engage the sizeable Ukrainian community in carrying out Ukraine’s policies in Moldova;
- ✦ bring relations with Moldova and the Transnistria question under the same Foreign Ministry department.

4.4 Belarus

Varvara Zhluktenko

Belarus may be one of Ukraine’s main trading partners, but Kyiv’s relations with Minsk are prickly. “Europe’s last dictatorship” is intent on trying to play East against West while consolidating its position as a key transit corridor between the Black and Baltic Seas—not to mention using border issues with Ukraine as leverage on other matters. It is in Ukraine’s interest to improve relations with Minsk but any progress will have to be carefully thought out and coordinated with Ukraine’s western partners.

Selected recommendations

- ✦ coordinate Ukraine’s position toward the Belarusian opposition with that of the EU;
- ✦ with Presidential elections in Belarus due in 2011, reach a common position with the EU as to how to promote democracy in Belarus without using counterproductive rhetoric;
- ✦ send a large delegation of observers to monitor the 2011 election;
- ✦ maintain a solid relationship with President Lukashenka, and use it to make the case for democratization;
- ✦ continue pushing for the Ukraine-Belarus Border Treaty to be ratified by the Parliament of Belarus, and for ratification instruments to be exchanged;
- ✦ consider establishing an Odesa–Brody–Plotsk–Gdansk pipeline passing through Mozyr (Belarus).

4.5 Turkey

Serhyi Solodkyi

Ukraine and Turkey are neither close allies nor rivals. Still, they are bound by significant trade and a sound political relationship. Turkey is one of the most important political players around the Black Sea, with one of the leading economies in the region and the second-largest military in NATO. Given their similar sizes, geographical proximity, and common interests, Ukraine and Turkey are ideally placed to develop “model” relations, based on equality rather than on dependence. But Ukraine’s leadership has yet to grasp the political and economic potential of this relationship.

Selected recommendations

- ✦ revive relations with Ankara based not on punctual visits but on sustained political and diplomatic dialogue;
- ✦ ease or eliminate visa requirements for Turkish citizens;
- ✦ solicit Turkish investment in preparations for Euro-2012;
- ✦ encourage Turkish support for Crimean Tatars, and promote educational and professional exchange programs with Turkey for all Ukrainians;
- ✦ increase cooperation on security issues in the Black Sea region.

4.6 Georgia

Volodymyr Kravchenko

In the aftermath of the Rose and Orange Revolutions, ties between Ukraine and Georgia grew very close. Both countries are trying to withstand Russian intrusions, both intend to join NATO and the European Union, and both are active within GUAM. But today, both are also at low points in relations with their most important partners, and both are facing major political and economic challenges.

Selected recommendations

- ✦ base military cooperation with Georgia on pragmatic, rather than ideological, grounds to avoid accusations of “arming the Saakashvili regime”;
- ✦ refrain from choosing sides in Georgia’s internal political conflict;
- ✦ enhance Ukrainian investment in Georgia’s energy, transport, communication and construction industries;
- ✦ maintain the visa-free regime for Georgian citizens.

II. Ukraine's Priority Areas

1. Security

Oleksandr Lytvynenko

Since the country's failure to be granted a NATO Membership Action Plan (MAP) in 2008, Ukraine's political elites have been in increasing disarray over what to do next. The country must better define the nature and substance of its relations with major security partners, namely the United States, the European Union, and Russia, before it can find its place in the European security system. Restoring relationships with its principal partners will be crucial not only to protecting Ukraine's independence, but also to fostering the domestic political stability necessary for a constructive foreign and security policy.

Selected recommendations

- ✦ maintain Ukraine's strategic course towards EU and NATO membership, but refrain from demanding immediate accession. Focus on practical cooperation through existing arrangements, namely the Eastern Partnership and the NATO Annual National Program;
- ✦ initiate the drafting of an international treaty in which the country's partners provide security guarantees for Ukraine and other countries in the "grey zone" between NATO and the CSTO;
- ✦ normalize and develop relations with Russia on the basis of the 1997 Agreement on Friendship, Partnership and Cooperation. Gradually establish conditions for the withdrawal of Russia's Black Sea Fleet from Sevastopol in 2017;
- ✦ shift relations with the US from high-level discussions to working-level cooperation based on the 2008 Charter on Strategic Partnership;
- ✦ develop security relations with neighbors, namely Romania, Poland, Belarus, Turkey, and the Black Sea states;
- ✦ contribute to solving global security issues, namely by participating in peacekeeping operations and respecting international rules on the production and sale of weapons;
- ✦ establish an ongoing security dialogue with China.

2. Energy Security

Mykhailo Honchar

Energy has been Ukraine's Achilles' heel ever since the Soviet Union collapsed. To this day, not one of Kyiv's strategic goals in this area has been reached, whether reducing the energy-intensity of GDP, increasing the extraction of domestic resources, diversifying supplies, or establishing a closed nuclear fuel cycle. Ukraine remains heavily dependent on Russian natural gas, and flawed contracts with Gazprom will leave it vulnerable for years to come. Kyiv will have much to do if it is to restore its credibility as both an honest customer and a reliable transit state for Russian gas. This will namely mean reforming its energy sector and adhering to its commitments under the Energy Community Treaty, which it has just joined.

Selected recommendations

- ✦ ensure that the Bill “On the basis for operating the natural gas market” passes in the Verkhovna Rada in accordance with the EU II Gas Directive;
- ✦ ratify the Agreement on the Energy Community in the Verkhovna Rada;
- ✦ fulfill the provisions of the Brussels Declaration of 23 March 2009 regarding the modernization of Ukraine's gas transit system;
- ✦ gradually incorporate the EU energy *acquis* into domestic legislation, in accordance with the Energy Community Treaty;
- ✦ invite EU companies to enter the energy market in Ukraine;
- ✦ reduce the energy intensity of the economy in general and of the residential services sector in particular, namely through incentives for energy efficiency and the introduction of energy-saving technologies;
- ✦ diversify energy supplies.

3. Environmental Challenges

Kateryna Zarembo

Ukraine's environmental record is checkered at best. Both its energy efficiency and its greenhouse gas reduction targets are among the worst in the world. But with its educated population and highly-developed industrial sector, the country also has great environmental potential—one that it could, with the necessary effort and the right strategy, turn into regional leadership.

Selected recommendations

- ✦ “mainstream” environmental issues into Ukraine’s foreign policy as a whole;
- ✦ coordinate Ukraine’s environmental positions with the European Union;
- ✦ harmonize Ukraine’s environmental legislation with the EU *acquis*;
- ✦ enhance bilateral and cross-border cooperation to tackle shared environmental challenges;
- ✦ promote the creation of a common Eastern Partnership fund to combat environmental problems;
- ✦ resort to the EU as an arbiter for environmental disputes with other non-EU Member States.

UKRAINE AND THE WORLD TODAY

The world today is not the same as when President Viktor Yushchenko took office in 2005. Then, Russia was on the economic and geopolitical upswing. The United States was led by an internationally unpopular president, but the world system remained essentially unipolar. The European Union was searching for its identity, crafting a “Constitutional Treaty” that would ultimately be rejected. And the global economy was healthy, with both developed and developing economies enjoying sustained growth.

Since then, a global recession has battered the world economy, Europe has taken one more step toward federalism, and Russia’s rebirth as a global power has also revealed some of its weaknesses. The United States has elected a potentially transformational president, but the credibility and pre-eminence of the Western democratic-capitalist model is increasingly being called into question.

The international system is in flux, with new powers rising, new issues gaining salience, and new structures being established. What Ukraine’s role in this new system will be depends, as before, on whether the country’s new Administration manages to establish a positive profile. If foreign policy is truly to serve domestic needs, as it should, diplomats will have to look at the world with new eyes.

New rules, new players

The global financial crisis that began in 2008 marked an economic and a political turning point, leading to shifts both in the global distribution of power and in perceptions of the dominant capitalist-democratic model embodied by the US. While this world crisis has not led to the ultimate decline of the West, it certainly has encouraged the “rise of the rest.” Indeed, as the US and Europe struggled to avoid further economic collapse, countries like China and India enjoyed robust growth in 2009. The “global recession” has thus been far from global.

The crisis has dented the West’s “soft” power, while accentuating the rise of other economic and political centers of gravity. The US will have less of a role in fostering the recovery than it did in provoking the crisis. Formerly second-tier states, both developed and emerging, are getting an increasing say in world affairs, and this movement is being slowly institutionalized.

In June 2009, the BRIC countries—Brazil, Russia, India, and China—held their first Heads of State summit. In an explicit challenge to US political and economic dominance, the final declaration called for both a “multipolar world

order” and a “more diversified international monetary system,” reflecting doubts about the need to keep the dollar as the world’s main reserve currency.

Three months later, the “rest” received another boost. At the September G20 summit in Pittsburgh, it was announced that the group, which includes all BRIC countries, would replace the G8 as the “permanent council for international economic cooperation.” This was the logical next step in a process that has been underway for decades. And like the G7 in the 1970s and the G20 in the 1990s, it, too, was created in the wake of an economic crisis.

A new world system is emerging, characterized by new issues and the need for a more collegial form of leadership. But conventional international politics remains very much at the center of the global system.

It’s not just the economy

While the economic crisis currently occupies center stage, other challenges remain. First among these is security. After the end of the Cold War, it had seemed like much of the world was marching peacefully toward the “end of history.” But the 9/11 attacks on the United States broke that mindset, and today defense is at the centre of many countries’ preoccupations. Wars are ongoing in Afghanistan and Iraq, Africa and the Caucasus are rife with frozen and active conflicts, and Iran’s nuclear program has provoked a protracted international standoff. The very concept of security has grown to include, among others, climate security, energy security, and threats posed by non-state actors. Hence security is never far from most governments’ minds.

With the Kyoto Protocol due to expire in 2012, fighting climate change has become an increasingly central challenge. Like the economic crisis, environmental problems highlight the interdependence of countries. Effectively addressing these risks therefore also requires a global, coordinated response. Unlike those of the crisis, however, the costs of inaction on climate change are diffuse and distant. The failure of the Copenhagen Summit demonstrated the international community’s inability to find a common approach, highlighting the chasm between developed and developing countries. How the contradictions between developed and developing countries—between those responsible for the current environmental crisis and those relying on dirty industries to pull themselves out of poverty—will be overcome remains one of the most pressing questions facing the international community.

Democracy promotion has long been a significant component of US foreign policy and, albeit more cautiously, of that of the EU. Over the last decade it could variously be seen in support to reform and free elections, in backing for

governments emerging from “colored revolutions,” and even as a motive for military intervention. Over the last years, however, it has become more low-key. It comes mainly as technical and electoral assistance, modest financial support, and political encouragement. In part, this reduced presence reflects the recession’s impact on Western budgets. But it is also true that energy-dependent democracies often overlook the sometimes questionable behavior of their suppliers and other states, like Russia, are quick to step into the financial and ideological vacuum left by a lesser Western presence. With the Iraq and Afghanistan campaigns sapping resources, the colored revolutions losing their luster, and Western governments shifting their focus to domestic agendas, promoting democracy is no longer the global priority it once was.

In Ukraine’s neighborhood, Europe has its own top security concern, energy. The EU includes world leaders in energy efficiency and renewable sources and wants to translate these strengths into environmental leadership. But it also faces more immediate challenges: unifying its internal market and ensuring security of supply. The Union has yet to create a proper European market, leaving individual countries exposed to shocks that could otherwise be offset internally. This is a major political and economic weakness. Since 2005, Russia has frequently cut off EU-bound natural gas supplies transiting through Ukraine, leaving countries without crucial fuel in mid-winter. And the dependence of larger EU members like Germany on Russian gas has led to a potentially serious split over how to deal with the EU’s eastern neighbor.

Migration has also moved to the top of the EU’s list of concerns, and its members are working toward Union-wide migration and asylum policies. This challenge is growing, as ageing populations and declining birth rates make migration one of the key demographic factors within the EU. EU members must not only meet their own demographic needs and attract skilled workers, but also ensure the effective integration of newcomers into their societies. As both a transit country and a country of origin, Ukraine has a serious role to play in migration management, as the signing of a Readmission Treaty in 2009 showed.

Finally, while the EU itself is peaceful, the same cannot be said of its immediate neighborhood. Recent, frozen, or potential conflict regions include the Balkans, Moldova’s breakaway province of Transnistria, Georgia’s breakaway provinces of Abkhazia and South Ossetia, and even Crimea. These all matter to the EU, not only because of the human cost of armed conflict, but also because of the high cost of the instability that conflicts bring. The 2008 war between Russia and Georgia further strained the EU’s relationship with Moscow and increased tensions within the Union over how to treat this important neighbor.

The US: “Hope and reset” or “Reset and hope”?

The election of Barack Obama as US President has not only brought a resurgence in US soft power—the ability to convince rather than compel—but also a set of concrete policies designed to reposition the United States on the global chessboard. The new President has pushed for an international climate-change agreement, ordered thousands of additional troops to Afghanistan, and made overtures to Iran.

Among the most talked-about policy shifts has been the move to “reset” relations with Russia, which had fallen to a post-Cold War low under Mr. Obama’s predecessor. This attempt at improving atmospherics has, to a certain extent, succeeded, with each side adopting less adversarial rhetoric and sometimes even making concessions.

But the reset has also raised concerns about the trade-offs Washington is willing to make in exchange for better relations with the Kremlin. The Obama Administration has scrapped Bush-era plans to base a ballistic missile shield in Poland and the Czech Republic, removing a major diplomatic sore point with Moscow. At the same time, the decision was seen by some leaders in Central and Eastern Europe as a weakening of the US security relationship with nations in the region. Countries like Ukraine and Georgia fear that Washington might sacrifice their sovereignty in exchange for Russia’s cooperation on other issues.

The Obama foreign policy approach is based on the idea of “smart power”—the optimal use of the full range of tools at the Administration’s disposal. So far, the President has proven willing to use increased military force, as in Afghanistan; to harness the seductive power of words, as in his Cairo speech to the Muslim world; and to engage in the normal horse-trading of international politics, as with Russia. And so far, this strategy has had a net positive effect, creating new partnerships without making any real enemies. But the Obama Presidency is only one year old, and how successful it will be at balancing interests, values and partnerships over the long term remains to be seen.

Russia: An Uncertain resurgence

Unlike the US, Russia today does not have a clearly established place in the international system. No longer a global superpower, it remains something more than a regional leader. Its foreign policy is multifaceted, but its main interests lie in maintaining a sphere of influence around its borders.

Over the last few years, Russia has shown both great strength and great weaknesses. It has outmaneuvered the governments born of the “colored revolutions,” whose leaders have largely discredited themselves. It has deployed an

assertive foreign policy, fully exploiting both its position as a key hydrocarbon supplier and its ability to act as a spoiler to Western plans.

But Russian power has also shown its limits. Belarus, long seen as Moscow's closest ally, still has not recognized the independence of Abkhazia and South Ossetia, despite considerable pressure. Kyrgyzstan has not closed a US airbase on its territory, but simply moved it to a new location. Pro-European forces in Moldova have been gaining strength. Russia's currency reserves are down, as are foreign gas consumption and prices, on which much of the state's income depends. The recession has shaken Russia's economy and dented its ability to implement an expansive and expensive foreign policy.

Nevertheless, Russia continues its effort to enhance its role in the global system. 2010 will see it enter a customs union with Belarus and Kazakhstan, in the first earnest attempt at economic integration since the end of the Soviet Union. In addition, President Dmitri Medvedev has tabled a draft "European Security Treaty" (EST). Ostensibly intended to ensure stability "from Vancouver to Vladivostok," the EST is designed to replace the current NATO- and OSCE-dominated security system with one in which Moscow will have a greater say. The EST will not be adopted as it is, but it illustrates Moscow's view of the world as it should be. Its lukewarm reception, by contrast, reflects Russia's increasingly uncertain clout.

The EU grows up

The EU has been called "an economic giant but a political dwarf." In 2009, the Union took a decisive step toward political maturity by adopting the Lisbon Treaty, which, in addition to giving it a real international personality, may substantially facilitate decision-making.

However, the selection of two low-profile personalities to fill the EU's top jobs reflected hesitation on the part of some member states to give Brussels too much political influence. The institutional modifications brought about by the Lisbon Treaty will, in the long term, allow the Union to play a greater political role in world affairs. For the moment, though, the EU will have to concentrate on the internal prerequisites to external influence. The precise role and responsibilities of the new President and High Representative have yet to be clearly determined and will depend to a large degree on the personalities of the office-holders. In addition, before breaking out onto the world stage, the EU will have to develop its own diplomatic service—no small task for a unique institution comprising 27 member states.

International organizations: Moving targets

In April 2009, NATO launched a review of its strategic concept, which dates back to 1999. The Alliance has to rethink its priorities, as its role in 2009 and beyond bears little resemblance to that of the 1990s, and still less to that of the Cold War era. With the widening of the very notion of security, its members have realized that NATO must address a whole new range of threats. The Alliance is also learning new ways of addressing old threats, with missions designed not to guard against imminent invasion, but to contribute to democracy- and institution-building in countries whose stability is essential to the security of NATO members.

The United Nations has also seen its structure and functioning called into question. Its Security Council is widely seen as iniquitous: five of the Council's 15 members (China, France, Great Britain, Russia, the UK and the US) enjoy permanent, veto-wielding status. Thus India, as well as all African and South American nations, can only be second-tier members, despite their importance to global security. Still, the Council has been hesitantly widening its own definition of security to include climate change and human security, among other things. To remain relevant and legitimate as it extends its scope of action, the Council will have to reform its membership rules.

As recently as November 2009, the Organization for Security and Cooperation in Europe was issued an implicit challenge when Russia's President tabled his proposal for a new European Security Treaty. But the US and EU member states, which want the OSCE to remain a central platform for European security, have decided to focus on reforming it through the Corfu Process rather than replacing it with a new organization.

The International Monetary Fund, which only recently seemed destined to irrelevance, has seen its role revived by the current recession. With budget revenues down and credit drying up worldwide in late 2008, nations have once again turned to the IMF to help them avoid insolvency. And this it has done, all but rescuing some of the world's most vulnerable economies, including Ukraine's.

With the IMF regaining its relevance, however, the debate over its decision-making processes has revived as well. The under-representation of emerging economies has become an increasingly contentious issue, with over-represented rich countries resisting pressure to review the distribution of voting rights. But as developing nations pull ever-more economic weight, this resistance was bound to be futile. In a development indicative of both the new global ascendancy of the G20 and the growing clout of emerging countries, in Pittsburgh the G20 leaders agreed to substantially increase developing countries' voting rights, bringing them to almost half of the total.

What is Ukraine's place in all of this? What are its fundamental interests, and who are its key partners? Those are the questions this paper aims to answer.

New priorities for a new President

Ukraine faces many of the same challenges as the rest of the world. Its economy has been badly battered by the financial crisis and it is struggling to find its place in a shifting international order. No longer a Russian satellite but not yet recognized as authentically European, the country is trying to make its civilizational choice.

Ukraine's new leader therefore faces a daunting set of foreign policy challenges. First among these is patching up relations with Russia, which have sunk to new lows since 2004. A healthy and transparent Kyiv-Moscow relationship is a prerequisite for the pursuit of Ukraine's interests abroad—however the new President may define them. The links between the two countries run deep, and neither can truly prosper—economically or politically—without a sound relationship with the other. In addition, Brussels and Washington have both grown weary of the political and economic instability caused by frequent Ukraine-Russia spats, and both are looking to improve their own relationships with Moscow. So, even if the new leader chooses an earnestly Western path, he will have to make a detour through Moscow.

European integration has been among the fundamental objectives of Ukraine's foreign policy since 1993. The EU is Ukraine's largest trading partner and its chief provider of international assistance, as well as its model for development. But unkept promises of reform, political and economic instability, and a deteriorating relationship with Russia have wrought serious damage on Kyiv's reputation in the EU. Overcoming "Ukraine fatigue" in both Brussels and other European capitals will also have to top the new President's foreign policy agenda. This means working toward meaningful bilateral engagement with individual member states.

With Ukraine fatigue also prevalent in Washington and the Obama Administration looking to reset relations with Moscow, Kyiv must focus on fixing its relationship with the US. As a consolidating democracy and a linchpin of regional security, Ukraine will remain an essential interlocutor for the foreseeable future. But the time has come for the country to grow out of its status as a mere beneficiary of American support into that of a true partner. For one thing, this means shifting the main focus of Ukraine-US security dialogue away from NATO integration. A more mature relationship with the United States will increase Ukraine's credibility while allowing it to make the most of the existing partnership. It will also provide an opportunity—one not to be missed—to demonstrate to Russia that Ukraine's foreign relations do not have to be zero-sum.

Ukraine's relationships with neighboring countries are crucial to regional stability. Ukraine can aspire to a major regional role, but first it will have to better engage with its neighbors, both near and more distant. Relations with Poland, Romania, Moldova, Belarus, Turkey, and Georgia present opportunities for the country to assert itself as a force for democracy and stability in Eastern Europe, and could even be used to bolster its EU bid.

However, major obstacles remain. While Poland is a strong proponent of Ukraine's EU accession, this is not high on its agenda and Warsaw has become increasingly frustrated by political immaturity in Kyiv. Romania and Ukraine have a historically had a difficult relationship, one that could have repercussions in Brussels. The conflict in Moldova's breakaway region of Transnistria, in which Ukraine is a key mediator, could have momentous impacts on regional security. Belarus has been called "Europe's last dictatorship"; any rapprochement will thus have to be carefully measured, even as Ukraine could play a key role in fostering democracy there. Turkey's efforts toward EU integration may contain lessons for Kyiv, but imitating that currently stalled bid carries risks of its own. Finally, Georgia's ailing "Rose Revolution" and its recent war with Russia have added new challenges into the Kyiv-Tbilisi relationship. Regional leadership will therefore require serious strategic thinking on the part of the new President.

Ukraine's security policy is also in dire need of focus. Since the country was denied a NATO Membership Action Plan in 2008, its political elites have been in increasing disarray over what to do next. Ukraine's rocky relationship with Russia and its lack of follow-through on commitments have left its security position even further weakened. Ukraine must clarify its relations with major security partners, namely the US, the EU, and Russia, before it can find its place in the European security system. Improving these relationships will be crucial not only to protecting Ukraine's independence, but also to fostering the domestic political stability necessary for a constructive foreign and security policy.

This is also true of energy security, where Kyiv's track record has been checkered at best. The new President will have the dual task of ensuring that any agreements concluded with partners are in Ukraine's interest, and then of guaranteeing their implementation. Ukraine must also diversify its sources of energy and win back its credibility as both an honest customer and a reliable gas transit state. This will namely mean reforming the country's energy sector and adhering to commitments under the Energy Community Treaty, which it has just joined.

Finally, Ukraine cannot afford to be left out of the global debate on the environment. This is both an ecological and a diplomatic imperative. Ukraine's embarrassing performance at the 2009 Copenhagen climate summit was yet another illustration of the country's peripheral role in some of today's most crucial de-

bates. With one of the world's least energy-efficient economies, a poor environmental track record and dismal greenhouse gas emissions targets, Ukraine is once again attracting international attention for all the wrong reasons. But with its educated population and highly-developed industrial sector, the country also has great environmental potential—one that it could, with the necessary effort and the right strategy, turn into regional leadership.

It is all these challenges that this publication aims to address, by providing detailed analysis of the threats and opportunities facing Ukraine. The country may be facing a difficult foreign policy puzzle, but policymakers and analysts will find in these pages fresh ideas to tackle it.



UKRAINE'S KEY PARTNERS

UKRAINE AND RUSSIA: LEARNING FROM MISTAKES

Serhyi SOLODKYI

The past two decades of relations between Ukraine and Russia have been years of searching for the optimal model of interaction. Kyiv and Moscow have gone through periods of significant warming, when the presidents of both countries swore eternal friendship. The late President Boris Yeltsin called on his fellow Russians to wake up in the morning thinking, “What have you done, what could you do for Ukraine?” And there were times of serious confrontation, when military escalation could not be ruled out.

A particularly heated moment came in August 2009, when Russian President Dmitri Medvedev addressed his Ukrainian counterpart with an aggressively-worded letter. Such a show of disrespect toward Ukraine’s leadership had never been seen from any other foreign leader. Even the US, during the Kolchuga scandal of 2002-2003, had been more restrained in its statements regarding President Leonid Kuchma. Yet the Americans had had strong reasons to criticize the Ukrainian President: after all, they had gotten hold of taped conversations in which Mr. Kuchma gave the green light to deliver radar systems to Saddam Hussein despite an embargo by the UN Security Council.

The mood in Ukrainian-Russian relations has often been affected by both subjective factors, such as the inability of Russia’s hawks to get over Ukraine’s independence, and objective ones. The emergence of new independent states demanded that both sides resolve new issues: border demarcation, dividing what was once common property, and so on.

In the last five years, the interpersonal factor has been especially important. The crisis in Ukrainian-Russian relations can be explained primarily by the fact that, on a personal level, Russia’s current leaders do not accept the Ukrainian politicians who came to power with the Orange Revolution. Concerned with implementing an assertive foreign policy and using concepts that harken to the Cold War era, they have been insisting on non-interference by others in Russia’s “sphere of interests.” This includes all of the republics of the former Soviet Union (FSU)—except the Baltic countries, which managed to free themselves once and for all from such Kremlin claims by joining the European Union and NATO. The Orange Revolution was seen in Moscow as a show put on by the United States and aimed at weakening Russia’s role in the region.

It is not so much fear of a strengthening of the US's position that worries Moscow. Rather, it is the fact that one of the key countries of the former USSR has decided to follow a different development model than Russia, which once effectively determined the development of the entire post-soviet region. There were times when Russian President Vladimir Putin was the only leader in the FSU (the Baltics excepted) with whom western politicians wanted to do business. Indeed, he looked like a proper democrat in comparison to the “last dictator in Europe” Alyaksandr Lukashenka, the late “father of all Turkmen” Saparmurat Niazov, or the scandal-ridden Leonid Kuchma.

The Orange Revolution shuffled the cards in the deck of Russian expectations, as Ukraine became a real competitor to Russian influence in the post-soviet arena. Although Georgia had had its democratic revolution a year earlier, such a small country was in no position to become a role model for development, especially for Russia, which was busy shoring up the concept of “sovereign democracy.” Ukraine could have become a poster child for democratic development in the post-soviet arena, but it failed to take advantage of this opportunity. Part of the blame for this belongs with Ukraine's “Orange” politicians, who failed to value the historic opportunity they had been given. But responsibility for this failure also rests with external factors, including the willingness of Russia's political class to resort to provocations and political and economic pressure to weaken the democratic government of Ukraine. All of Russia's propaganda machine worked to discredit Ukraine's leaders in the eyes of its western partners—consider the two gas wars—and even in those of its citizens, most of whom have access to Russian media.

Unilateral loyalty?

Kyiv and Moscow have had a rocky relationship, despite the relatively Russia-friendly stances of Ukraine's first two presidents. Still, the Orange Revolution was a watershed in relations between Ukraine and Russia, leading to a high level of distrust that neither side was able to overcome—despite considerable effort on the part of Ukraine. For instance, Viktor Yushchenko's first official visit upon becoming President was to Moscow, the day after his inauguration. At first, it looked like the two sides would be able to ease the tension, even at the interpersonal level. During his visit, Mr. Yushchenko said, “As a matter of principle, I want to emphasize that this is my first visit outside Ukraine. It is a sign of my respect for our relationship...I extend my hand to you for the benefit of our two peoples.”

In March 2005, the Presidents of both countries announced their intention to set up an binational commission that was informally called the Yushchenko-Putin Commission. This new instrument of cooperation was to foster a systemic

approach to dealing with urgent matters. However, dialogue between the two Heads of State was hampered by endless scandals, and every year conflicts at the highest levels only grew sharper.

Ukrainian-Russian relations in the first half of 2005 could be described as “on hold,” mostly on the part of Moscow. At times, it almost seemed as though, at last, cooperation between the two would be able to develop without disruption, on equal terms. But in reality, throughout 2005 Russia only maintained a holding pattern: Moscow had simply decided to wait until the Constitutional amendments of 2004 kicked in and the March 2006 elections to the Verkhovna Rada were over. These were seen as indications of how relations with Ukraine would develop, and with which political leader dialogue would have to be held.

The political break-up of the Orange camp’s two leaders—Viktor Yushchenko and Yulia Tymoshenko—allowed Russia to play both sides off each other. Internal political conflict seriously weakened Ukraine’s position on the international stage and made it possible for Russia to pursue openly political interventions. The first gas war, in January 2006, was a clear example of political one-upmanship. The high point in this interference was a letter from its President, Dmitri Medvedev, addressed to his Ukrainian counterpart in August 2009. In his missive, the Russian leader presented a list of accusations against Mr. Yushchenko and blamed him for the poor state of relations between their two countries. Yet even this open show of disrespect towards Ukraine’s leadership did not result in political consolidation within the country—a failure that could only strengthen the Kremlin’s conviction that it could continue its political assault with impunity.

Ukraine’s new President will be faced with a very difficult challenge. On the one hand, relations with Russia need to improve. On the other, this improvement cannot come at the price of Ukraine’s national interest.

A key foreign policy aim of the new President of Ukraine must be improving relations with Russia, as many other foreign policy issues depend strongly on this. The most difficult point here will be overcoming enmity not by way of one-sided concessions, but equitably through mutual understanding. Reducing tensions in Ukrainian-Russian relations is particularly important for the following reasons:

1. Russia’s growing presence on the international arena. Western countries are trying to establish non-confrontational relations with Russia. The new Administration in the US is currently in the process of “re-setting” relations with Russia. The EU is particularly intent on avoiding conflict with Moscow, even in situations that call for radical action, such as Russia’s war against Georgia or its gas wars against Ukraine. Improved relations between Ukraine and Russia would reflect a more global trend.

2. The Russia factor. Poor relations with Russia are increasingly hindering Ukraine's efforts to cooperate with the European Union and NATO. The EU is trying not to initiate any integrational projects, which Moscow is dead against. Brussels is constantly reassuring everyone, for instance, that programs such as the Eastern Partnership, involving six FSU countries including Ukraine, are not directed against Russia. Kyiv's strained relationship with Moscow was a key factor in Ukraine's failure to obtain a NATO Membership Action Plan (MAP) in spring 2008. Although NATO officials continually say that Russia has no veto power over Alliance decisions, Moscow can count on supporters within NATO itself to interfere in the establishment of closer ties with Ukraine.
3. Economic interests. Russian business is one of the biggest investors in Ukraine, and many of the industries of both countries remain as interconnected as they were in soviet times. Despite conflicts at the highest political level, trade between the two countries has continued to grow, year after year. In 2008, it reached US \$40 billion. Still, preliminary calculations show that this amount was slashed nearly in two over 2009. The world economic crisis is obviously responsible for part of this decline, but it is also possible that lack of trust among the two countries' politicians has affected cooperation in the private sector as well. During a time of crisis, economic relations must be the pillar of Ukraine's interactions with its partners.

Establishing a trustful relationship between the two countries will also make it possible for both sides to sit again at the negotiating table to settle a number of important issues: demarcating the land border, delimitating the marine portion of the border, ensuring that servicemen of the Russian Black Sea Fleet (BSF) follow the rules laid down both in Ukrainian legislation and in bilateral documents, and ensuring reliable gas delivery.

How interested is Russia in having a good relationship with Ukraine? There are two possible scenarios.

Scenario 1: Status quo. Some analysts argue that Russia's leaders are happy to have external enemies in order to distract their citizens from internal problems. The Kremlin's propaganda machine has already achieved this. On average, up to 40% of Russians see Ukraine as the enemy. Once the financial crisis began to have a serious impact in Russia, internal problems began to multiply. Thus, the need for virtual external enemies will remain and Russian media are likely to continue reporting on events in Ukraine in a dismissive, condescending manner.

Scenario 2: Conditional "friendship." The tone of reporting on events in Ukraine might change. But it is obvious that such a shift will depend on Russian

leaders' willingness to allow it, which in turn depends on the attitude of the new Administration in Kyiv. Still, it is most likely that Russia will present the new President with its own conditions for a deal: amity at the cost of concrete concessions. Given that certain Ukrainian politicians have positioned themselves as actively pro-Russian, it is quite possible that some concessions will be made. It also possible that the Russian government will pre-emptively signal that no matter the identity of the new president, a good bilateral relationship will depend on Ukraine's willingness to avoid crossing Moscow.

Still, it cannot be excluded that the Russian media's approach to Ukraine will change in advance, meaning "If you think it's important to have conflict-free relations, then don't take any steps that are against our views."

We can presume that the first few months of the new President's term will see Russia once more in a holding pattern, testing Ukraine's new leader's "loyalty." Indeed, Moscow's policy towards Kyiv will almost certainly be offensive, even aggressive with time, even with a very loyal Ukrainian President. For that reason, Ukraine's new government needs to build relations that are "warm but distant." That is, to declare its commitment to amicable relations with Russia, put every effort into resolving bilateral problems, and be guided by international law. At the same time, it should not compromise any fundamental national interests or give in to blackmail. It is essential to keep in mind that Russia has as much interest in Ukraine as Ukraine does in Russia. Of course, Russia's interest has a clearly aggressive quality to it:

1. Russia's leaders traditionally see Ukraine as part of their sphere of special interests, if not sphere of influence. For this reason, Moscow is actively against Ukraine's joining NATO. This would radically undermine the foundations of Russia's foreign policy.
2. Ukraine is a strategic transit partner for the Russian Federation's fuel deliveries. Most of Russia's EU-bound natural gas exports transit through Ukraine's pipelines.
3. Russia also wants to strengthen the position of its investors in Ukraine's economy. This is, among others, an important means to exerting political influence.

Cooperation: A One-way street?

Since independence, Ukraine's leaders have chosen various means of building relations with Russia. Still, cooperation has rarely been on an equal basis. Personal relations among politicians always played a key role in interstate dialogue, although often even these relationships were not enough to prevent conflict.

In the early years after the break-up of the Soviet Union, Ukraine's leaders faced the difficult task of forming the basis for their own foreign policy, choosing their priorities and looking for long-term partners. But the international community's distrust for Kyiv worked against Ukraine. While some of Russia's politicians continued to express enmity towards independent Ukraine, surprisingly many western politicians also treated the new state as a temporary phenomenon. The West was particularly apprehensive of Ukraine's large stockpile of nuclear weapons. At the start of the 1990s, Russia and the US were essentially on the same side, working to force Ukraine to give up its arsenal. Not to do so threatened to marginalize Ukraine on the international stage, which Kyiv was obviously not keen to see happen.

Crises in relations with Russia have arisen even when it seemed that Ukraine was governed by politicians loyal to Moscow. Nevertheless, President Leonid Kuchma always favored a "multi-vector" foreign policy and had fairly good relations with his Russian counterparts, Boris Yeltsin and then Vladimir Putin. When Mr. Kuchma effectively found himself internationally isolated after 2001 and the Gongadze tapes scandal, Russia remained Ukraine's only real external partner.

During the Kuchma era, Ukraine regularly spoke of its desire to join the European Union and in 2002, the decision was made to join NATO. But in practice, the country's key foreign partners always came down to Russia alone.

President Kuchma was only able to improve relations with the US after Kyiv agreed to send its peacemakers to Kuwait and then to Iraq in 2003. Still, this warming was fairly fragile, as the US continued to criticize Ukraine for its failure to uphold democratic values. Thus, Moscow remained Kyiv's one and only partner—right up until the Orange Revolution.

In the first months after the Orange Revolution, for the first time since independence, Ukraine had a real chance to develop relations with Russia on an equal basis, if only because, for the first time, Kyiv had a serious counterweight to Moscow: amicable relations with western partners. The new Administration could have established a balanced policy toward both Russia and the West. President Viktor Yushchenko's first meetings with President Vladimir Putin raised hopes that both had managed to look past personal insults. Mr. Putin had the right to be offended because the leaders of the Orange Revolution accused him of interfering in elections in Ukraine—which was accurate. The Orange camp had the right to be offended precisely over this interference: the Russian leader congratulated Viktor Yanukovich thrice on his electoral "victory." Moreover, rumors abounded in 2004 and 2005 that Russia's secret service was behind the dioxin poisoning of Mr. Yushchenko in the middle of his presidential campaign.

After the Revolution, Russia's top politicians had little choice but to cope with the new Ukrainian reality. Perhaps this is the bone that stuck in the Russians' throats and drove the Kremlin to seek revenge. Mr. Medvedev's disparaging statements toward Mr. Yushchenko in 2009 are evidence that there really was an intention to take revenge, although in the end the Orange leaders proved more than able to discredit themselves.

The deeper the differences between the Orange leaders, the stronger Russia's offensive became. Kyiv's first serious test was the gas war of early 2006, less than three months before the Verkhovna Rada elections. Although Moscow ran a broad promotional campaign blaming the Orange government for the first gas conflict, it was clear to the West that the real instigator in the confrontation was Russia itself.

But the gas war had its internal political component as well. Moscow's plan was to make Ukraine's "Orange" leaders, especially President Yushchenko take the blame for disruptions in the gas supply. The opposition, led by Viktor Yanukovich and Yulia Tymoshenko, was harshly critical of the President's actions at that point, and in the March 2006 elections the Party of Regions and the Bloc of Yulia Tymoshenko came first and second, respectively. The President's Narodny Soyuz-Nasha Ukraina came in a distant third.

After the first gas war, relations between the two countries grew more and more tense. Various other kinds of "wars," as journalists and analysts alike called them, were waged between Moscow and Kyiv. Examples are: the battle for lighthouses temporarily used by the Russian Federation's Black Sea Fleet; the milk and meat wars, during which imports of Ukrainian animal products to Russia were banned; and the drawn-out war of blacklists, when Ukraine denied entry to certain Russians and the Russians retaliated by denying Ukrainians entry onto its territory.

By 2009, the stage was set for an all-out diplomatic war. Ukraine had terminated the accreditation of individual Russian diplomats in the past, even during the Kuchma Presidency, but few had known about the expulsions. But in 2009, both Ukraine and Russia made tit-for-tat diplomatic expulsions a public issue.

Today, Ukrainian-Russian relations are possibly at their nadir since the end of the Soviet Union. Although the Russian government maintains contact at all political levels other than the Presidential—between Speakers, Foreign Ministers, and Premiers—this kind of cooperation cannot be seen as adequate. Despite having been in power for two years, Dmitri Medvedev has yet to pay an official visit to Ukraine. Mr. Yushchenko met with him just twice, and only at international forums. Moreover, the second meeting was clearly without much enthusiasm on the part of the Russian leader.

Still, it is important to understand that President Yushchenko has always emphasized the need for dialogue with Russia's leadership. He has invited his Russian counterpart several times to start negotiations to ease tensions between the two states, but Mr. Medvedev has simply ignored all these proposals. The final demonstratively unfriendly step was Russia's decision to delay sending a new ambassador to replace Viktor Chernomyrdin until after the first round of the presidential election.

The true face of Russia's Ukraine policy

For a long time, Ukrainian politicians liked to refer to Russia as their bullying "big brother." Although this kind of attitude is unlikely to foster better relations between the two countries, the big brother view is not that far from the truth.

This was most evident at the NATO Summit in Budapest in April 2008. Then-Russian President Vladimir Putin met with his colleagues from NATO countries and persuaded them that it was pointless to give Ukraine the Membership Action Plan (MAP). The arguments offered by Ukraine's neighbor were far from what one might call friendly. The Russian President referred to Ukraine as an artificially-formed state. "Ukraine in the version that exists today was created in soviet times," Mr. Putin stated. "It gained territory from Poland after the Second World War, as well as from Czechoslovakia and Romania, and all disputes over the Black Sea border with Romania have not been settled. In addition, Ukraine received considerable territory from Russia in the east and south. This is a complex state entity [and not a unitary state]. And if we add NATO issues and other problems into the mix, Ukraine's very statehood could be at risk."

This speech by the Russian President demonstrated the backroom face of Russia's political elite, who publicly talk about brotherhood with the Ukrainian people but behind closed doors stop at nothing to undermine Ukraine's efforts to integrate into democratic institutions.

Nor was 2008 an exceptional year in this regard. Russia demonstrated its disrespect for the territorial integrity of Ukraine even during the times of Leonid Kuchma, who was far more loyal to the Kremlin than his successor. Indeed, the Tuzla incident, in which the Russians attempted to build a dam linking the Taman Peninsula, on their side of the Kerch Strait, to the Ukrainian island of Tuzla, took place in 2003.

These two examples are possibly the most striking reflections of Russia's real position vis-à-vis Ukraine—or at least of that part of the Russian political elite that is currently in power. Of course, all this makes dialogue between the two countries that much more difficult, especially as Ukraine wants to move away from Russian influence and from the authoritarian model of state-building.

Yet, Russia has not always acted so openly and provocatively. Quite often its initiatives to get Ukraine back into the Russian orbit have been wrapped up in integrational projects. During President Kuchma's time, Ukraine was invited to join the Eurasian Economic Community. After these efforts went nowhere, the Kremlin proposed that four post-soviet countries—Russia, Ukraine, Kazakhstan and Belarus—form a new integrated association. The idea of establishing a Single Economic Space was a complete surprise even to President Kuchma's inner circle. The President agreed to setting up the SES without consulting with anyone in Kyiv—not the Foreign Minister nor the Economy Minister. As a result, the statutory documents of the SES were ratified by the Verkhovna Rada with reservations. After the Orange Revolution, the idea of joining the SES was quietly buried.

There is a risk that a new Administration in Kyiv could revive discussions on setting up a customs union, with Russia playing the central role. Russian politicians make no bones about the fact that the new trilateral customs union has the same ultimate goal as European Coal and Steel Community in Europe did nearly 60 years ago: to deepen cooperation to the level of political integration on the basis of an economic entity.

Of course, Russia is trying to use the carrot as well as the stick. For example, as a “thank-you” to President Kuchma for amicable relations between the two countries, Russia held a “Year of Ukraine in Russia.” The Ukrainian President was elected chair of the Council of Heads of State of the Commonwealth of Independent States, an essentially ceremonial post.

Russia's leaders have always had more creative and subtle approaches to organizing their informational policies. This may be why today approximately 90% of Ukrainians have a friendly attitude toward Russia—a feeling not reciprocated by the Russians. So far, Moscow has only lost the information war once—over Tuzla. At that point, the number of Ukrainians who favored joining NATO grew considerably and all of the country's political parties issued critical statements about Russia's behavior—even the traditionally pro-Russian Communists.

Russian diplomats are not the easiest negotiators: indeed, Russia refused to ratify the the Agreement on Friendship Cooperation and Partnership, also known as the “Big Treaty,” until 1998. Negotiations between Ukraine and Russia on finalizing their common borders have moved even more slowly. Although the land borders have already been established, they have yet to be concretely demarcated, and Russia continues to show little political will to do this.

The situation is even worse when it comes to the boundary crossing the Azov Sea and the Kerch Strait. Here, economic and political interests converge and the two sides have been unable to come to agreement. Specifically, Russia is afraid of NATO vessels entering the Azov Sea, although Ukraine has already

undertaken never to allow this. Demarcating the Kerch Strait comes down to how the Kerch-Yenikale channel is divided. Ukraine insists that it is entirely Ukrainian, while Russia would like to see it become joint territory, with all that implies in terms of common management.

Russia's behavior in the case of the Black Sea Fleet is also quite unpredictable. Ukraine regularly draws attention to violations of treaty obligations and Ukrainian legislation by Russian servicemen. Moscow deals with it by simply turning a blind eye and ignoring Kyiv's protests. The one positive bit of news is that Russia has finally agreed to inventory all the objects temporarily being used by the BSF.

Ukraine also saw as unfriendly the Russian Duma's amendments to the Russian Law "On Security" in September 2009. The President of Russia can now unilaterally engage his country's armed forces in military operations abroad without any prior consultations.

Challenges and threats

Russia's approach to foreign policy regarding Ukraine clearly contains a number of challenges and threats. This is the result of a large number of sensitive issues, especially in the security sphere.

The key challenges include:

1. Security issues. Russia has already taken steps in the security sphere that have been seen in Ukraine as particularly hostile. Among these were amendments made to Russian legislation last year to allow the Russian President to unilaterally decide the nature of military operations by Russian armed forces abroad. Given that Russia's Black Sea Fleet is based on Ukrainian territory, Kyiv saw Moscow's legislative maneuver as a clear threat. Many analysts expected a possible provocation, especially in Crimea, which could have led to an armed confrontation. We can only presume that after this election the temperature between the two countries will cool down somewhat and that, at least at first, Moscow will refrain from security provocations. Still, Ukraine's leadership should be ready for the possibility of such provocations and take preventive measures to avoid escalation.
2. Integrational aspects. Russia will likely try to draw the new Administration into new integrational projects in which Moscow will play the key role. Russia has already made such attempts in the past, such as with the Single Economic Space. Russia's leaders could renew efforts to get Ukraine back into its sphere of influence, whether through the SES or some other form of integrational association. In recent years, Russia has made no effort, even at the official level, to disguise its view of Ukraine as part of its sphere of influ-

ence. Thus, it is very much in Moscow's interest to put an end to Kyiv's attempts to integrate westward into the EU and NATO. Ukraine's leadership must make it clear that its foreign policy priorities are not negotiable, and that relations between the two countries should focus instead on bilateral cooperation.

In turn, the following potential steps by Russia can be perceived as threats:

1. Undermining Ukraine's image in the West. It is highly probable that Russia will continue in its attempts to discredit Ukraine in the eyes of western leaders. This is intended to terminate any further rapprochement with the EU and NATO and thus to bring Ukraine back into Russia's waiting embrace. This was the case during Leonid Kuchma's second term. Ukraine needs to do its communications homework with influential international journalists so that they reflect the real situation in Ukraine. In this context, much will depend, of course, on how effective Ukraine's leaders themselves will be in avoiding the dubious adventurism that will stand in the way of state reform.
2. Attempts to destabilize the political situation in Ukraine with the help of Russian community organizations and political parties. Russia should be informed through diplomatic channels of the unacceptability of supporting such activists at the official level. Moreover, the activities of such individuals should not be widely commented on as it only raises their profile. At the same time, the press should be encouraged to provide a broad view of the activities of such organizations so that Ukrainians both at home and abroad are clear about the dangerous nature of their activities.
3. Increasing involvement of Kremlin-linked businesses in the privatization of strategic assets in Ukraine. This is yet another tool of political influence over Kyiv. Whenever an asset is being privatized, there must be a level playing field for all bidders, and western investors should be encouraged to work in Ukraine thanks to an attractive investment climate. In no case should strategic security assets, such as the gas transport system, be put on the block.

Recommendations for the President

1. *Ukraine's new leader needs to do everything possible to regain the trust of the people*, consolidate the ability of the legislative and executive branches to stand up for Ukraine's national interest and, crucially, ensure that Ukraine enjoys the support of the leaders of other major countries around the world. The new President needs to systematically and consistently pursue strategic foreign policy priorities, and thus avoid offering Moscow any reason to think that Ukraine's national interests are up for negotiation. This should make it easier for certain hawks among Russian politicians to come to terms

with the irreversibility of Ukraine's independence and the fact that Ukraine's policies, while amicable, will not always match Russia's.

2. *Ukraine's new President needs to launch a frank dialogue with Russia's leadership*, explaining that the country considers integration into western institutions important—not as a means to confront its neighbors, but rather to ensure its own security and economic interests. In order to overcome Moscow's concerns, Kyiv could renew bilateral consultations between Foreign Ministers regarding Ukraine's Euroatlantic integration, making it clear that, at this time, neither side, Ukraine or NATO, is actually prepared to start negotiating deeper integration. This could open an opportunity for peaceful dialogue with Russia regarding Ukraine's future accession. The possibility of a trilateral meeting between Ukraine, Russia and NATO could also be considered—but only for the purposes of information exchange, with Moscow having no voice as to Ukraine's membership prospects. In this way, Ukraine will make it clear that NATO membership is not a threat but an opportunity to foster stability in the region.
3. *Ukraine's government should foster the study of Ukrainian history independently of the Russian perspective*. To this end, it is important to run a positive information campaign to persuade Russians Ukraine's development as a state is not directed against them. One approach might be to organize roundtables with historians and to invite diplomats, lawmakers, and cabinet members from both Ukraine and Russia, so that all sides might become familiar with professional historical discussions. The key is to move historical issues outside the framework of bilateral political relations.
4. *The new Ukrainian administration should uphold the principle of successorship on BSF issues*. It is important to understand that the presence of any foreign military bases whatsoever on the territory of Ukraine has security implications. Kyiv needs to take an uncompromising, unambiguous position against any foreign military presence on its soil and make this very clear to its partners in Moscow. This should, once again, foster understanding between the two countries and reduce Russia's anxieties regarding the concrete implications of any further rapprochement between Ukraine and NATO. It may make sense to engage third-party observers in any bilateral negotiations in order to relieve tensions around Black Sea Fleet issues.
5. *Ukraine must remain a reliable transit partner for Russian fuel exports to Europe*. The government in Kyiv needs to have a communications strategy for the natural gas sector. Ukraine should engage greater support from abroad to fend off possible blackmail over gas.

At different times and in different circumstances, two potential models for the Kyiv-Moscow relationship have been proposed to the Ukrainian leadership.

Model #1—Relations must fully be built on agreements that are formalized in writing. No informal deals. Only these conditions will allow Kyiv to get Moscow accustomed to the idea that relations between the two countries can actually develop on the basis of parity. This is the format President Viktor Yushchenko attempted to establish.

Model #2—The historical baggage of mutual relations between the Ukrainian and Russian people is so heavy that it makes no sense to try and formalize it. For one thing, any such formalization would not be understood by the majority of ordinary citizens. Informal diplomacy in relations with his Russian counterparts was the preferred stance of President Leonid Kuchma.

Both of these models have proved ineffective. Excessively formal relations mean that even a minimum amount of trust is lacking between the two countries' leaders, which creates a hostile climate in any cooperation, affects dialogue in many spheres, and increases hostility among ordinary citizens. Informal diplomacy, in turn, is risky in that agreements reached behind closed doors lack transparency and so can deviate from national interests.

Ukraine's new President should try to develop both formal and informal channels of cooperation with Russia. It is extremely important to emphasize the friendly nature of its Russia policy. Only healthy relations with Russia can guarantee Ukraine's smooth integration into western democratic institutions. Once cooperation between the two countries is amicable, Russia will have a harder time running negative campaigns to discredit Ukraine.

What should Ukraine and Russia do to renew trust? Firstly, any new policy must come out of a desire on the part of both countries to engage in a real dialogue. Does this mean starting on a completely new page? Yes and no. A clean page is necessary to launch a new phase of cooperation combining both models of interaction, formal and informal.

Both sides need to understand each other's political, social and economic realities. At the minimum, this means not focusing on differences between the development models the two countries have chosen to adopt. Where Russia has chosen a relatively eclectic approach to building its state, with a selected mix of elements from the times of the Russian Empire and the Soviet Union, Ukraine is focused on modeling a liberal democracy that is closer to the criteria of state-building in European Union countries. Of course, there is still a real risk that the new President of Ukraine might swing more towards an authoritarian model.

Conclusion

Reshaping relations with Russia is also important because the situation in Russia itself could change. Among both western and Russian analysts, the opinion is growing that Russia could move back to a more democratic model of development. More specifically, some argue that the economic crisis could force such a shift on Russia's leaders. One of the arguments is that the Kremlin will find itself without the resources necessary to completely control the situation, especially the media. And it is criticism of the press that could start a sea-change in Russia. However, this would not necessarily mean the arrival of new politicians. Indeed, the current constellation could well remain in power by adjusting its approach to development. In this case, Ukraine's leadership will find it easier to work with its Russian counterparts.

While Ukraine must be prepared for such an eventuality, it should not see it as inevitable. There are also those who think the crisis will make Russia's leaders more rigid towards the press, non-governmental organizations, and countries pushing Russia to pursue a democratic model of development.

In any case, Ukraine's leaders should continue to develop their own country according to the democratic model. An accountable, consolidated government, the support of voters, successful reforms, and democratic values are what can change attitudes towards Ukraine, including among the citizens of other countries. A popular Ukraine could even become a model for change in Russia itself. Similar thoughts were expressed by a number of western politicians right after the Orange Revolution. Still, this doesn't mean that Ukraine's politicians should emphasize the country's uniqueness or regional leadership. Such declarations could well sow distrust in Russia, which is what happened in 2005.

Ukraine's success in the foreign policy arena depends entirely on how successfully the new Administration will be in carrying out internal reforms and fighting corruption. Domestic policy failures will leave Ukraine a weak player on the international arena, causing even its most loyal partners to ultimately lose interest in the country. Only domestic success can guarantee foreign policy achievements.

UKRAINE AND THE EU: INTEGRATION FROM WITHIN

Tetiana SYLINA

That Ukraine should become a member of the European Union, Ukrainians have no doubt. All opinion polls in the last decade have shown that most of the country's population is in favor of Ukraine's accession to the EU. True, few Ukrainians can clearly explain what exactly the European Commission does and how the Council of the EU differs from the Council of Europe, but this is not the main point. After all, how many ordinary Spaniards, Frenchmen, Britons or Poles could? The main point, which Ukrainians understand well, is that EU membership will help Ukraine boost its standard of living across the board.

Both analysts and Ukraine's main political forces, all of whom support Ukraine's march towards the Union, list two more important benefits: more secure independence and territorial integrity, and economic and energy security. Being treated as a "poor relation" of the European Union—or, more accurately, as a "poor neighbor"—Ukraine can see very well through half-opened doors that the European family has virtually no major internal quarrels. This suggests that even the prospect of membership should force other countries to resolve any bilateral quarrels with Ukraine—including territorial ones—in a peaceable and civilized manner (think of Slovenia and Croatia). An EU report on development in Poland after the accession to the EU, carried out for the fifth anniversary of its accession, impressed even well-informed experts and dispelled the doubts of even the most determined domestic Euroskeptics. Clearly, then, Ukraine must move towards the European Union.

But what exactly European integration means is poorly understood in Ukraine—not just by ordinary voters but also, unfortunately, by those who are supposed to organize, direct and promote the process. That 90% of the homework is actually internal has long been clear. Yet most of Ukraine's politicians think that European integration can be sped up simply through negotiations with Eurocrats, and they transfer both their hopes and their responsibilities to Ukraine's diplomats. To this day, many believe that real breakthroughs come only at summits. Top officials in Ukraine still expect their negotiating teams to coax the Europeans into signing documents. However, the recipe for successful integration—actual internal reform—is more complicated.

Still, Ukraine persists in going "its own way." Or, to be more precise, in blundering for years, unable to figure out its own internal contradictions and dragging its image in European eyes deep into the mud. Among its European part-

ners, Ukraine mainly elicits distrust, fatigue, disappointment and irritation. Kyiv is not ignorant of this fact. It is raised at many a political podium, but nothing is done to change the situation. On the contrary—and this is one of the main flaws of Ukraine’s political players—, rather than causing Ukraine’s politicians to bury hatchets and join forces around the idea of European integration, which should long ago have become a national goal, the deteriorating attitude of the EU towards the country has become an excuse for yet another round of the blame game.

Yet another typical feature of national politics that leaves Europeans less than interested in cooperating with Ukraine is the country’s nigh total failure to come through on its commitments, including some of the simplest. Endless promises, including at the highest level, loud declarations about having the political will to resolve this or that issue, are generally not followed by real action. Meanwhile, the demands and objectives of Ukraine’s partners are unjustifiably ambitious. All this makes it difficult for Brussels to take any statement coming from Kyiv seriously, let alone spend time and money on an unreliable, uncommitted partner. In short, until there are serious changes at home, Ukraine should not count on any changes in attitudes or political positions in the European Union.

So, two of the greatest threats to Ukraine’s relations with the EU are the irresponsibility of its politicians, who seem unable to respect their commitments, and political chaos within the country.

Essential reforms

The EU’s interests vis-à-vis Ukraine and its expectations regarding the 2010 Presidential election are far lower than they were after the Orange Revolution. Understandably, the Union’s patience will also be thinner. If the new President does not hit the ground running and start to work consistently and actively from Day One, interest in Brussels and other capitals will die faster than a match in a cold wind. The first priority must be a return to political stability. There needs to be a professional, functional Government, a reliable majority in the Verkhovna Rada, and an end to the constant confrontations between President and Premier: this is the minimum necessary to revive European confidence in Ukraine. In addition, a series of reforms need to be undertaken almost immediately, without which real European integration will be impossible. The list of these reforms has long been familiar to all sides.

EU experts continue to underscore the need for Constitutional reform to ensure a proper balance of power among the branches of government, a solid set of checks and balances, and a clear separation of powers. Without these, the state apparatus in Ukraine will, as earlier, continue to skid around. The work of the

government machine should be reliable as clockwork. Previous EU enlargements highlighted the government's central role in transforming economies and societies, as countries with poor state machineries were unable to adequately reform. Ukraine, say European partners, suffers from a lack of institutional capacity. The concept of institutional memory is inexistent in the Ukrainian government, where top jobs are regularly redistributed among the associates of new ministers and other high-ranking officials. Officials in European agencies often describe how difficult it is to work with their Ukrainian counterparts: these individuals change more often than they even manage to get up to date on the situation.

It is essential that the Presidential election and consequent leadership and personnel change not become the latest civil service tsunami, senselessly and mercilessly sweeping away the thin layer of seasoned officials that manages to accumulate in most agencies in spite of everything. The day after the election, the top priority will be to get to work, not to waste time shuffling personnel. This should be the first axiom of the new team.

The main indicator of the new Administration's determination to develop the country further should be administrative reform, the need for which has long been highlighted by both local and foreign experts. No amount of wishful thinking will enable Ukraine to fit into the European Union institutionally with its still-very-soviet state apparatus. The disproportionate amount of power wielded by civil servants, the excessive interference of the state in the lives of ordinary Ukrainians, the extremely poor quality of public services, the still-largely-opaque way in which policy is formulated by a narrow group of power-mongers, the lamentably low degree of accountability to voters and the lack of civil society input into government work — all of these are signs not of Ukraine's "Europeaness," but of its deep "sovietness."

Another overgrown and overripe issue that must be immediately tackled by the new Administration is administrative-territorial reform. This is a very unpopular topic, and every previous attempt to deal with it faced colossal opposition at all levels. But unless it is adequately addressed, Ukraine is unlikely to be able to join the European Union. When Poland devolved powers and financial resources to the local level, it changed cardinally and all partners in this reform today admit that it was a civilizational change.

Equally important is judiciary reform, in order to ensure that government institutions abide by the law. The level of judicial corruption and the subordination of the courts to the government make it impossible to call our country lawful and is another strong argument for opponents of Ukraine's membership in the EU.

Ukraine must also establish a strong democratic base on which it will eventually be able to ground itself during the extremely difficult process of EU accession.

One essential condition: Governmental discipline

If the new team makes EU membership a basic priority, there will have to be very clear coordination among all ministries and agencies, and maximally strict oversight of executive discipline. What is more, oversight should cover not only the process, but also its results. Many analysts, including experts from newly-admitted EU members, say that Ukraine should consider returning to the idea of setting up a separate Ministry for European Integration, headed by a deputy premier or, at a minimum, to combine the post of Foreign Minister and Deputy Premier for European Integration. The reason for insisting that this official be the First Deputy Premier is that integration into the EU necessitates reform of all economic branches and radical changes in all aspects of Ukrainian society.

To increase executive discipline and consistency and to demonstrate the importance of the proper approximation of legislation, norms and standards between Ukraine and the EU, it makes sense to launch the review of at least one—better several—EU-relevant issue at every Cabinet meeting. Moreover, it would be worthwhile to require reports from the executors that, rather than describing a variety of events—Ukraine’s officials tend to fill out all kinds of agendas with lists of conferences, seminars and roundtables—, describe specific assignments, levels of cooperation achieved, and the degree to which Ukrainian laws, norms and standards match European ones. The positions of ministries and agencies should be agreed on an ongoing basis, prior to entering into negotiations with European partners. This all seems self-evident, yet the fact is that Ukraine’s negotiating teams have been known to determine their own positions after the launching of negotiations.

Challenges to Rapprochement

One of the main challenges and, at the same time, a key opportunity for Ukraine in the short term will be preparing for (and signing) an Association Agreement (AA) with the EU. This should become a strategic roadmap for reform in Ukraine and be used as an action plan by the new Government.

The political aspects of the AA were essentially finalized at the expert level prior to the Presidential election. Work on the parameters of a future deep and comprehensive Free Trade Agreement (FTA) continues. There is also a struggle to pin down Ukraine’s membership prospects in the preamble and find a formulation acceptable to Kyiv on the likelihood of a visa-free regime in the medium—and not long—term. All decisions on these issues will be made by the leaders of EU Member States.

Regardless of whether or not Ukraine’s EU prospects are immediate, carrying out political and economic reforms, beginning work on the FTA, and institut-

ing a visa-free regime are major Ukrainian interests in its cooperation with the EU.

In order for Ukraine to start implementing some provisions of the Association Agreement before the final signing—the political section of the Agreement has already been approved at the expert level—, Ukraine and the EU agreed to put together an “Association Agenda.” This is a framework document that establishes priority areas of cooperation in all spheres.

As to membership prospects, analysts agree that Kyiv will not get a green light until a set of internal and external political conditions are met. The first condition is that the country become politically stable and that the new Administration demonstrate make steps toward political, economic, and social reform.

Secondly, relations with Russia have to improve: it is well-known that the main opponents of Ukraine’s EU membership make their foreign policy decisions—especially those regarding Ukraine—with one eye on Russia. This was obvious when Ukraine failed to obtain a NATO Membership Action Plan (MAP). The same could happen with EU membership. In some of the more powerful European capitals, opinion is that, unlike NATO expansion, Russia does not see EU enlargement as a security threat, meaning that in the distant future Ukraine’s accession to the EU could go down smoothly in Moscow. However, it is more likely that Russia’s currently accepting attitude stems from the unlikelihood of near-term accession, and not from a belief that Ukraine’s membership would have no major security implications. One of the potential threats facing Ukraine is that as the country draws closer to the EU, Russia will begin to feel more and more uneasy. Moscow’s hostile response to the relatively innocent and, so far, insignificant “Eastern Partnership” demonstrates that Russia sees any warming of relations between FSU states and the European Union as an encroachment on its sphere of interest. But as Russia’s own relations with the EU develop successfully and Ukrainian-Russian relations normalize, Ukraine’s path to the European Union could become noticeably easier.

The third condition is the completion of institutional transformations within the Union itself, with the Lisbon Treaty having taken effect on December 1, 2009. And this will take at least a year.

The fourth condition is for the membership questions of Turkey and the remaining Balkan countries to be resolved.

Some Ukrainian analysts familiar with the negotiation process say that there is already little doubt within the Union that, sooner or later, Ukraine will become a member, although the EU could drag the moment out. Most likely, the 2014-2018 EU budgets will not find the money for Ukraine’s accession, and these funds will only be allocated as of 2019. But this does not mean, at all, that Kyiv

should give up trying to get a commitment much earlier. Ideally, this commitment would be established in the new Association Agreement with the EU. After all, even without setting aside money “for Ukraine” in the EU budget, getting some commitment will change global attitudes towards Ukraine, draw attention to the country, and change the way foreign businesses and investors see it. In the end, Ukrainians will gain the real spur for reform that, historically, has had a determining impact on the transformations undertaken by aspiring EU members on their way to accession.

With real prospects for membership, European integration will finally stop being an abstraction for Ukrainian voters and a large share of their politicians, while skeptics will at last lose their main killer argument: “No one in Europe needs us.” But even absent positive accession signals in the AA should not become some kind of national tragedy, an excuse for the next round of political speculation at home, or justification for putting reforms on hold again. Words testifying to the possibility of Ukrainian accession could find their way into any political document signed between Ukraine and the EU, as has been the case in the Balkans.

It is worth repeating this point: the political and diplomatic work of “squeezing” a membership perspective out of the European Union is only a small part of the work involved in European integration, and should in no way replace the more important, difficult and general work of reforming the country and bringing it closer to European standards—from the shape of cucumbers to foreign and security policy.

Incidentally, Ukraine and the European Union so far have been able to coordinate foreign/security policy far better than, say, sanitary and phytosanitary norms or trade quotas. The future Association Agreement presumes foreign policy convergence between Ukraine and the European Union. Starting in 2005, the country has regularly supported foreign policy declarations of the EU, at a rate close to 90%. But it will have to continue to maintain its own positions and, on matters that concern national interests, refrain from supporting EU declarations that refer to prickly issues such as human rights in relation to strategic countries for Ukraine like China, Turkmenistan or Uzbekistan.

The recent warming in relations between Kyiv and Minsk will, if cooperation continues to grow both on a bilateral basis and within the Eastern Partnership, help improve Belarus’s relations with the European Union. This is in Ukraine’s national interests and will raise the country’s profile in Brussels.

The successful continuation of cooperation on border and customs issues between Moldova and the EU, which began in 2005 under the EUBAM mission, should foster both the image of Ukraine as an Eastern Partnership leader and bolster confidence in the country.

To consolidate Ukraine's image as a reliable partner and ally, the country's new Administration needs to pay considerable attention to Ukraine's participation in regulating the current crisis jointly with the European Union. At a minimum, Ukraine needs to keep its existing commitments before making any new promises.

Military cooperation: Treading water?

The participation of Ukraine's Armed Forces in forming multinational tactical groups (MTGs) has been designated one of the top priorities in military cooperation with the EU. The new Administration should find the funds necessary to carry it out so that the phrase "Ukraine's active participation in creating a Europe-wide security system" does not continue to amount to mere words.

In a situation where NATO is unprepared to accept Ukraine into its ranks, the participation of Ukraine's military units in international training and EU joint peacekeeping operations is extremely important. This is also a significant opportunity for Ukraine to enhance its own national security and defense.

Still, the economic and political crisis has considerably reduced Ukraine's capacity in this sphere. Cutbacks in funding for international cooperation in Ukraine's Ministry of Defense have made the country's participation in promising and important EU-led efforts problematic. Right now, the main challenge is not to expand, but simply to maintain the current level of military cooperation with the EU. Back in 2007, the EU Military Committee for the first time in Union practice formalized its relations with the defense ministry of a non-member through an annual Workplan, which at the same time underscored the special status of relations with Ukraine. But in 2009, the Cabinet of Ministers cut funding and reduced the list of events in the Workplan to a minimum.

For instance, the European Union has officially expressed interest in Ukraine's participation in the EUFOR ALTHEA operation in Bosnia and Herzegovina, specifically in sending the helicopter unit of Ukraine's Armed Forces and contributing a Vita AN-26 sanitary plane for medical evacuations as part of the EU's Baltic MTG, which consists of Poland, Germany, Latvia, Lithuania, and Slovakia. The bureaucratic foot-dragging of "interagency agreements" and a lack of funding are jeopardizing this opportunity to develop the Armed Forces and improve Ukraine's image.

The personnel and equipment of Ukraine's Armed Forces should continue to work with partners in EU MTGs such as HELBROC (Greece, Bulgaria, Romania and Cyprus), an Italian-Hungarian-Slovenian MTG, a British-Dutch group, and also groups that will be formed by the Visegrad Four: Poland, Slovakia, Hungary and the Czech Republic.

In the meantime, legislative support for Ukraine's participation in EU MTGs should continue. According to military analysts, this kind of participation includes having specific UAF units in a state of preparedness for six months at a time, and their possible immediate deployment to handle assignments within an international military formation under the aegis of the European Union. For this kind of participation to be possible, a specific domestic normative and legislative base needs to be adjusted: the framework regulating Ukraine's military contributions to multinational military formations, not when they are organized for a specific operation, but when they are in operative subordination to an international force in preparation for immediate use.

Ukraine's leadership has more than once declared that there was sufficient political will to settle the issue of the participation of UAF units in EU operations against pirates along the Somali coast. It is high time to put those words into action and to find the means to finance and implement this plan. Piracy is a major threat, not just for Ukrainian seamen, dozens of whom have been exposed to capture and have felt the horror of being held hostage in the last decade. This modern challenge affects the entire world community. Ukraine's active participation in anti-piracy operations would not only help form a positive image of the country at home and abroad, but also improve the attitudes of Ukrainians toward their political leaders.

Toward a visa-free regime?

A major challenge for the new team will be to obtain a visa-free regime for Ukrainians wanting to travel to Schengen countries. At the same time, this is also a colossal opportunity. Real success in this area would expand opportunities for Ukrainians to freely travel around Europe. And the expansion of human contacts is one of the most important components of Ukraine's integration into the EU. The European Union should not see Ukrainians merely as illegal migrants or migrant workers who work hard on European construction sites, wash dishes in European kitchens or bend their backs over European plantations. For the EU to understand that we are also Europeans, it needs to be more familiar with Ukrainian scientists, students, athletes, artists, and business professionals—and the only way to do this is to ensure mobility and access.

Instituting a visa-free regime with the European Union would be a major feather in the cap of the new Administration, demonstrating its real concern for all of its fellow citizens, not just those carrying diplomatic passports.

Finally, serious progress in the migration and visa aspects of cooperation will inject considerable confidence into Ukraine's relations with the EU, a confidence that is very much needed for fruitful work in other areas. It will also be irrefutable evidence of the country's ability to live up to its commitments and of

the new Administration's firm intention to integrate Ukraine into the European Union through concrete deeds.

The top priority in this area is to persuade the EU to draft and approve a Roadmap for Ukraine, as was done with the Western Balkans. This document should provide detailed descriptions of all the criteria, actions and measures that Ukraine must fulfill in order to meet the necessary conditions for instituting a visa-free regime. Of course, if the visa regime for EU citizens that was dropped in 2005 is revived, the prospect of Ukraine obtaining a visa-free regime for its own citizens will disappear.

The Balkan roadmaps were structured in four parts, each of which dealt with one of the priority tasks. The fact that the so-called visa-free dialogue between Ukraine and the EU that began in September 2008 adopts a similar structure gives cause for some optimism. Joint working groups are currently discussing the next issues: document security and biometrics; combating illegal migration; maintaining public order and security and combating organized crime; and foreign relations and basic human rights. In Fall 2009, the two sides moved on to the "operational" phase of the dialogue, during which traveling missions of experts from the EU come to Ukraine to carry out detailed analysis of the situation in each of these spheres. The results of their work will be a series of recommendations regarding the methodology used to determine the preconditions for the institution of a visa-free regime and, hopefully, the Roadmap.

Ukraine can and should already be actively removing barriers to a visa-free regime. Firstly, this means settling old debts. The Council of Europe Convention on the protection of personal information should be ratified as soon as possible. Until this step is taken, many others will remain impossible.

The Verkhovna Rada also needs to adopt Ukraine's Concept of State Migration Policy through 2018 without further ado. The establishment of a single migration agency—long a well-known condition for the EU—needs to be done concretely rather than just on paper. The State Migration Service of Ukraine, established by a Cabinet Resolution in June 2009 as a separate central executive body (CEB) was prevented from actually starting operations by the President.

One of the most worrying points for the EU is the level of corruption in the issuance of documents. Ukraine's partners know very well just how easy it is to buy just about anything in this country. In short, the document security has to be radically improved, and biometric passports introduced in order for a visa-free regime to be possible. Significantly, a recent EU decision to drop visa requirements for citizens of Macedonia, Montenegro and Serbia as of 19 December 2009 only applies to holders of biometric passports.

Ukraine also needs to demonstrate that it is seriously combating illegal migration. Firstly, this means impeccably enacting in full the Readmission Agree-

ment signed with the EU, whose most challenging component involves illegal migrants from third countries. This agreement came into force on 1 January 2010. In 2008, two temporary detention centers were set up for foreigners and stateless persons in Chernihiv and Volyn Oblasts. But the number of places they offer, a total of 420, is far too small. The building of five more planned centers needs to be fast-tracked in Dnipropetrovsk, Donetsk, L'viv, Odesa and Khmelnytskyi Oblasts, using both Budget money and EU funding. The European side will be looking closely at how human rights are respected and under what conditions illegal migrants are held. This means training for Interior Ministry and Border Service personnel needs to continue under the European Commission's GUMIRA program.

Setting up an integrated border control system according to EU standards is also a mandatory requirement for instituting a visa-free regime for Ukrainians.

Another element that must be completed as soon as possible is the legal finalization of Ukraine's boundaries with Belarus, Russia and Moldova, and their demarcation.

In order to prevent worst-case scenarios from coming true and having Ukraine turn into a catch basin for illegal migrants, work on a Readmission Agreement with countries of origin must also be negotiated very actively.

To better cooperate in maintaining public order and fighting organized crime, legal and law-enforcement bodies should expand the use of Twinning in the Ministry of the Interior. This is an instrument through which the EU fosters institutional development in Ukrainian agencies.

If Ukraine is able to show major progress in a short time in all the key areas mentioned here, then a visa-free regime for Ukrainian citizens could realistically be instituted even before Euro-2012.

Seizing opportunities

The conclusion of negotiations and the launch of a deep and comprehensive Free Trade Area with the EU will have to be a central objective of the new Administration, regardless of the presence or absence of prospects for EU membership. The EU itself has underscored the ambitious and unique nature of the FTA, which is intended to phase in the four freedoms: the free movement of goods, services, capital and persons. The EU has talked about its readiness to "go as far as Ukraine itself is ready to go"—that is, to the deepest possible level of economic integration. In this context, the new team should be warned against making the same mistakes as its predecessors: the finalizing of this very complex and truly unprecedented document should not be linked to any summits, visits or celebrations of this or that important date. Quality, not speed of preparation,

should be the main point in preparing it, as it is an indivisible part of the future Association Agreement with the European Union.

The FTA requires separate in-depth analysis and is not the subject of this paper. It is, however, important to note that with its transition economy so different from the more developed ones of EU Member States, Ukraine needs to undertake the enormous task of evaluating which parts of EU legislation it can adopt without irreversible negative consequences for its own economy and social system. There is a real threat that some sectors of Ukraine's industry will be destroyed once an FTA with the EU becomes operational and the Ukrainian market opens up. Rushing through these negotiations and failing to push through structural reforms, could easily turn this hypothetical threat into a reality.

Setting up a Free Trade Area should offer an incentive for deep systemic reforms and development, not provoke a catastrophe. While the agreement is being drawn up, a strict balance of interests between Ukraine and the EU must be maintained. This FTA should not become a form of colonization on the part of the EU; Ukraine should gain the possibility to develop and expand its exports and gain access to some of the EU's internal markets, including hi-tech ones and not just raw materials.

The European Union's Eastern Partnership initiative (EaP), called the "eastern dimension" of European Neighborhood Policy by the EU itself, has received a chilly reception in Ukraine from the very start. Immediately after the announcement of the European Council's decision on the Eastern Partnership on 19–20 March 2009, Kyiv issued a statement expressing its hopes: that the Eastern Partnership "avoid the conceptual and implemental flaws of the European Neighborhood Policy and become an entirely practical, rather than ideological, initiative." The Ukrainian position has not changed since then: Ukraine is prepared to continue to participate in the Eastern Partnership as long as it suits the country's strategic drive towards European integration and fosters the resolution of practical issues surrounding *rapprochement* with the EU.

Analysts and journalists alike have called the Eastern Partnership a "delaying tactic" by the European Union and an "initiative to restrain" Ukraine's desire for European integration. Further concerns were raised when some EU countries immediately tried to extrapolate negative experience cooperating in certain spheres with individual "eastern partners" to other countries in the region, including Ukraine.

Among the main flaws of this initiative is that it does not address the membership prospects of its six participating countries, not even to those who have been successfully working with the EU. In addition, the funding allocated to the Partnership by the EU is worse than modest.

Still, even if the added value of this Partnership for Ukraine is marginal, Kyiv might still find some benefits in participating. Firstly—and most importantly—, given that Ukraine is the clear leader in the sextet that includes Azerbaijan, Armenia, Belarus, Georgia and Moldova, and that many Eastern Partnership provisions were “copied” from bilateral agreements between Ukraine and the EU, the country has an opportunity to gain authority and establish itself as the regional leader by sharing its experience in cooperating with the EU. This can already be seen in the serious interest other partners have shown in Ukrainian-EU relations.

Secondly, Ukraine is interested in seeing other FSU countries draw closer to the European Union and become more democratic and “European” from the geopolitical point of view. Thirdly, the EaP offers another opportunity to resolve bilateral problems, including with the assistance of EU financial instruments. A clear example is the ratification of a bilateral border agreement with Belarus after Ukraine’s attractive proposition that the two countries participate in an EaP pilot project, the Integrated Border Management Program.

Fourthly, specific projects and programs could be of value to Ukraine. Right now, the most interesting of these are the aforementioned border management program and the Comprehensive Institution-Building Program aimed at all areas of cooperation and financed through the European Neighborhood and Partnership Instrument. In addition, if the EU practice of regional equalization is applied, pilot programs in regional development could also be of interest as they are directed at resolving local problems.

On the whole, however, the Eastern Partnership should only be seen as a supplementary instrument that could be used to help Ukraine fulfill its commitments to the EU. The country’s main efforts should be concentrated on bilateral cooperation with the EU.

New friends on the block

Improving Ukraine’s reputation and establishing good relations with key EU Member States is a key task facing not only the new Administration, but Ukrainian society as a whole. Negotiations with Eurocrats can go on forever, but Ukraine will not be able to join the EU until a critical mass of Europeans—from ordinary citizens to heads of state—decide that they want this. This is why we need to work on European integration at all levels, from the interpersonal to the interstate. Every day, new threads of cooperation should be weaving Ukraine into the fabric of the EU. Once the citizens of Germany, France, Italy, Spain or Holland say “We need Ukraine,” then neither Merkel, Sarkozy, Berlusconi, Zapatero, nor Balkenende will be able to say “No.”

Ukraine needs to work with EU governments and political leaders. Participating in as many joint projects as possible and, of course, carrying out all commitments is the key to success. Right now, it makes sense to pay particular attention to relations with the new Government of Germany. The joint post of Vice Chancellor and Minister of Foreign Affairs and the head of the Ministry of Economic Cooperation and Development have gone to members of the Free Democratic Party, whose platform mentions long-term prospects for Ukrainian EU membership. A shift in Germany's position on Ukraine's European course could change the position of the European Union in favor of Ukraine. Another point that merits serious attention is bilateral relations with other major skeptical countries: France, Italy, Spain, Greece, the Netherlands, and Belgium. Perhaps Ukraine's ambassadors to some of these countries should be replaced by more proactive and creative diplomats and the rest of the diplomatic teams strengthened.

In the end, though, people-to-people contacts are more important: we must become "one of them" in both their eyes and our own. We need to demonstrate our European identity and attract Europeans to Ukraine in every possible way. This could namely be done by setting up joint ventures, inviting language instructors, attracting tourists, organizing exhibitions, and holding festivals that show that we are interested not only in European money but in European culture. Ukraine should not be the specialty of journalists posted in Moscow, Warsaw, or Prague. European publications should be encouraged to set up bureaus in Ukraine, if nothing else by offering their staffs inexpensive housing. Journalists need to be invited on press tours of Ukraine so that they can learn about the country firsthand. After all, this country has a proud history and plenty of interesting sights beyond the vaudeville offered by its sometimes farcically irresponsible government.

The Ukrainian community abroad is also a resource, as there are so many Ukrainians in Europe today. However, their desire to help their homeland is currently being used to little advantage. The State Budget should allocate funding for a support program for Ukrainians abroad and to improve Ukraine's image outside the country's borders.

In Berlin, Paris, Warsaw and Kyiv, the word is out: the Euro-2012 is all but an application for membership in the EU. Ukraine needs to run its part of Euro-2012 in such a way that all of Europe will be abuzz about the country—not about its terrible roads, uneven service and corruption, but about its high-quality organization of the championship games, its beauty, and its talented, friendly, and ultimately European people.

Recommendations for the President

- ✦ *Ensure political stability and more effective public administration.*
- ✦ *Carry out Constitutional, administrative, territorial and judiciary reform.*
- ✦ *Clearly and effectively coordinate European integration efforts* by setting up a Ministry for European Integration under the First Deputy Premier or by combining the posts of Minister of Foreign Affairs and First Deputy Premier.
- ✦ *Improve executive discipline*, review matters related to integration with the EU at every Cabinet meeting.
- ✦ *Complete work on the EU Association Agreement.* The document should specifically lay out the prospects for Ukraine's EU membership and for the institution of a visa-free regime after completion of the relevant Roadmap; focus the Government Workplan on carrying out the provisions of this Agreement.
- ✦ In negotiating the FTA component of the AA:
 - ensure maximum beneficial transition periods for the various branches of the domestic economy;
 - provide the necessary conditions for Ukrainian exports to expand and win a share of EU high-technology markets; and
 - inform the Ukrainian business community more actively about the conditions for setting up an FTA with the EU.
- ✦ Given the sensitivity of European partners to Russia's opinions and reactions, *improve Ukrainian-Russian relations.*
- ✦ *Increase confidence in the country* and establish a "we need Ukraine" attitude in the EU by:
 - taking active part in joint efforts to overcome the crisis and in EU operations, including anti-piracy operations;
 - paying special attention to the participation of Ukrainian Armed Forces personnel and equipment in EU multinational tactical groups (MTGs);
 - facilitating the entry of Ukraine's military industry into EU markets; and
 - establishing cooperation with the European Defense Agency (EDA).

- ✦ *Ensure that a visa-free regime can be instituted with Schengen countries by:*
 - preparing and fully implementing a Roadmap;
 - paying particular attention to document security and the introduction of biometric passports, preparing the necessary legislation, combating illegal migration, combating organized crime and corruption, establishing an integrated border security system; and
 - enacting the EU-Ukraine Readmission Agreement.
- ✦ *In the context of the EU Eastern Partnership, push for concrete programs and projects, such as increasing institutional capacity, regional development and equalization, an integrated border security system, and SME development. The main focus should remain on bilateral relations with the EU.*
- ✦ *Foster attitudes that will promote Ukraine's accession to the EU in member countries, namely by competently organizing the Euro-2012. Key measures include:*
 - developing tourism infrastructure;
 - promoting cultural, scientific and athletic cooperation;
 - creating youth exchange programs;
 - fostering the establishment of press bureaus in Ukraine and press tours in Ukraine for foreign journalists; and
 - providing funding for programs to improve the country's image and support Ukrainians abroad.
- ✦ *Concentrate on establishing contacts with Germany's new government.* The key position of Vice-Chancellor / Minister of Foreign Affairs and that of Minister for Economic Cooperation and Development are occupied by the members of Free Democratic Party, whose electoral program mentions the long-term possibility of EU membership for Ukraine's. Change in Germany's position towards Ukraine could sway that of the EU as a whole.
- ✦ *Assess ambassadors' work in key European countries. Consider dispatching more active and creative diplomats to the most Ukraine-skeptic EU Member States (in particular, France, Belgium, Spain, Italy, Greece).*

UKRAINE AND THE UNITED STATES: THE ERA OF PRAGMATISM

Oleksandr SHCHERBA

From the moment Ukraine declared independence, Ukraine's relations with the United States have evolved in two ways: ideologically and pragmatically. The ideological aspect was based primarily on the notion of Ukraine's key geopolitical role, as described by Zbigniew Brzezinski. According to Brzezinski, keeping Ukraine from returning to Russia's orbit was a guarantee that Moscow would not recover its imperial status. Similarly, if the United States hoped to dominate in the post-soviet region, it needed to keep Ukraine in its own sphere of influence so that the country could consolidate and promote its own interests in the international arena.

This idea of Ukraine as a democratic counterweight and even alternative to its northern neighbor took hold at the beginning of the 1990s, flourished during the Clinton Administration, and then withered before the eyes of Ukrainians with the eruption of the "cassette scandal" in 2000.¹ Disillusionment with events after the Orange Revolution only exacerbated the decline.

Now, more than 18 years after Ukrainian independence, it looks like the Brzezinski theory was wrong. Firstly, the Putin-Medvedev duo has amply demonstrated that while Russia cannot recover its soviet-era influence, it can certainly revive its imperial spirit and become a major, independent global player once again. Secondly, the prospect that Russia might regain its imperial status in the post-soviet region no longer seems to worry the US, as dominion in this region is not one of America's priorities. Thirdly, given Kyiv's nigh-permanent political instability, its impact on decision-making in Moscow is feeble at best.

At this point, Ukraine is important to the West not as a means of weakening or strengthening Russia, but—at most—as a card to be played in resolving more important issues in US-Russian relations. How this benefits Ukraine is not entirely clear. Shifts in US foreign policy after the end of the Cold War and 9/11 have both objectively reduced US interest in the post-soviet space and increased the need for cooperation with Moscow. The latest example is President Obama's desire for a "reset" in relations with Russia, which led the US to cancel plans to base a missile defense system in Eastern Europe.

¹ Also known as Kuchmagate, the cassettes were used in an attempt to link then-President Leonid Kuchma to the murder of journalist Georgiy Gongadze. In fact, they did not provide clear evidence of anything other than very foul language.

Altogether, this has led to a decline in the ideological component of the US attitude towards Ukraine and its replacement by purely pragmatic considerations focused on political, economic, scientific, cultural and other benefits. For Ukraine, the benefit of partnership with the US is obvious, whereas for the US the benefit of partnership with Ukraine is less clear. Thus, future relations will depend on how effectively and pragmatically Ukraine acts, and especially on the new President's ability to put together a reasonable, effective partnership policy—and to follow through on it.

A virtual partnership

Relations between the United States and Ukraine are those of the top global player with a major regional player in Central and Eastern Europe (CEE). The dynamics of their development tend to oscillate as a function of various factors, starting with US priorities and activeness on the European arena and ending with Ukraine's policies toward the post-soviet region. Meanwhile, in addition to these fluctuating factors, Ukraine and the US do have a number of compatible national interests that depend little on political circumstances and will most likely continue to draw the two together. Specifically, despite all the pragmatism being espoused in current US policy, democracy promotion continues to be a factor in bilateral relations, even as the focus shifts to other issues.

In short, Ukraine is important to the US in several ways:

- ✦ as democratic hub in the post-soviet region, and a democratic experiment whose outcome has yet to be determined;
- ✦ as an Eastern European “tectonic plate” whose stability largely determines that of the entire region;
- ✦ as an important transit country, especially for energy;
- ✦ as heir to part of the soviet military-industrial complex, whose military industry and weapons inventory could potentially present a danger to US interests;
- ✦ as a state with links to nearly a million American citizens of Ukrainian heritage.

The US is important to Ukraine, for an equally wide range of reasons:

- ✦ as a security guarantor, namely under the December 1993 Budapest Memorandum and the December 2008 Ukraine-US Charter;
- ✦ as a promoter of Ukraine's interests in dialogue with the European Union, NATO, the IMF, the World Bank and other international actors;

- ✦ as a source of cutting-edge know-how that could help Ukraine modernize its economy, diversify its energy supplies, and reform its public administration, army, and other institutions;
- ✦ as a potential investor.

Ukraine and America periodically assert the strategic nature of their relations. The first such declaration came in 1996. This view was echoed in a joint presidential statement in April 2005, and again in the December 2008 Ukraine-US Charter. At the same time, an objective look at the development of bilateral relations makes it clear that their strategic nature is more symbolic than real, and finds little reflection in political decisions or economic and investment trends.

Kyiv's US policy

Since independence, Ukraine has consistently tried to become in the post-soviet region for Washington what Turkey became in the Islamic world: a leader, an agent of influence and a close, truly strategic partner. This striving has been a constant in Ukraine's foreign policy, irrespective of presidents or parliamentary majorities. In the Ukrainian political worldview, which is still grounded in the stereotypes of the Cold War period, the US has been seen like a global partner battling with Russia for spheres of influence. Needless to say, many Ukrainians, including those in public office, see Ukraine as the main geopolitical battlefield—and the main prize in the post-soviet arena. Furthering this logic, Ukraine can count on extracting considerable dividends from its key geopolitical location.

The reality of the last few years has cleared up most of these notions. American foreign policy priorities have changed radically since the end of the Cold War. Similarly, Ukraine's place on Washington's agenda has also changed, for objective reasons beyond its control. The US is moving away from its "missionary" role of promoting democracy throughout the world. The Cold War, of which most Ukrainians still detect reverberations in European policy, ended long ago for Americans in unambiguous victory. To the Americans, new twists in both the US-Russian and US-Ukrainian dialogues are not a mere continuation of the dramatic history of the 20th century but a completely new page.

In contrast with the US, Ukraine has remained psychologically caught up in the concepts and notions of the Cold War, and therefore seems unaware that the new century has brought a new European and transatlantic game to the table, one in which all have to fight for their places. As long as Ukraine remains a European wannabe, as long as it cannot show itself and the world considerable policy achievements—especially economic reform—, it would make sense for

the country to temporarily forget about its convenient geopolitical position and focus on modernizing its economy.

The US has become a foreign policy pragmatist. Ukraine should do the same. Pragmatism is not just a trendy flash in the pan, but a basic requirement. This is the key without which the political door to America will not open, let alone the economic one, regardless of any rhetoric about a friendly or even strategic partnership. At the moment, Ukraine does not have such a key. It has not given the US any real reasons to see it as a true partner. With its permanent political crisis and constant, often completely unnecessary complications with Russia, Ukraine has become less a partner than a problem, for both the US and the West as a whole.

Foremost among areas of bilateral cooperation is security. The US is financing several projects in this area, namely to support military reforms. Most of these projects focus on retraining service personnel. In addition, Ukraine is an active participant in peacekeeping operations and, whenever possible, in NATO training exercises. Indeed, security has been one of the most successful areas of bilateral cooperation. Still collaboration in this area no longer has a decisive impact on other areas of mutual interest.

The Budapest Memorandum, which many see as the foundation of the Ukraine-US security partnership is not seen in Washington as entailing actual responsibility for Ukraine's security. At the time of its signing, it was more of a declarative concession, a promise to which the US could never be held by anyone, even theoretically. The phrase "ensuring security," on which Ukraine insisted during the two-year-long negotiations on the Memorandum, was also promised to North Korea 10 years later in exchange for Pyongyang's agreement to give up its nuclear status—and was rejected as insufficient.

As security cooperation between Ukraine and the US is losing its role as the core of bilateral relations, joint investment projects should be taking its place. This has not happened, and blame for this lies squarely with Ukraine's ineffective, unsystematic, short-sighted commercial policies. In the 19th year of its independence, the country does not so much compete with others for US investment, as it plays with American investors a strange, lose-lose game whose rules are in permanent flux.

Washington's Ukraine policy

During its first stages, US policy towards independent Ukraine was influenced by two main factors. First, from a strategic point of view, having gained independence, Ukraine realistically looked to America as a geopolitical counterweight to the possible rise of imperial ambitions in Russia. This was the begin-

ning of the domination of the ideological approach to relations. Second—and a hint of the pragmatism to come—, Ukraine absolutely had to be relieved of its nuclear weapons, the removal of which was a fundamental condition for partnership with the US.

The ideological underpinnings of Ukrainian-American relations began to crumble toward the end of the Clinton Administration. Moreover, the clearly isolationist rhetoric that brought George W. Bush to power seemed to foreshadow little good for partnership with Ukraine. Still, not even the most hardened skeptics could have imagined as debilitating a blow to bilateral relations as was caused by the infamous cassette and Kolchuga² scandals. Beyond that, despite the Kuchma Administration's insincere, forced and politically motivated decision to engage Ukrainian soldiers in US-led multinational forces in Iraq, relations remained in deep crisis for quite a time, reverting to where they had been prior to the Clinton Presidency.

The Orange Revolution in 2004 brought in winds of change that might have brought—and for a short time did bring—bilateral relations to a new level. However, events that followed, starting with Viktor Yushchenko's ineffective Presidency, quickly shattered any positive mood that had been generated. What's more, the next few years brought to the US a disease that had already been growing in Europe during the Kuchma era: "Ukraine fatigue." In the American view, events like the Orange Revolution are seen as historical breakthroughs, after which the country had to choose and defend two fundamental ingredients of success: democracy and a market economy. That these two ingredients not only failed to mix on Ukrainian soil but actually brought conflict and anger, disillusionment and crisis during the Yushchenko Administration made Ukraine, in American eyes, a strange place—a kind of geopolitical black hole where the basic laws of historical development did not apply.

So far, the Obama Administration has shown very little interest in Ukraine. In contrast to his predecessor, President Obama has not even bothered to appear actively supportive of Ukraine's Euro-Atlantic aspirations or interested in developing a "strategic partnership." Against the background of a more active American-Russian dialogue and the so-called "reset" of relations between the two, Kyiv has found itself marginalized. The position of the United States is based on the belief that no external influence, including its own, can solve Ukraine's problems, or bring it closer to or farther from the Euro-Atlantic community. This can only be done by Ukraine itself, and the US has no intention of remaining involved in this process.

² President Kuchma was accused of selling Kolchuga missiles to Iraq's Saddam Hussein. A few weeks later, in March 2002, V. Malev, the director of the state arms agency Ukrspetsexport, was killed in a car accident.

Recommendations for the President

All this leads to three general recommendations and a number of practical ones for the future President of Ukraine.

General recommendations

1. Ukraine needs to understand the US.

The Ukrainian-American dialogue can be both meaningful and productive only if Ukraine removes its Cold War spectacles and understands that international relations can no longer be reduced to a US-Russia stand-off. The US's current priorities lie not in the post-soviet region or in Europe, but in Afghanistan, Iran, Iraq, North Korea, and, of course, the Middle East. Most of these priorities come down to a single practical desire dear to every American heart: to make America safer, to prevent any future terrorist attacks, and to avoid the proliferation of weapons of mass destruction (WMD). Since Russia's cooperation is needed on most of these fronts, the US is prepared to compromise and to cut deals. The worst-case scenario for Ukraine would be for the two to come to a tacit agreement about spheres of influence, something for which the modern world no longer even requires signatures on secret pacts.

The ideological underpinnings of a strategic partnership between Ukraine and the US are likely to continue to crumble, but they will not disappear entirely. Democracy and freedom are the cornerstones of the American worldview. This means that if, in addition to its commitments to democracy and freedom, Ukraine can demonstrate some measure of success in building a reliable state, there will be a window for the establishment of a fundamentally new basis for the Ukraine-US partnership. The logical progression, as seen by the US, goes like this: successful reforms, rule of law, predictability, and then a successful partnership. Any attempt to disturb this order by placing partnership at the beginning, or even in the middle, of this chain will be politically stillborn. America has no intention of being Ukraine's "patron," let alone the "sponsor" of Ukrainian democracy. It can only be a convenient partner, and then only for a Ukraine that has at least a minimum of respect for the law and political stability.

By leaving behind the stereotypes of the Cold War era and looking with clear eyes at the US's new vital interest in closer ties with Russia, Ukraine should understand that its ambitions to join the EU and, especially, NATO are no longer a matter of vital interest in Washington. As of 2010, Ukraine's Euro-Atlantic aspirations are Ukraine's alone, somewhat supported by some Eastern European countries and the Baltics. For the remaining transatlantic players, including the US, Kyiv's Euro-Atlantic ambitions have turned into a problematic issue: a stumbling block on the path of a new partnership with Russia.

Clearly, improving Ukrainian-Russian relations will be imperative for the new President. Otherwise, Ukraine will continue to be mere dead weight, an inconvenient potential flashpoint for the US, the European Union and the political world in general. Moreover, it is important to understand that there will be no “forced truce” with Russia coming from the US, NATO or any other global players. In short, returning to a minimally civil tone in Kyiv-Moscow relations is a vital interest for Ukraine itself.

Ukraine should not expect the United States to lobby for its integration into the European Union. The dramatic, lengthy and ultimately unsuccessful story of how Turkey was promoted to the EU on the shoulders of the US—despite the fact that the US was genuinely and actively interested in Turkish accession, which is not the case with Ukraine—should be a lesson for Kyiv. With most of the countries of Old Europe “emancipated” from American influence, the United States’ opportunities to influence the EU’s internal processes and policies are noticeably and irreversibly shrinking.

Thus, when it comes to European and Euro-Atlantic integration, Ukraine can count only on itself. Today, US thinking is driven by the belief that Ukraine cannot join NATO until there is consensus among Ukrainians on this issue, while EU membership can only come on the back of successful reforms and noticeable inroads in controlling corruption in the country. Clearly, there is some grain of reason in this approach. If voter support for NATO membership remains low in the future, then one alternative for Ukraine would be to reorient itself on bilateral security agreements in exchange for setting aside its membership ambitions. Given the complex of problems arising in the West as a result of our Euro-Atlantic course, the US and other influential members of NATO may well be willing to consider this kind of option.

2. Ukraine must make itself more comprehensible to the US.

Ukraine fatigue in Washington was caused not so much by the lack of significant success, but by the inability of Ukraine’s political elites to clearly explain the situation in the country to the US. American and Ukrainian political leaders have different worldviews, they have different goals, and they speak different languages—both literally and figuratively.

The experience of Eastern European countries and the Baltics has shown that one potential panacea is flooding the political class with members of the younger generation, people whose mentality is closer to that of the West and who can freely use English as the generally-accepted language of international communication. This is the only way for Ukraine to become truly comprehensible to its American partners. It is worth remembering that the world began to look at Poland with fresh eyes not when the Polish economy began to break world records for economic growth, but when the country began to be represented on the

world stage by members of a newer, more modern generation who had no relationship at all to the old Party elite—with the rare and fortunate exception of people like Alexander Kwasniewski.

The ideal scenario would be the election of a President who knows English, also combined with a “Presidential draft” of educated young people to government—that is, the appearance of two or three dozen first- and second-tier officials who speak English well and have governmental experience working with western countries.

Yet the most important thing is to put an end to the current chaos and choose a democratic (Eastern European), or even a quasi-democratic (Belarusian-Russian) or strictly individual path, and to follow it. The US has reached the point where democracy in Ukraine is less important than clarity on Ukraine. For all its democratic credentials, the US is morally ready to accept any choice Ukraine makes, even “quasi-democracy,” as long as Ukraine makes one.

3. Ukraine needs to clearly establish its priorities.

Given that the notion of US patronage of Ukraine’s democracy is dead but that the post-soviet arena remains an area of specific interest for America, Ukraine needs to formulate a list of priority issues for itself, in which US support (a) is real and (b) can have a positive, practical impact. These include:

- ✦ financing military reform projects and general civil service reform;
- ✦ financing and running a large-scale anticorruption program;
- ✦ supporting Ukraine in combating HIV/AIDS and tuberculosis;
- ✦ training a new political and managerial class in Ukraine.

This last area is particularly important. Given the experience of other countries who have been strategic partners of the US at one time or another, such as Turkey and South Korea, the most positive and forward-looking aspect of this partnership is not financial support or even technology transfers, but access to American universities. Fostering the professional development and education of a new political and managerial class could be the main favor the US does for Ukraine.

Graduates of American universities were the initiators of the South Korean economic miracle. A new US-educated Turkish elite is now negotiating its country’s accession to the EU. Chinese students, who have been sent to study abroad on a mass scale, have transformed their country into the US’s main creditor and competitor in world markets. Ukraine will have a better chance at creating the “Ukrainian economic miracle” when a new elite absorbs the modern knowledge, skills, approaches, methods, and ways of thinking that are offered at American post-secondary institutions.

However, it is important to understand that the United States will not finance wide-scale educational projects with Ukraine. These are in Ukraine's interests, so they need Ukrainian funding.

On a purely practical level, Ukraine faces seven key challenges:

1. Ukraine needs to start working on its image. Americans still associate it with extreme poverty, Chernobyl, and organized crime. Here, the best PR for Ukraine could be successful reforms carried out by a new, successful President and Premier. "Advertorials" in national papers in the US or video clips on news channels alone will not do the trick. Nigeria has spent billions of its petrodollars doing this for years, yet its image has not changed significantly—simply because the situation on the ground has not changed.
2. To change its image, Ukraine needs new faces: in politics and even more so outside of politics, like the Klitschko brothers or Andriy Shevchenko. There needs to be at least one English-language website on Ukraine. More English-language papers are needed in Ukraine. Ideally, it would be worthwhile to launch an English-language television channel for foreign consumption along the lines of *Russia Today*, which Russia has, in recent years, been actively and successfully promoting on regional cable networks in the US.
3. It would make sense to establish a single coordinating agency responsible for developing relations with the United States at the ambassadorial level through specific tasks, like the German Government's specially-authorized ombudsman on German-American cooperation. This official would namely be tasked with resolving and preventing commercial disputes, developing nongovernmental dialogue, organizing the education of young Ukrainians in the United States, and so on. In the future, it would also be a good idea to set up a Ukrainian-American Civic Forum whose meetings could be enhanced by concerts with Ukrainian musicians, art exhibitions, and other cultural events.
4. Ukraine needs to create the proper conditions for foreign investment, once and for all. No money invested in Ukraine should legally be taken out, not even by court order. Foreign investors are supposed to be "sacred cows" protected by the entire executive branch, including the President. If investment violations are uncovered, the Ukrainians who enabled the violations should be punished—not the foreigners who, despite Ukraine's negative image and the scandals of recent years, still have the courage to invest their hard-earned dollars here.
5. The attitudinal differences between the US and Ukrainian government machines need to be understood and eliminated. Red tape or no, the American official is results-oriented, whereas his Ukrainian counterpart is focused on controlling the process. As a result, Ukrainians too easily offer promises but

forget about them over time. While Americans are more stubborn in the defense of their interests, they try to deliver on their commitments.

6. Most Ukrainian politicians are born with a propensity to discourse but an inability to listen. Most Ukraine-US negotiating sessions are spent listening to Ukrainian monologues. Ukrainian politicians at all levels, starting with the President, should learn the value of listening. Declarations of commitment to democratic values and European/Euro-Atlantic choice are of little interest to the US. Americans like more concrete issues: investment projects, international security, new practical ideas for developing bilateral relations—preferably without financial contributions by the US—, and so on.
7. The era of large-scale US investment in international projects has ended, at least for now. Post-crisis America could face financial collapse. “Fiscal discipline” is possibly the hottest catchphrase in the US political vocabulary these days, which means that asking the US for funding should be done very sparingly.

Opportunities

When it comes to Ukrainian-American relations in the upcoming years, Ukraine should not so much think in terms of taking advantage of opportunities as of creating them.

Beyond that, the main opportunity in the short term will be the new wave of interest in Washington that will come with the arrival of a new President in Kyiv. Mr. Yanukovich may be able to set the ground for successful cooperation if he can overcome the messy image he earned during the 2004 race. The best way to do this would be to push Ukraine toward further democratization in 2010, especially by upholding democratic procedures during the municipal elections in May and a possible snap election to the Verkhovna Rada. He would also need to extend Ukraine’s participation in Euro-Atlantic projects, without necessarily emphasizing the “irreversibility” of Ukraine’s Euro-Atlantic choice. If he wishes to, Mr. Yanukovich could win more points in relations with America by increasing Ukraine’s commitments to NATO operations in Afghanistan.

Threats

There are three major threats to long-term bilateral relations:

1. Ukraine could continue its policy of ignoring new world realities and continue to count on mythical patronage from the United States, including for its plans to integrate into the EU and NATO. The consequences for the US would be nil, while Ukraine would likely become completely marginalized in the European policy system and once again fall prey to internal political divisions.

Prevention: The new President “resets” goals and approaches (see Recommendations).

2. A weak US dollar and the country’s astronomical debt could lead to a sudden collapse in the American currency. This would have catastrophic consequences for the world economy, especially for such countries as Ukraine, whose population is accustomed to saving in dollars. The disintegration of the US economy would bring about a global crisis of an unprecedented scale and instantly leave a large share of Ukrainians impoverished. The anti-American feeling that this would stir up would be widespread and have unpredictable effects.

Prevention: Ukraine gradually diversifies its currency reserves both at the central level and in the banking system.

3. The United States could lose interest in the post-soviet region. This would strengthen the chauvinistic mood in Russia, resulting in negative consequences for Ukraine.

Prevention: Ukraine puts serious effort into remaining in the field of the US’s new, pragmatic interests without altogether moving into its orbit.

Four specific steps for the new President

1. *Ease up on the Euro-Atlantic rhetoric.* Accept the state of public opinion, which is supported by legislation stating that Ukraine’s accession to NATO can only take place once a majority of Ukrainians support this idea. Given that most currently oppose it, insisting on the “the irreversibility of Ukraine’s Euro-Atlantic choice” is both undemocratic and counterproductive.
2. *Take 2-3 meaningful steps to declare real war on corruption.* This could involve the arrest and trying of officials involved in corruption at the highest echelons of power, and media coverage thereof. An alternative is the massive re-qualification, rotation, and as necessary dismissal of civil servants, similar to that undertaken by Mikheil Saakashvili 2004–2005.
3. *Offer major American corporations unimpeachable investment projects under Presidential guarantee.* This could revive the investment process, but only if the Ukrainian market produces investment success stories that can be promoted by the government, and only in combination with a successful anti-corruption campaign.
4. *Actively promote the government’s success stories* through the web-site of a major American paper, similar to the regular internet supplement on Russia in the Washington Post.³

³ www.washingtonpost.com/wp-adv/advertisers/russia

Conclusion

Ukraine needs to take the steps necessary to close the book on the first phase of Ukrainian-US relations. With growing US pragmatism toward Ukraine, Kyiv also has to become more pragmatic and understand that Ukraine's problems can only be Ukraine's to solve. Expecting active support from the US in this context is pointless. Resetting relations with Russia will also reset US's entire system of priorities toward Russia, a process that began, unnoticed by Kyiv, long before the election of Barack Obama. Ukraine's response should be a reset of its own foreign policy priorities— reorienting them not toward new centers of influence, but toward the country's own strengths and interests.

DEVELOPING REGIONAL PARTNERSHIPS

UKRAINE AND POLAND: NEIGHBORS DIVIDED BY EUROPE

Viktor ZAMIATIN

Ukraine and Poland are natural partners: two countries with a complicated shared history and similar psychological make-ups, yet divided by different social backgrounds, different self-images and different opportunities.

The phrase, “There can be no independent Poland without an independent Ukraine,” has been attributed to both Polish politician Robert Dmowski and the Polish emigrant thinker and editor, Jerzy Giedroyc. The founder of the Polish Republic, Marshall Jozef Pilsudski, was clearly thinking in these terms when he made a point of establishing and maintaining friendship with Ukrainian General Symen Petliura. And it is this principle that underlies, like a good stone foundation, the careful eastern policy built by former President Alexander Kwasniewski, under whose leadership Poland became a full-fledged member first of NATO and then of the European Union.

How important Poland is for Ukraine was and remains a matter of who and when. At the Presidential level, Ukraine has never had any doubt that Poland was its natural strategic partner. This was the position of Ukraine’s first President, Leonid Kravchuk, who was proud of his personal friendship with Mr. Kwasniewski. This tradition continued in President Viktor Yushchenko’s vision of foreign policy through his relations with Polish President Lech Kaczynski.

At other levels, however, the situation varies. For many residents of Western Ukraine, in the last two decades Poland has been a draw for individuals seeking to make money. This phenomenon was even given its own name: *zarobitchanstvo*, or “earning”—often tiny and not always legal businesses trading in alcohol, tobacco and other goods. Conversely, for small business in Poland, Ukraine has primarily been a convenient consumer market and a source of labor.

Whereas political positions toward Ukrainian-Polish relations are generally grounded more on intuition than on the clear-headed policy analysis that still does not take place in Ukraine, for ordinary Ukrainians and Poles it is practical considerations that are crucial. In fact, Ukraine does not have this quantity or quality of people-to-people contacts with any other country in Europe.

Poland is Ukraine's largest trading partner in the EU. Prior to the financial crisis, annual volumes of bilateral trade stood at US \$7 billion, according to Ukrainian statistics, and were still over US \$2 billion in the first seven months of 2009. Of course, when we look at the structure of this trade, it becomes clearer who is working for the future and who is happy being a supplier of raw materials: Polish exports to Ukraine are generally finished, often high-value-added goods; Ukrainian exports to Poland are generally commodities, mostly metal. And because of the shifting world situation on steel markets, Ukraine's volume of trade with Poland has fallen nearly 50% since late 2008.

Context

For Ukraine, the importance of maintaining and expanding close, friendly relations with Poland is based on four main concerns.

Firstly, to the extent possible, it is important to have good relations with all neighbors. Ukraine's 542 km long border with Poland is in itself enough to justify the need for good relations and healthy cooperation between Kyiv and Warsaw.

Secondly, Ukraine obviously needs at least some serious familiarity with the experience Poland has undergone since 1991. Poland can serve as an extremely useful model for nation-building, state-building in difficult circumstances, joining the EU and NATO, finding common interests and understandings with other countries, clearly defining the national interests and the tools used to defend it, and many other challenges Ukraine is currently facing. Poland can serve as an advisor, a partner and even, at times, as a guide.

Thirdly, despite all the differences between the economies of the Polish National Republic and the Ukrainian SSR that have persisted to this day, Ukraine and Poland have shown their capacity to quickly adapt to one another and to find ways to complement each other. If Ukraine puts its economy through radical structural reforms and develops clear mechanisms to promote its national interest—especially in the areas of technology production, transit, and transport—, economic cooperation could become a solid foundation for a real, rather than virtual, Ukrainian-Polish partnership. This partnership could even attract other countries in the region.

Lastly, but possibly most importantly, the security sector, in all its manifestations and definitions, requires a close partnership between Kyiv and Warsaw, as Poland is the only real security contributor among Ukraine's immediate western neighbors. For a variety of reasons, no other neighbor, be it Hungary, Slovakia, Romania or Moldova, has historically the bill. Indeed, this view has been confirmed by the history of the Ukrainian-Polish peacekeeping contingent, by

the two countries' common participation in international operations in Iraq, and by other joint activities.

Moreover, there's little doubt that Ukrainian-Polish relations have considerable significance in maintaining stability in Central and Eastern Europe (CEE).

For many years, Kyiv saw Warsaw as its main ally in its efforts to develop relations with NATO, the EU, the US, and individual European countries. Still, this role changed naturally with time, both as a reflection of Poland's own possibilities and resources and because no country could indefinitely lobby Ukraine's interests, especially in the absence of progress within Ukraine itself. For a while, during the "cassette scandal," President Kwasniewski played the role of the discredited President Kuchma's only contact in the West. But this situation was unique and has pretty well been forgotten today.

Today, the importance for Ukraine of being able to use Poland to lobby its interests in western institutions and countries is more than obvious. All that needs to be done is to formulate policies that recognize both the limits of each country's capacity and the mutual benefits they derive from cooperation.

Kyiv's Poland policy

Each of these ideas requires Ukraine to take an extremely thoughtful, thorough approach, and often even to display courage in drafting specific policies. This is true for a myriad of reasons, from the two countries' convoluted common history to the equally complicated present.

If Poland holds one treasure for Ukraine, it is the example of the colossal internal transformations it implemented after the historic roundtable of 1989 and arrival to power of its first non-communist Government.

In this context, it is possible to study any aspect of life: all aspects of politics, namely bringing political and administrative systems, into line with contemporary European models; adapting the legal system, including various legislative Codes and practices; undertaking radical reforms in the areas of public administration, social security, residential services, agriculture, finance and banking, the fiscal policy, taxation, and so on. Poland's systemic transformations over the last 20 years have been so fundamental that there is little there today to remind us of the country that was once so similar to Ukraine.

Ukraine's interest in Poland should lie in establishing an environment beneficial to itself, positively but aggressively winning over Polish markets, and marching together to European and other markets. With Poland's assistance, Ukraine should at least be able to understand the algorithms by which key European in-

stitutions operate and find its place in the European and regional breakdown of labor, capital and financial and commodity flows. Pragmatic and rational approaches could truly turn the Ukrainian-Polish partnership into the center of regional gravity, which would significantly ease Ukraine's path to the EU.

Over the last few years, these opportunities have only begun to be seized. Ukrainian businesses have taken over Polish steel mills and car-makers, but the process remains very haphazard. Ukraine is making its first steps along a long path. Perhaps if the idea of establishing a Baltic-Black Sea-Caspian energy space gets off the ground, it will be the push needed to get other large-scale joint ventures up and running.

Unfortunately, Ukrainian policy has always been distinguished by its inconsistency and by a lack of coordinated action within government. Until now, this did nothing but damage both Ukraine itself and its prospects for improved relations with its neighbors.

The situation in Poland is quite different. At the political level, the value of maintaining a friendly partnership with Ukraine has never been questioned, despite political changes in Warsaw. Poland was the first country in Europe to recognize independent Ukraine, on the day after the December 1, 1991 referendum that confirmed the overwhelming choice of the country's people to build an independent state.

Under President Walesa, Poland was the first country in the world to propose a strategic partnership to Ukraine. But it was under President Kwasniewski that what has arguably been the most important achievement came: a period of radical breakthrough in the psychological attitudes of Poles and Ukrainians towards each other, despite a very difficult history. The joint 1997 declaration of mutual understanding and reconciliation, signed by Presidents Kuchma and Kwasniewski, was a very bold step, especially for the Polish leader. Indeed, Mr. Kwasniewski knew very well the negative historical memories, the influence of veterans' organizations and the scale of possible criticism. For Mr. Kuchma, this was not an especially difficult step, as he had little of the emotional baggage carried by border regions.

Further critical breakthroughs came with the honoring of the memory of the Polish Eagles (Orzata) buried at Lychakiv Cemetery in L'viv, of the Polish victims of the Volyn massacres, and of the Ukrainian victims of the Polish massacre at Pavlokom. These were just the first, and not even very bold, steps, but they have had a progressive impact. Along these lines, President Kaczynski and President Yushchenko recently both refused to attend the ceremonial unveiling of a memorial to villagers in Liubinsk Voyevodstvo (province) killed by the Poles, because an election was approaching.

Poland recognizes the importance of its eastern policy and the state significantly supports think-tanks that can contribute thereto, such as the Center for Eastern Studies. Thinking among Ukrainian politicians has not yet reached this level: not only does research tend to be carried out by enthusiasts, mostly on western grants, but their professional recommendations generally fall on deaf ears.

Warsaw's Ukraine policy

There have been three distinct stages in the evolution of Polish policy towards Ukraine: movement towards mutual understanding and reconciliation, prior to the Joint Declaration by both Presidents (1991–1997); the development of a specific partnership with Ukraine (1997–2004); and efforts to lead the eastern aspects of the European Union's foreign policy (2004 to now).

After independence, relations with Ukraine could not be Poland's top priority because Warsaw's most immediate goal was to gain EU membership. And today, having joined the European Union, the country can no longer have its own, independent relations with Ukraine, as the EU is effectively against Ukraine joining the European space at this time. Ukrainian-Polish relations can only be understood within the larger context of Ukraine's relations with the EU itself.

Today, Poland can aspire to lead the European Union's "eastern policy," but in no case to carry out an independent policy vis-à-vis Ukraine. This became clear when Poland and Sweden presented their Eastern Partnership initiative, where Ukraine could have had a somewhat privileged position. Obviously, this is the most that could be achieved without the involvement of Ukraine itself.

Again, Poland will never be able to go beyond the general requirements of the EU in terms of practical policy towards other countries that, as far as the EU is concerned, do not belong to the common European space. This becomes all too clear when crossing the Ukrainian-Polish border by car or train. The long queues and openly condescending manners of Polish officers are an obvious demonstration of the fact that political declarations that are made by top government officials have little in common with everyday reality and practices.

The Ukrainian-Polish border has become a kind of "sanitary cordon" that the EU is trying to fence off from the post-soviet region without making any exceptions for Ukraine. Despite considerable diplomatic and official efforts to somehow soften this impression, its essence does not change. This problem has deep roots, primarily internal Ukrainian ones. Its resolution will largely depend on how prepared Ukraine is to finally establish some basic norms for keeping the country's borders secure, regardless of the party affiliation of its government leaders. Then, Ukraine will be in a position, not just to ask nicely, but to demand a radically different approach from its partners.

A number of key moments need to be remembered:

Firstly, the Kaczynski Administration (2005-2010) has been proof positive that when a system has been properly established, it is hard to stop it from working. Mr. Kaczynski is not a special friend of Ukraine's, but he was forced to play the game that had been set up by his predecessor, Alexander Kwasniewski, insofar as it ensures Poland's security. But to talk about President Kaczynski being able to foster the development of qualitatively new relations between the two countries would be an exaggeration.

Secondly, in less than a year, Poland faces a Presidential election. This means that over 2010 Poland will have things other than Ukraine on its mind, as the number of domestic issues at stake will be far too important.

Thirdly and most importantly: with the ratification of the Lisbon Treaty Poland will, at least for a very long time, cease to be a completely independent country with its own external relations.

With the EU's political decision to offer candidate status to Albania with Brussels' insistence that accession is not on the agenda for Ukraine, Kyiv needs to look for and work up new lines of approach to its own European policy, having Poland play its traditional role—which should never be underestimated.

As a whole, Ukraine is a marginal country for Poland, and this shapes a good part of Polish public opinion, if not the majority. Condescension and rudeness have been typical traits among Polish bureaucrats that no one even tries to hide. At the same time, Poles have been trying to take on the role of “older brother” to Ukraine, without really having much understanding of the processes underway in Ukrainian society.

Analysis

Ukrainian policy towards Poland has four critical aspects:

Firstly, an inaccurate estimation of the role and significance of Poland as a neighbor and partner state.

Secondly, a fundamentally flawed approach to building a strategic partnership between the two countries: overly general declarations; demonstratively good relations between Presidents and Premiers that do not demonstrate clear partnership goals nor any strategic partnership program for the longer term, or detailed annual action plans; no broad-based interaction across societies or business circles; no organization of joint production based on modern technologies, joint entry into third-country markets, and so on.

Thirdly, the low priority given Ukrainian-Polish relations by most of the country's own ministries and other government bodies, as well as by the majority of

regional and local governments, business circles and the press. The average Ukrainian has little idea of what life in Poland might be like, and vice-versa. The Ukrainian state is effectively doing nothing to improve its image and that of its people, to ensure that Ukraine's ostensible European aspirations gain support among the majority of Poles, in order to realistically lobby its interests. This starts with the Consultative Council under the Presidents of Ukraine and Poland, which proved unable to organize its own work and thus to be a real instrument of cooperation between the two countries.

Fourthly, Ukraine's interest in Poland is not clearly defined or linked to real political, economic and social indicators. There has been no rationalized state program that would contain concrete goals and the means for reaching them at all levels of relations, from local communities to higher government bodies and interstate relations as such, taking into account the interests of business circles, political parties and various other groups.

Opportunities

Opportunities to improve this situation shrink with each passing year. Still, a few good ones remain:

1. On 1 July 2011, Poland takes over the rotating Presidency of the European Union. This is a mainly procedural role, but it still allows the country holding the post the opportunity to exert a certain amount of influence over the EU agenda during its six-month tenure. This time could be used to complete the institutionalization of relations between Ukraine and the EU and clearly define their nature: Ukraine's gradual integration into the European Union as it progresses toward meeting basic requirements; Ukraine's integration into Europe's security, economic, scientific and educational systems without the option of political integration. This opportunity should also be used to draft legally binding documents with clear timeframes. Ukraine must also cease making void declarations of intent.
2. Co-hosting the final games of the European Football Championships in 2012 is as good a reason as any for Ukraine and Poland to bring bilateral interactions to a more concrete level.
3. Establishing and organizing the work of the Baltic-Black Sea-Caspian energy transit space, which could set an example for a Europe-wide energy security model.
4. The recently-announced Ukrainian-Poland-Lithuanian peacekeeping brigade could also become a basic model for the establishment of a European security system.

Threats

1. Poland is a full-fledged member of the European Union and NATO. This reduces to a minimum its options for carrying out an independent foreign policy, as Polish policy is now part and parcel of EU policy.
2. With a change in power in both Warsaw and Kyiv, relations with Ukraine could lose value for the new Polish leadership, even within the current frameworks. Indeed, the Ukrainian question risks gaining a negative tinge during the upcoming election campaign.
3. Projects to set up an energy transit space and ensure the operation of the Odesa–Brody–Poland oil pipeline could lose all meaning for the Polish side.

In addition, keeping the artificial “sanitary cordon” at the Ukrainian-Polish border, as well as at other Ukraine-EU borders, is likely only to cut down mutual trust and lead to a return to the kinds of policies that led to the division of Europe and the Cold War. Unfortunately, this is the direction towards which current events seem to be moving.

Recommendations for the President

1. *Get rid of the notion that Poland can and should become the only, or even the main, locomotive behind Ukraine’s progress towards the EU and NATO.* Instead, Ukrainian-Polish relations can and should become a model of how to develop bilateral relations between Ukraine and every EU and NATO member country.
2. Once and for all, *depoliticize all sentiments and nostalgia regarding ostensible insults and injuries that Ukrainians and Poles caused each other historically.* Historical perspectives on the complicated relations between these two peoples should become the exclusive domain of historians free of political influence.
3. Develop and enact programs to *encourage the establishment of joint scientific and research projects* and programs and the building of joint science and research centers, and provide support for cultural exchanges.
4. *Launch a program of broad-based exchanges* among schools, post-secondary institutions at all levels, and professional communities across both countries. Special attention should be paid to expanding cooperation between the press and journalists in Ukraine and Poland, especially at the regional level. Joint centers for training and exchange of know-how should be set up for media professionals and given as much support as possible from both the public and private sectors.

5. Eliminate all unnecessary pathos from interstate relations and *focus on concrete matters*, such as the Baltic-Black Sea-Caspian energy space, the Ukrainian-Polish-Lithuanian peacekeeping brigade, and projects related to Euro-2012. Establish tight cooperation among the law enforcement agencies of both countries, including regular joint operations, and so on. Polish capacities should be used to establish active cooperation with law enforcement agencies and justice systems in other EU countries, especially France and Germany.
6. *Persuade the EU in the shortest order to provide legal, political, financial, material, and other support to open new crossing points on the Polish-Ukrainian border.* Joint two-way border and customs control needs to be established at all border crossings. All efforts must be put into eliminating lines at the borders and bringing about positive change in the work of the border and customs services of both countries. Any violations of human rights and dignity on the part of these services in either country should be immediately investigated by both sides, with public oversight.
7. *Poland can and should become a source of experience* that can help Ukraine carry out the internal reforms necessary for the country to continue to progress, starting with judiciary and administrative reforms, security-sector reform, border equipping, and so on. Polish experiences should also be studied and adapted to avoid unnecessary mistakes, especially in relations with the EU and NATO.
8. *Work towards the total engagement of Ukraine in trans-European scientific, educational and cultural networks in cooperation with Poland.* Move from generalized catchphrases to the real, practical, full-fledged development of ideas involving the establishment of Ukrainian-Polish educational, youth and other joint centers such as the Ukrainian-Polish collegium, various summer and winter camps for children and teens, and so on.
9. Work diligently to *prevent illegal labor and other migrations of Ukrainian citizens* through a wide range of measures, starting with setting up new enterprises and providing conditions to foster a major inflow of foreign investment into manufacturing, infrastructure projects and so on from EU countries, including Poland, to depressed regions in Ukraine.
10. *Promote wide-scale contacts among business circles*, especially manufacturers and cooperatives, among the regions of Ukraine and Poland.
11. *Establish tight links between local executive bodies* and local governments in border regions, capitals, regional capitals, and so on.

These recommendations will require:

- ✦ developing and following a single, clear state policy that does not shift with a change in the party in power in either country;
- ✦ setting Ukraine on track to complete structural, institutional and juridical harmonization with the systems in EU countries;
- ✦ carrying out in-depth structural reforms in key branches, effectively resetting the state mechanism for the purpose of making each official and entrepreneur accountable: “put your money where your mouth is”;
- ✦ set the state firmly in defense of its interests, which means, first of all, the interests of its citizens.

Once Kyiv has a clear, understandable and predictable policy in every key area, Ukraine will be able to avoid many challenges, threats and misunderstandings in relations with its partners.

UKRAINE AND ROMANIA: A LOVE-HATE RELATIONSHIP

Volodymyr KRAVCHENKO

Romania's relations with its neighbors have always been complicated, whether due to border disputes or the question of ethnic minorities. Even with Hungary, Romania's NATO ally and EU partner, conflicts over the rights of ethnic Hungarians in Transylvania have dragged on for years. Disputes with Bulgaria and Serbia have also flared from time to time. Many Romanian politicians consider Moldova a "mistake" on the map of Europe because, they say, this is ancient Romanian territory and Moldovans are, in fact, Romanians. Bucharest has even insisted that Moldovans in Ukraine be counted as Romanians. With Ukraine itself, matters are not much different and relations are poor. Romania is not Ukraine's enemy... nor its friend.

On the outside, relations between Kyiv and Bucharest appear completely peaceful and neighborly. Officials of both countries are very demonstrative of this, making endless statements about their strategic partnership. Even when disputes arise, efforts are made to resolve them at the negotiating table or by the very civilized method of turning to the courts. Such was the case, for example on the issue of delimiting the continental shelf and exclusive economic zones in the International Court of Justice in The Hague. Romania was one of the countries in Central and Eastern Europe (CEE) that signed the letter in support of giving Ukraine the NATO Membership Action Plan (MAP).

Still, from time to time, Bucharest knowingly spoils relations with Kyiv by behaving very aggressively, one time blowing an espionage scandal out of proportion, at other times accusing Ukraine of violating the rights of Romania's ethnic minorities.

According to official Ukrainian statistics, around 150,000 Romanians live in Ukraine. This is about 0.3% of the country's population. The Council of Europe and domestic legislation require Ukraine's government to support ethnic cultural societies and Romanian-language educational institutions. In the regions, local budgets often fund the printing of local Romanian-language papers. A significant share of oblast state air time, both on television and on radio, is dedicated to Romanian-language broadcasts. Today, 89 schools in Ukraine teach the Romanian language. Yet there are 61,000 Ukrainians in Romania and only one high school, the Taras Shevchenko Lyceum, which is very poorly equipped: there is no library, no gym, and no offices for those specialists who require them.

Meanwhile, the Romanian authorities accuse Ukraine of discriminating against its Romanian population and even of forcing it to assimilate—despite that fact that many ethnically-Romanian citizens of Ukraine do not speak Ukrainian, the state language. To resolve the situation with the rights of Romanians in Ukraine and Ukrainians in Romania, Kyiv and Bucharest instituted the necessary monitoring in 2006. But when it became apparent that the protection of Romanians' rights in Ukraine was far superior to the protection of Ukrainians' rights in Romania, Bucharest blocked further research, accusing its Ukrainian partners of “not maintaining European standards of monitoring.”

These endless accusations addressed to Kyiv appear to be part of a deliberate tactic on the part of Bucharest: Romanian politicians and diplomats constantly use the “minorities card” in their domestic and foreign policy approaches in reference to Romanians abroad. President Traian Basescu actively manipulated this popular theme in his reelection campaign and calls himself the “father of all Romanians.” And it worked: Romanians living abroad mostly supported him when the time came.

Indeed, supporting the Romanian diaspora is one of the key components of Romania's foreign policy. On this issue, there is complete solidarity among all Romanian political elites. In every neighboring country, Bucharest is busy opening cultural and informational centers for Romanians, additional consulates, and a wide network of national societies. Ukraine, for instance, cannot get Romania to sign an agreement on local cross-border traffic because Bucharest continues to link this issue with the opening of new consulates in Uzhhorod and Solotvyno. Because there are actually few Romanians in these areas, there seems little point in conceding on this with Bucharest.

In Romania, the “historical injustice” of the way that the USSR took ethnic Romanian lands away and attached them to other countries in the mid-20th century remains on many lips to this day. Many Romanians support the idea of reviving a “Greater Romania.” In order to “right the historical wrong,” passports are being handed out to ethnic Romanians in other countries.

Lately, Bucharest has begun to grant Romanian citizenship on a mass scale to residents of the Chernivtsi and Odesa oblasts. This is in violation of Ukrainian law, which prohibits dual citizenship. It is also in violation of the rules of the European Union. In order to get around its own laws and the requirements of the European Union, the Romanian government has been using a special procedure: “renewing” Romanian citizenship. Not only can those who had a Romanian passport prior to 1940 receive a new one, but their children and grandchildren, “who lost their citizenship due to circumstances beyond their control,” can as well.

This process began long before the October 2009 adoption by the Romanian parliament of a law simplifying the acquisition of Romanian citizenship. It is hard to say today just how many Romanian passports have already been issued by consulates in Chernivtsi and Odesa and through the representative offices of Romanian state bodies.

It is highly improbable that handing out Romanian passports to people living in Ukraine will give Bucharest an excuse to make territorial claims against Kyiv in the foreseeable future. At the same time, this possibility cannot be ignored. “Passport-flooding” gives the Romanian government an excuse to “protect the citizens of our country” and to interfere in the domestic affairs of other countries. It also means that there will always be a serious irritant in bilateral relations. This may seem strange, but it suits Bucharest, which wants to maintain constant tension in its relations with Kyiv.

The presence of controlled tensions with a neighboring country that has a sizeable Romanian population can help politicians in power improve their public ratings when necessary, and also gain support from abroad. It appears that nothing improves the position of the establishment so much as the strong defense of the rights of fellow citizens. In addition, by straining relations with Kyiv, Bucharest would like to discredit Ukraine, which is Romania’s main rival for leadership in the region. This means, first of all, the Black Sea region, which is of particular concern for NATO and the European Union. The Black Sea is the crossroads of many transit routes for both goods and fuels.

Due to its permanent state of political crisis, Ukraine is currently a weak regional player and Bucharest wants to take full advantage of this opportunity. At stake is considerable funding from the EU and, possibly, the coming of a US military base. For Romania, this last possibility means establishing individual relations with the United States. Romania is already busy trying to raise its profile within the European Union, proposing that the country’s transit potential be utilized. It is not yet clear whether Bucharest will manage to lobby the port of Constanta and the country’s territory for the piping of Caspian petroleum to European customers. But the Romanian government swiftly latched onto the South Stream project, proposed by Moscow as a way to diversify the delivery of Russian natural gas to Europe.

Finally, ongoing tensions in Ukrainian-Romanian relations are intended to discredit Ukraine before the EU and NATO, presenting the country as an unreliable partner who is unable to maintain friendly relations with the neighbors. The world is already suffering from “Ukraine fatigue.” All of this offers Bucharest opportunities to pressure Kyiv into settling a whole series of economic and political issues and to establish a negative informational atmosphere around Ukraine.

In recent years, for instance, conflict arose between the two countries because of a channel being built by Ukraine from the Danube to the Black Sea in the Bystre estuary, which could compete directly with Romania's channel in the Sulina estuary. In order to remain the transit monopolist in the lower Danube region, Bucharest is doing everything it can to prevent the Ukrainians from using their channel—while at the same time building another channel of its own in the Georgi estuary.

Romania's actions around the Sulina Channel, which had a negative impact on Ukraine, caused Kyiv to turn to the implementation committee of the Espoo Convention, accusing Romania of violating its commitments under the convention. Among others, when Romania undertook deepwater and dredging works in the Sulina and Georgi channels, an artificial redistribution of the water balance took place that favored the Romanian estuaries of the river. In addition to this, the Romanians moved the dirt dug up in their channels into the joint Ukrainian-Romanian waters of the Chilia branch of the Danube, which is now causing Ukrainian territory to become polluted with heavy metals and chemicals.

The appeal to the Espoo Convention committee is one of the very few times that Kyiv has even minimally responded to Bucharest's policies. In recent years, Ukraine's leaders have simply closed their eyes on what their neighbor has been doing, underestimating the danger that Romania's policies could bring. As a consequence of Kyiv's lack of strategy in its relations with Bucharest until recently, the country has only been reacting to Romania's actions after the fact. This approach must change: Ukraine clearly needs a strategy for relations with this southwestern neighbor. In complete contrast to Kyiv, Bucharest has been very focused and goal-oriented. Knowing how aggressive Romanian diplomats can be, their ability to take advantage of long-standing support from Paris, and their superiority at using EU and UN mechanisms and the press, Ukraine should be prepared to face new challenges from Romania at any time.

Recommendations for the President

Romania's current policies towards Ukraine represent a considerable threat to Ukraine. To deal with that, Ukraine's leaders need to put together a proper strategy for relations with Romania.

1. Since Romanian diplomats are traditionally strong and since Bucharest depends on support from Paris, *win over allies to help Ukraine defend its national interests*. It would be good if they could match the weight and influence of Romania and France in the European Union and in NATO, as well as in other international organizations. The US can certainly offer plenty of

opportunities for this, and American support would definitely not hurt. But Washington is not especially interested in European affairs these days, concentrating instead on problems in Iraq and Afghanistan. So Kyiv should consider Romania's neighbors, who also have difficult relationships with Bucharest. Bulgaria may look like a weak ally, but Hungary has plenty of reasons to become a reliable partner for Ukraine in countering pressure from Romania. Nor should Kyiv forget about Russia: Moscow could also become an occasional ally for Kyiv in countering Bucharest.

2. *Stand up against the widespread issuing of Romanian passports to citizens of Ukraine*, as this could set the country up for serious problems in the future. There is a real risk that tens of thousands of residents of Chernivtsi Oblast and in Izmail and Reni Counties, Odesa Oblast will become Romanians by passport. At the moment, the threat is not serious, but no country needs a "fifth column." This is why Ukraine's government—special forces, courts, foreign ministry—should do everything possible to prevent this practice, bringing to Bucharest's attention that its diplomats are in violation of Ukrainian law. Meanwhile, residents of Chernivtsi and Odesa Oblasts should be made aware of the fact that they, too, are violating Ukrainian law by taking a Romanian passport without giving up their Ukrainian citizenship. Of course, any actions must be undertaken with caution so as not to increase pro-Romanian sentiment in the region.
3. *Take advantage of the mechanisms of the European Commission*. For instance, Brussels will not be pleased to find out that individuals with questionable citizenship in one EU country are working in other EU countries and taking jobs away from Frenchmen, Italians or Germans.
4. *Demonstrate to the world community that Ukraine upholds minority rights across the country*, including specifically those of Romanian immigrants. Romanians do not actually face discrimination from the Ukrainian government, and there is no talk of assimilation at all. All that matters is upholding Ukrainian law, which requires, among others, the ability to communicate in the official language and prohibits dual citizenship. Kyiv needs to maximize its use of Council of Europe and OSCE instruments and revive joint Ukrainian-Romanian monitoring of the respect of minority rights. Experts from international human rights organizations and the European Commission, as well as international media, should be invited to show how Ukraine upholds the minority rights of Romanians. The world needs to see not only Romanian but also Ukrainian points of view on events. It would not hurt if international experts traveled to Ukrainian-populated areas in Romania to see with their own eyes how the rights of Ukrainians are upheld.

5. *Get in Bucharest's way if it tries to register Moldovans living in Ukraine as Romanians.* On this issue, Kyiv could find common ground with Chisinau. Despite strongly pro-Romanian attitudes in Moldovan society and among its politicians, many Moldovan politicians are very much against having Moldovans considered Romanian.
6. *Protect Ukraine's environment by regularly turning to the secretariat of the UN's European Economic Commission, the International Commission for the Protection of the Danube, the European Commission, and so on to resolve contentious issues with Romania.* For instance, Bucharest is determined to get Kyiv to withdraw from its Danube–Black Sea channel, the Bystre estuary. There is no reason for Ukraine to abandon this project, as it gave a spur for economic development in the depressed Prydnavia region. Other options for creating a channel through the Ukrainian estuaries of the Danube are not profitable. The Danube–Black Sea channel through the Bystre estuary does not threaten the Danube biosphere park or the environment in any way. These points need to be raised before the international community. In contrast, the Sulina channel in Romania is having a definite negative impact on the environment of Prydnavia, just like Romanian entrepreneurs, who often pollute the Danube and the Prut.
7. *Above all, establish a hard, consolidated position at the top levels of Ukraine's government, and ensure executive discipline in government bodies.* Romania needs to understand that it is dealing with a country that will strongly defend its interests. Only then will the use of soft power bring the desired results. This did not happen under President Viktor Yushchenko. Even when the National Security Council managed to adopt an action plan to promote Ukraine's interests in this or another region, the unbalanced government machine could not handle the tasks assigned. Some link in the chain inevitably breaks. This is precisely the difference between Kyiv and Bucharest, where regardless of which politician was Head of State or ran the Government, the government machine carried out the necessary activities.

UKRAINE AND MOLDOVA: TIME TO TALK OPENLY

Aliona HETMANCHUK

The Republic of Moldova is the smallest of Ukraine's neighbors, yet the most troublesome as well. An undemarcated border, the frozen conflict in Transnistria,⁴ a Ukrainian community on both sides of the Dnister whose interests are not always defended, common challenges linked to neighboring Romania—all these prevent Kyiv from dropping Chisinau from its sights for any length of time.

The cornerstone of Ukraine's policy towards Moldova is preserving the sovereignty and territorial integrity of a neighboring republic. It is through this prism that the problem of the breakaway republic of Transnistria is seen in Kyiv. And this is a key issue for the development of bilateral relations between the two countries as well.

The outwardly unproblematic dialogue between Kyiv and Chisinau has actually been clouded by a fog of unresolved issues for many years. First among these are the demarcation of the state border and a number of property issues, ranging from resorts to a hydroelectric station. Despite promises from Moldovan officials to resolve these matters once and for all, many problems continue to loom over bilateral relations and prevent real progress.

As a result, there is evident irritation among Ukrainian officials who have had close dealings with Moldova, over the way the country carries out its policies regarding Ukraine. Kyiv has placed considerable hopes on the new leadership in Chisinau. And the reason for this was not long in coming: the current Administration in Moldova has finally put Ukraine among its foreign policy priorities, next to Romania. In addition, the new Speaker of the Moldovan legislature, Mihai Gimpu, supposedly promised President Viktor Yushchenko at the CIS summit in October 2009 that the new Government was prepared to resolve all issues with Ukraine and then “move together towards Europe.” However, it seems that the new Government of Moldova essentially proposed to start negotiations on the touchiest issues “from a blank page”—thereby attempting to level all the understandings reached previously.

Another set of issues that affect Ukraine's policies towards Moldova is Kyiv's involvement in resolving the Transnistria conflict. True, this issue is not being raised at the level of bilateral talks with Chisinau: Kyiv sees it as one that needs

⁴ Known as Prydnistrovia in Ukrainian.

to be resolved at the international level. Even the Foreign Ministry has separate people dealing with relations with Moldova and solving the Transnistria problem. It would make sense to consider bringing these issues under a single line department, given how directly related they actually are.

With the coming to power in Chisinau of a government clearly interested in European integration, at least according to its statements, some experts have predicted that Ukraine and Moldova could join forces in promoting their mutual progress towards the European Union. All the more so that Moldovan diplomats have consulted with their Ukrainian counterparts more than once in the past on EU matters of various kinds. Indeed, Ukraine's unofficial leadership role in the Eastern Partnership (EaP) is hard to deny. Even the European Commission, based on available information, is not against the idea of Ukraine and Moldova working in tandem.

Still, despite being united by their common desire to become EU members and their common membership in the EaP, there is little indication that Ukraine and Moldova currently have what it takes to jointly achieve accession. On the contrary, there is good reason to believe that Chisinau's main partner in this direction will not be Kyiv, but Bucharest. Diplomatic sources in Moldova say that their leaders have been promised that Romania would do everything in its power to get Moldova into the European Union as part of the Balkan group.

The border leads, as ever

Ukraine's biggest challenges with regard to Moldova have a major security component. First among these is border demarcation. For Ukraine, this issue is critical for two reasons. Firstly, as Kyiv integrates more and more into the EU and NATO, it has gained significance for the Union with the launch of visa-free talks between Kyiv and Brussels. Secondly, despite the EU's EUBAM monitoring mission, Moldova remains extremely vulnerable to illegal trafficking beyond official border crossing points, from commodities like cognac to high-end cars, and even to human beings.

At this time, three areas of the border are not demarcated: the central section, known as the Transnistrian section; a section around the Dnistrovka HES-2 (hydro-electric station) buffer zone; and a section to the south, around the now-port of Giurgiulesti. Whereas the last two cannot currently be established locally because of unresolved border-crossing issues (discussed further), the demarcation of the central section has long been viewed in Kyiv as hostage to the lack of political will in Chisinau. Year after year, Moldova finds one reason or another to explain why it stands against the start of local demarcation. Among the official reasons listed is a lack of funds. Among the unofficial ones: the risk for Moldova that Transnistria will take advantage of this process to establish

posts bearing Transnistrian attributes and the sign, “Transnistrian Moldovan Republic,” along its section of the border. For some Moldovan negotiators, this would be tantamount to Ukraine’s recognizing the breakaway enclave.

Demarcation of the Transnistrian section has been dragging on for over five years, including a visit by NSC Secretary Raisa Bohatyriova in November 2009 to the Republic of Moldova. After the visit, the Ukrainian side apparently sent a note to the Moldovan side calling for demarcation to begin as soon as possible, and verbally requested that it start within 10 days. Otherwise, the note stated, Ukraine was prepared to start demarcating the central section of the border unilaterally. At the same time, Kyiv notified Brussels and Washington, both observers in the Transnistria process, of its intentions.

At the end of 2009, the Deputy Foreign Ministers of the two countries, Kostiantyn Yeliseiev for Ukraine and Andrei Popov for Moldova, took on direct responsibility for the resolution of the touchiest issues between the two countries, including border demarcation. This was necessary not least because resolving border issues with Belarus and Moldova was marked “urgent” on the list of priorities of the then-newly appointed Foreign Minister, Petro Poroshenko. The Presidential election in Ukraine finally pushed this process into motion and at the moment of writing, the demarcation of the section has symbolically begun with the laying of the first border marker, with the participation of Mr Poroshenko, his Moldovan colleague and representatives of the European Commission.

This was quite timely, as Ukraine has not abandoned its plans to begin demarcating the border unilaterally if Moldova continued to use delaying tactics. Kyiv was also ready with a few more cards in its deck. For one, the implementation of an admission regime for Moldovan citizens requiring proof of a suitable amount of money, based on a resolution issued in May 2009 but suspended at the request of the Moldovans.

While the demarcation of the central section depended purely on political will in Chisinau, that of the border near the buffer zone around the Dnistrovska HES-2 and the Giurgiulesti transport and fuel complex is directly tied to the fulfillment of agreements reached between the two capitals. In violation of agreements signed in the mid-1990s on the exchange of a land parcel near the village of Giurgiulesti, Ukraine has yet to receive a deed to the property. Meanwhile, Moldova itself has long been making use of what is effectively the new status granted to it by Ukraine, that of a maritime region, and has been building up a transport and fuel terminal on the site.

What’s more, the Moldovan side has raised the question of “acquiring” additional territory in the vicinity from Ukraine, in order to make it easier for tankers to pass through. Kyiv is open to the idea, in exchange for Chisinau’s allow-

ing the border to go around the Dnistrovska HES-2 buffer zone, as some of the technical buildings related to this station are currently on the Moldovan side. One of Ukraine's most recent proposals mentioned offering Moldova a long-term lease on the land parcel near Giurgiulesti in exchange for Ukraine's getting a lease on part of the territory of the power station. Moldova rejected the offer. Instead, the republic's new leadership insists on getting more land around Giurgiulesti in exchange for the deed to the land near Palanka, which Moldova was supposed to have handed some 15 years ago. For Ukraine, this business of "selling" one and the same concession twice is seen as little more than a kick-back fee for bilateral talks.

Obviously, the political crisis in Moldova, with the failure of several attempts to elect a President, does little to move border issues with Ukraine towards resolution. Still, a new President in Ukraine should not put the Moldova question into a deep drawer, but, take advantage of the dynamic of the last half-year of negotiations and push things through to their logical conclusion.

Waiting for Transnistria to go European

Ukraine's involvement in resolving the Transnistria problem offers the country both an opportunity and a certain amount of threat. Kyiv's active position towards Moldova has so far brought a number of political dividends: the break-away region is the only frozen conflict where Ukraine has been directly mediating a dispute resolution process, in the so-called 5+2 format. In addition, Ukraine can, unlike the other mediator, Russia, influence the situation because it has an important trump card: a common border with Moldova. In this way, the Transnistrian issue is a diplomatic rallying point for Kyiv, which could play a key role in resolving the only post-soviet conflict directly bordering with the European Union. And this would mean a lot, not just to Ukraine but to the EU as well.

This situation also presents a number of threats for Kyiv. First among these are Moldova's occasional attempts to turn Kyiv from conflict mediator into direct participant. Such machinations have been possible not least because Ukraine often underestimated the skills of Moldova's diplomats, including in relation to the EU. Having nurtured its image as a "poor, defenseless relative" whom everybody abuses, Moldova has successfully gained the support of powerful external players, including on issues Kyiv sees as fairly contentious.

Secondly, Chisinau does not perceive Ukraine as an independent player in Transnistria. Local politicians and analysts believe that in order to get Kyiv over to one position or another, all that is necessary is to gain the support of the European Union. The most successful case of Chisinau influencing Kyiv through Brussels was the institution of new customs rules for crossing the Ukraine-Mol-

dova border. Transnistria and Russia interpreted this as an “economic blockade” of the separatist enclave.

At first glance, Ukraine’s peacemaking achievements in Transnistria appear quite modest. Mr. Yushchenko’s 2005 plan, ambitiously named “Resolution through Democratization,” could never become the key regulating document because Russia simply did not accept it—and traditionally offers its own initiatives for the final resolution of a conflict. At the same time, it should be said that Ukraine was instrumental in getting the EU and the US involved as observers, and in getting the EUBAM monitoring group on the Ukraine-Moldova border up and running. Without Ukraine’s consent, Moldova would not have been able to take such important steps as, say, the passage of cars with Transnistrian plates outside its territory.

Ukraine has two main positions in resolving the Transnistria conflict. First, the conflict has to be resolved on the principle of the territorial integrity and sovereignty of the Republic of Moldova. Second, this should be done using the 5+2 negotiating format. The importance of this second position became obvious when Russia launched consultations with Chisinau and Tiraspol in a 2+1 format. The arrangements of the trio were presented in a joint statement issued by Russia’s Dmitri Medvedev, Moldova’s Vladimir Voronin and the enclave’s leader, Igor Smirnov, on 19 March 2009. At the insistence of Transnistria, the document contained not one word about maintaining the territorial integrity of Moldova, and its fourth point actually announced that the Russian military presence in Transnistria would be transformed into “a peace-keeping operation under the aegis of the OSCE” only after the Transnistrian conflict was resolved. In this way, Russia effectively started carrying out its Kozak-2 plans.

According to diplomatic sources, Russia was looking at eventually changing the 2+1 format into a 2+2 format with the involvement of either Ukraine or the EU. The participation of either of these is necessary for the Russians as a kind of insurance that there will not be a repeat of Moscow’s failed 2003 plan to resolve the issue, called the Kozak Memorandum. Immediate reactions from both Washington and Brussels were very negative because the trilateral statement had been put together as a backroom deal. Another form of insurance this time around could be that Russian diplomats are ready to agree a final resolution, even in the 5+2 format, though most likely only nominally. But with the arrival of a new government in Chisinau, the viability of the 2+1 format once it expands to 2+2 and the fate of Kozak-2 “lite” are both under question.

Ukraine primarily hopes the conflict will be “Europeanized” with the arrival of a new political leadership in Moldova—that is, that the role of the European

Union in the resolution process will grow. This is important for Kyiv and not just because Transnistria is the only frozen conflict in which Ukraine is playing a direct role. Nearly a third of Transnistria's population is ethnically Ukrainian, and nearly 100,000 of its residents are Ukrainian citizens. Transnistria is the only other region in the world where Ukrainian is an official language, along with Moldovan and Russian. In this context, it is unusually important for Ukraine that the confidence-building measures between Tiraspol and Chisinau, proposed by President Voronin in 2007 and later reinforced by EU proposals in 2008 (the Union offered an additional socio-economic stimulus package and is prepared to finance it) continue to roll out, regardless of the state of the 5+2 talks.

Recommendations for the President

1. *Follow a consistent policy directed at maintaining Moldova's sovereignty and territorial integrity.* As long as there is an impression in both Chisinau and, especially, Tiraspol that at any moment the borders of Moldova can be re-revised, the leaders of the enclave will have little incentive to engage in serious dialogue on reintegration.
2. *Settle the demarcation issue once and for all.* So far, Ukrainian-Moldovan relations have been distinguished by the fact that, no matter who was in power in either capital, neither found the political will to close the book on border demarcation. The new government in Moldova has made the first step towards an understanding on this issue, the proof being the official start of the Transnistria demarcation process. Kyiv needs to make it absolutely clear to Chisinau that full-fledged dialogue between the two countries will only resume after real demarcation of the Transnistria section of the border takes place and readiness to accept compromise solutions in rapidly settling the situations around the Dnistrovska HES and the land parcels near Giurgiulesti is demonstrated. Should Moldova refuse to compromise on demarcation, Ukraine needs to consider instituting a strict border regime on its Moldovan border.
3. *Promote a stronger role for the European Union in resolving the Transnistria conflict.* Launch joint Ukraine-EU initiatives in Transnistria. Work intensively to set up a "Dnister" Euroregion that would contain Moldovan counties, including Transnistria, and border counties on the Ukrainian side, with funding from the EU—something that Hungary is already negotiating. Mediate in the dialogue between the EU and Transnistrian leaders ready to engage in constructive dialogue.

4. *Prevent backroom attempts to carry out Moldova's European integration plans along the Chisinau-Bucharest axis.* As an immediate neighbor of Transnistria, Ukraine has a stake in the transparency of any options for reincorporation into Moldova and progress toward EU membership. It also has a stake in ensuring that Brussels controls the process. Get the new Administration in Chisinau—and the Romanian government—to understand, by whatever means possible, that the Transnistria conflict cannot be resolved without the participation of Transnistria itself.
5. *Work on getting Romania to finally sign a basic agreement and the Border Treaty with Moldova.* Endless speculation over a possible union between Moldova and Romania is one of Transnistria's main arguments against resolving its conflict in line with the territorial integrity and sovereignty of the Republic of Moldova. Signing these treaties with Moldova could be the biggest contribution Romania can make to resolving the Transnistrian conflict. Kyiv must put its best diplomatic efforts into getting Romania to finally sign the basic agreement with Moldova and the Border Treaty between the two countries. This means engaging Ukraine's EU allies and the US, both of whom have their own means of influencing Bucharest.
6. *More actively engage the sizeable Ukrainian community in Moldova—including in Transnistria—in carrying out Ukraine's policies in Moldova.* Settle the issue of opening up a Ukraine House in Tiraspol, whose premises, according to some sources, will be provided cost-free by the Transnistrian side. Increase the number of scholarships for Transnistrian students in Ukrainian educational institutions.
7. *Look into options for expanding the functions of the relevant department of Ukraine's Foreign Ministry.* It would be good for this department to simultaneously handle Ukrainian-Moldovan relations and the Transnistria question, given the impact of the internal political and economic situation in Moldova on progress in resolving the conflict.

Conclusion

Ukrainian-Moldovan relations will never mature as long as Ukraine is perceived in Moldova as dependent on and vulnerable to outside players. Meanwhile, the new President should take advantage of the arrival of a new government in Chisinau to demonstrate firmness on its key interests, regardless of the positions of the EU or Russia.

UKRAINE AND BELARUS: THE NEIGHBORHOOD SEE-SAW

Varvara ZHLUKTENKO

When it comes to neighborly relations, Ukraine and Belarus definitely fall into the category of underachievers. For one thing, there are several factors that could have brought both sides serious dividends.

For instance, Belarus is one of Ukraine's leading trading partners. According to Derzhkomstat, turnover with Belarus was nearly US \$4.9 billion in 2008. That was US \$200 million more than Ukraine's trade with such a heavyweight and strategic partner as the US. Belarus is also the crossroads of transport and energy corridors running from the Baltic to the Black Sea.

Politically, Belarus is a kind of gateway into the Russian sphere of influence. Many EU countries would gladly find a key to this gate, but have so far been unable to do so. This is mainly because President Alyaksandr Lukashenka is more interested in playing off the West against Russia than in permanently joining either side. Some newer EU members and US allies like Lithuania and Poland have tried to use their participation in the "democratization of Belarus" to strengthen their own positions in the EU—without noticeable success.

For almost four years following the Orange Revolution, relations between Ukraine and Belarus remained comatose. In 2005, President Viktor Yushchenko signed a joint declaration with George Bush committing Ukraine to support freedom in Cuba, Iraq and Belarus. Kyiv's assurances that "real friends" can always talk openly about their problems were not especially welcome in Minsk. After this, the two Presidents kept putting off a face-to-face meeting, even as bilateral trade continued to climb.

Kyiv's Belarus Policy

Ukraine's current policies regarding Belarus began to take shape in the fall of 2008, when the Foreign Ministry put together a concept for closer ties with Belarus that was based on something the West had already noticed: political pressure on the Lukashenka regime was not producing the desired results. Mr. Lukashenka is the one who counts and here "it's not worth trying to be holier than the pope," as one senior Ukrainian diplomat put it.

Until the EU invited Belarus into the Eastern Partnership, the problem with mutual borders remained serious between Ukraine and Belarus. The 1997 Trea-

ty on the State Border has still not been ratified by the Belarusian legislature. For more than a decade, Minsk has held up ratification over a controversial debt that had materialized as the Soviet Union was falling apart. Belarus considers it a public debt, owed by the state of Ukraine, while Ukraine says it is a private debt, incurred by businesses. After lengthy horse-trading, the total debt currently is pegged at around US \$50 million, despite the initial claim of over US \$200 million.

During the long-awaited visit of the Belarusian leader to Kyiv in November 2009—for four years, Ukraine’s leadership had been willing to welcome Mr. Lukashenka anywhere but the capital—, some basic agreements were announced. The Belarusian legislature would at last ratify the Border Treaty. In the first days of 2010, word came that the document had already been submitted to the Belarusian parliament. The Belarusians have promised to ratify it during the spring session, which starts 2 April.

Diplomatic circles in Ukraine are not especially excited by this news. After all, even if the National Assembly of Belarus finally ratifies the long-suffering treaty, there is no guarantee that the Belarusian President will hurry to exchange ratification documents with his Ukrainian counterpart. There is in fact good reason to believe that Mr. Lukashenka will be inclined to use this last step as leverage against Kyiv.

Just to get the Border Treaty on the agenda of the Belarusian parliament, Ukraine has already made Belarus a slew of attractive propositions. The story of how exactly Ukraine “persuaded” the Belarusian President varies depending on which Ukrainian line ministry or institution is asked, but the following incentives have been offered: joint use of any funding the European Commission might provide through the Eastern Partnership, discounted deliveries of Ukrainian electricity to Belarus and reduced rates for the storage of Belarus’s natural gas in Ukraine’s underground storage facilities.

Belarus is especially interested in the electricity discount, which will lead to the indirect reimbursement of the aforementioned US \$50 million debt owed by Ukraine.

One more important issue for Belarus is enacting an already-signed agreement on market trading between the two countries. This agreement provides a simplified procedure for residents in the adjacent border regions to bring goods and produce into the other country on market days. For the Belarusian President, who regularly boasts that he has not closed down a single collective farm, this agreement is particularly important.

To soften Mr. Lukashenka further, Ukraine has also agreed to lobby PACE to return Belarus its status as special guest. This status is an instrument for bring-

ing the country closer to the standards of full-fledged membership in the Council of Europe. Lawmakers from select countries can participate in the work of the Assembly on a non-voting basis. The Belarusian parliament enjoyed this status from the early 1990s until 1997 and lost it after its 1996 Constitutional referendum, which removed term limits on Mr. Lukashenka. Shortly afterwards, Belarus's application for membership in the Council of Europe was put on hold. In order to renew its status as a special guest now, some members of PACE, such as Cypriot representative Khristos Purguridis, are attaching new requirements, such as a ban on the death sentence in Belarus.

As to what opportunities might arise to expand relations between Ukraine and Belarus, economic and other pressures are making Minsk look for alternative partners to Russia, both in Western Europe and among CIS countries. It needs markets for its products.

One project that could bring together Belarus's interests with those of Ukraine, as well as Baltic members of the EU, is the Odesa-Brody pipeline. Reversing its flow and building another leg not to Poland—which has been unable to allocate land for the pipeline for years and is vulnerable to its own powerful Russian lobby—but from Mozyr to Plotsk (Belarus) would bring great benefits for the country. However, this project also needs real, rather than declarative, political will on the Belarusian side, as well as commitments from its eventual suppliers of crude oil, Azerbaijan and Kazakhstan.

Threats

Threats in relations with Belarus lie mainly in the continuing authoritarianism of the Lukashenka regime and, as mentioned earlier, the President's inclination for sly maneuvering—as well as Russia's unflagging interest in controlling Belarus.

Despite being included in the Eastern Partnership and getting crisis credits from the IMF, despite the change in the White House last year, and despite the fact that, after the Russo-Georgian war in 2008, the EU has been eager to shore up a system of counterweights to Russia's influence over post-soviet territory, politics continues to dominate Belarus's relations with the West. At the November 2009 session of the Council of the European Union a resolution was passed that confirmed the lack of significant progress in Belarus in such areas as freedom of assembly, freedom of the press, free elections, and the release of political prisoners (prisoners of conscience).

The EU Council ended up not lifting the ban against Belarusian officials wanting to travel to the EU, extending it instead until October 2010. Commenting on this decision, the speaker of the European Parliament, Jerzy Buzek, was

quite unambiguous: “If we don’t see specific progress towards democracy in Belarus over the next 12 months, the process of *rapprochement* will have to be stopped.” Swedish Foreign Minister Carl Bildt, whose country held the EU’s rotating presidency in the second half of 2009, was less radical in his evaluations, as befits an official and diplomat. “We’re disappointed with the pace of progress, but we’re not giving up. We will continue to look for ways to motivate Belarus to move in a good direction,” he said in November 2009.

The February 2011 Presidential election in Belarus will be a definite challenge for both the EU and Ukraine. In the absence of a viable alternative to Alyaksandr Lukashenka in the current political environment in Belarus, further relations between Minsk and the West will depend a good deal on how the campaign and the actual vote take place: whether the opposition has access to the media, how the government reacts to any protests, and so on.

When formulating Ukraine’s policy towards Belarus, it is worth keeping in mind that Russia will never abandon its interests in the country, whether geopolitical or economic. Russian expansion into Belarus’s economy continues. At the end of 2009, for instance, Russia’s Sberbank, the once-soviet national savings bank, finally acquired Belpromstroybank, the country’s third largest. Since Minsk wants a price freeze on Russian natural gas—its average price was around US \$150 over 2009—, Russian loans to pay for that same gas, and Russian customs duties to be lifted on the export of crude oil, the Kremlin has more than enough leverage to pressure Mr. Lukashenka. The last issue was particularly urgent during the oil crisis between Moscow and Minsk at the beginning of last year.

In addition, at the end of 2009 the Presidents of Belarus, Kazakhstan and Russia in Minsk signed a number of agreements to set up a Customs Union. Mr. Lukashenka wasted no time stating that he would like to see Ukraine join as well. However, Kyiv’s priorities include setting up a Free Trade Area with the European Union, not reviving the Common Economic Space in any form.

The Belarusian President will continue his see-saw policies in the future, in an effort to obtain fuels for moderate prices from Russia and investment capital from Europe. Minsk will continue to blackmail both Brussels and Moscow with the threat of getting cozier with either side. Given all this, Ukraine should avoid any obvious games with Alyaksandr Lukashenka, as these generally serve his foreign policy and economic objectives. Kyiv needs to establish real, pragmatic goals and not make any major commitments to third parties: if Europe’s *enfant terrible* wrecks any projects, responsibility will also fall on Ukraine as the “elder sister” in this Eastern European pair.

Recommendations for the President

The new President should maintain personal contact with Alyaksandr Lukashenka. Belarus's internal political structure means that this kind of contact will be decisive in the evolution of bilateral interaction at all levels. Ukraine must:

1. *Take advantage of the opportunities for Belarus-Ukraine cooperation provided by the Eastern Partnership.* The top priority must be border demarcation with the help of EaP funding. Pragmatic interaction within the EaP will provide Belarus with necessary arguments for its dialogue with Russia, which has expressed dissatisfaction with the initiative during bilateral negotiations.
2. *Reach consensus with the EU regarding the line of approach towards the Belarusian opposition,* which is currently unable to consolidate and promote a strong alternative to Mr. Lukashenka. Keep in mind that the incumbent Belarusian leader will not allow the sudden democratization in his country, nor rapid movement towards the West. But if a critical mass of Belarusians become familiar with the “allurements of capitalism”—and that is entirely possible once EU visa requirements are lightened—, this could actually shift the stance of Mr. Lukashenka himself. For him, continuing the balancing act between Russia and the West and proclaiming the “unique model” of development in Belarus benefits him personally.
3. *With the approach of Belarus's Presidential election in 2011, start thinking about Ukraine's own strategy and tactics now.* Keep in mind, again, that Kyiv will only be able to influence events at all if it maintains personal contact at the highest level. Since Mr. Lukashenka will likely be more interested in legitimizing his latest re-election before the West, Ukraine should send a large delegation of observers to Belarus. But such a step will only mean something if the groundwork is laid through prior diplomatic efforts with the Belarusian leader to persuade him that at least a modicum of political liberalization would be good for the country.
4. *Keep ratification of the Border Treaty on the table,* using joint economic projects that appeal to the Belarusian President. Given how the Belarusian leader has been feeding Moscow with endless promises to recognize the independence of Abkhazia and South Ossetia, yet even the dairy war of Summer 2009 failed to “persuade” him, Ukraine should not sit still until the Treaty is has been ratified by the parliament and ratification documents have been exchanged.
5. *Actively engage with Belarus in the realization of the northern component in Odesa—Brody—Plotsk—Gdansk project.*

TURKEY: THE FORGOTTEN STRATEGIC PARTNER

Serhyi SOLODKYI

After the Orange Revolution, the citizens of six EU countries were polled. Six thousand respondents in France, Germany, Italy, Spain, Britain, and Poland were asked: “Who would you rather see join the European Union: Ukraine or Turkey?” The result of the survey was that 55% wanted to see Ukraine join, while less than 10% wanted to see Turkey in the EU. This 2005 poll took everybody by surprise, not the least Ukrainians themselves.

The new force: Turkey gets muscle

So are Ukraine and Turkey allies or rivals? At the moment, they’re only neighbors united by a shared Black Sea. They could become allies, they could become rivals, but all this is still in the future. What can be stated right now is that Ankara and Kyiv are not competitors, at least not in terms of European integration. Although Turkey has progressed much further down its path to membership than Ukraine, Brussels is still not ready to give Ankara the green light. Of course, once both countries find themselves within spitting distance of accession talks, there might be some clashes. That would most certainly be the case if the accession could only be offered to one of the two. Fortunately, that question is currently not being asked.

The two countries could gain real benefits right now if they were to build a cooperative relationship as allies. To date, not a single serious political conflict has emerged between Ukraine and Turkey, and bilateral trade was growing apace until the crisis struck. In 2008, Ukrainian-Turkish turnover was US \$8 billion—US \$3 billion more than it had been in 2007. In the post-soviet region, Ukraine is Turkey’s most important trading partner after Russia, with whom Turkey does US \$38 billion worth of business a year. US \$26 billion of that is in Russian oil and gas imports to Turkey.

Relations between Ankara and Kyiv were declared strategic back in the 1990s. Although Ukraine uses the term “strategic partnership” left and right, when it comes to Turkey, this is not an empty phrase. Today, Turkey is probably the most important political player in the Black Sea basin, with the possible exception of Russia. The political and military clout of other aspiring regional leaders, such as Romania, does not compare to that of Turkey. Turkey has a strategic position

on the Eurasian continent as well: a model of stability and democracy surrounded by mostly militarized or authoritarian states. At the same time, Turkey is a bridge between West and East, between Europe and Asia. The Turkish economy ranks 7th in wider Europe and 17th in the world. With over one million in uniform, the Turkish armed forces are NATO's second largest.

US President Barack Obama made his first overseas visit to Turkey. During his stay in Ankara, the American leader noted: "I want to testify to how important Turkey is, not only for the United States, but for the entire world."

Stratfor, a respected private intelligence company, has predicted that in 20-30 years, Turkey's influence will stretch far beyond the Black Sea and the Middle East. Turkish politicians argue that while Iran and Israel tend to provoke concern and even fear because of their expansionist policies, Turkey's is a stabilizing force because it is aimed at spreading peace and security.

Why shouldn't Ukraine reach a hand out to Turkey?

Turkish diplomacy has won considerable appreciation in the Muslim world, and its position is similarly strong in dialogue with western countries. For example, it spoke loud and clearly against the nomination of former Danish Prime Minister Anders von Rasmussen to the post of Secretary-General of NATO. Rasmussen had been at the center of a noisy scandal in the Muslim world over cartoons depicting Mohammed. It took considerable effort to persuade the Turks that Rasmussen was the ideal man to lead the Alliance. In his turn, the new General Secretary thanked Ankara for its willingness to compromise by also making it his first overseas stop.

Similarly, Turkey refused to provide the United States any support during its military campaign against neighboring Iraq in 2003. Although analysts have long dropped the stereotype of a pro-American Turkey, Ankara continues to make a point of demonstrating its independence. Lately it has been succeeding, now that its ambitions match its reach, thanks to the country's strong economic growth in recent years.

In 2003, the Justice and Development Party (AKP) came to power in Turkey and its leader, Recep Tayyip Erdogan became Prime Minister. The appearance of this political party raised some concerns in the European Union, where it was assumed that this mildly Islamist party would reject the secular principles on which the state had been built. In European capitals, anxiety grew that Turkey would change from the course that its first president, Mustafa Kemal Ataturk, had set. Ataturk had initiated a change in the type of state the country would be and instituted the first radical reforms aimed at liberalizing the lives of ordinary Turks.

The AKP came to power on slogans that were based more on traditional state-building. Although the Turkish leadership, represented by the leaders of the AKP, has clearly stated that it does not intend to change the secular orientation of the Turkish state, ordinary Turks have grown more and more disillusioned with the West in recent years. This is particularly true of the European Union, with whom Ankara signed its Association Agreement in 1963. In the last seven years, the number of Turkish voters who support their country's integration into the European Union has gone down by nearly two thirds. This trend is likely to continue if Brussels does not give the country a clear prospect for membership—which is unlikely to happen any time soon.

Although the current Administration in Turkey is often called conservative, it typically looks for new approaches in diplomacy. And, so far, it has done very well. It is Turkey's current leaders who opened dialogue with Armenia—however nominal it may be—after nearly a century of treating the country as one of its worst enemies.

The main idea promulgated by Mr. Erdogan is very popular among Turkish voters: building a strong, renewed Turkey based on its own traditions. And although Turkey has always shown more than a little interest in Ukraine, it was Mr. Erdogan who, in 2003, chose Ukraine as one of the “main countries with whom Turkey will develop relations to an ideal level in the short and long terms.”

What unites us?

Ankara's main reason for this declaration was that Ukraine is the closest to Turkey in terms of physical size, geographic location, size of population, and geopolitical significance. The energy component also factored in that both countries play a key role in energy distribution, linking suppliers with consumers.

Just as Ukraine plays the key role in delivering gas from Russia to the European Union, the EU depends on Turkey's transit network. The best-known project is the Baku-Tbilisi-Ceyhan oil pipeline from Azerbaijan to Turkey. This has become one of the components of Ankara's foreign policy strategy to become an energy source for the West. Once Iraqi oil from Kirkuk gets to Ceyhan—and in future Egyptian and Iraqi natural gas as well—this port will become strategically significant. In the energy sector, Turkey is prepared to work with all possible partners, including Russia. In 2002, the Blue Stream joint Russian-Turkish gas pipeline went on line. It is supposed to operate at maximum capacity by the end of 2010, with gas deliveries expected to be around 16 billion cu m annually.

Of course, given its wide range of energy suppliers and consumers, Turkey has more room to maneuver, including politically, than Ukraine. Herein lies a major difference between the two countries, although it does not negate Ukraine's status as one of the main energy transit countries to the European Union. For the time being, none of the existing routes is in a position to replace the transit lines through Ukraine.

In working toward the development of "model relations" with Kyiv, Ankara is also looking at the fact that Ukraine can truly be an equal partner, while the US and the EU continue to play the role of "senior partners." None of Turkey's immediate neighbors fit the bill, either because they are too small to develop an equal relationship or because their international position suffers from military instability or excessive violations of human rights.

Still, seven years have passed since the idea of "model relations" was first mentioned, and it has remained at that abstract level ever since. The main culprit is Ukraine's political instability. At first, the idea was linked to the Orange Revolution in 2004, which forced the world to look at Ukraine with new eyes. But Ukraine's decline into serial political crises killed any international interest, not just Turkey's, in working with the country.

It is safe to say that Ukraine's politicians have not yet fully understood the importance of developing relations with Turkey. In recent years, Ukraine focused more on closer neighbors such as Russia, Poland, Georgia and even Belarus. Turkey was always treated as a more distant partner.

Against this background, the expansion of relations between Turkey and Russia is very noticeable. Moscow and Ankara have great expectations of one another in the energy sector. Where these countries were earlier discussed in terms of rivalry, nowadays they are looking more and more like allies. Turkey is likely attracted to Russia's consistency and reliability—which is not something that can be said about Ukraine. Turkish politicians have been disenchanted with their Ukrainian partners because of inconsistency in Kyiv. For instance, Ukraine has long been promising to drop visa requirements for Turkish citizens, but still has not done so.

In fact, Turkish businessmen have expressed considerable interest in investing in Ukraine, but they often turn down potential projects for two reasons. Firstly, visa barriers and, secondly, corruption among Ukrainian officials. Turkish business has shifted to western standards of interaction and major Turkish corporations are on world markets, where transparency is the rule. Investment in Ukraine has always been highly risky, but now there is the added blow of the massive crisis that has hit economies and financial institutions around the globe.

Recommendations for the President

1. *Get those model relations on track.* The new Administration in Kyiv should revive political dialogue with Ankara. First, it will be necessary to look into how much interest remains in establishing those model relations. President Yushchenko visited Turkey officially only twice: in June 2005 and in October 2008. In 2007, he also went to Istanbul to participate in an international conference. Turkish Premier Erdogan came to Kyiv only once, in April 2004, during the Kuchma Administration. Today, it is clear that Ukrainian-Turkish dialogue is definitely not on track. Despite assurances of mutual interest, real work developing projects together is not going on. Rumor has it that when President Kuchma came back from his visit to Turkey in 2000, he told the Ukrainian ambassador to Ankara: “The visit is over, so you can consider your diplomatic mission to Turkey accomplished.” This kind of remark reflects the level of cooperation between the two countries today—official visits and empty declarations.
2. *Ease visa requirements.* The Ukrainian and Turkish Governments drafted an agreement to simplify visa requirements long ago, but the issue has never made it to their agendas. President Yushchenko publicly promised to drop visa requirements for Turkish citizens. At any talks, Turkish officials kept saying they didn’t understand why Turkey was the only NATO member whose citizens are required to get visas to visit Ukraine. Since NATO’s last expansion, of course, this is no longer true. Unofficially, the signing of this agreement has been put off because of concerns raised by law enforcement agencies. Ukrainian intelligence and the Border Service have warned that canceling visa requirements for Turkey could allow members of terrorist groups to penetrate Ukraine’s territory. Resolving the problem with removing visa requirements might be possible with the signing of a special agreement between both countries on fighting international terrorism together. Incidentally, over the last two years, nearly half a million Ukrainian tourists have visited Turkey, whose southern Mediterranean resorts are extremely popular. But getting a Turkish visa is no problem for Ukrainians as it can be done at the airport on arrival. Until 2008, such visas cost Ukrainian citizens US \$20, but the cost has risen to US \$30. Still, dropping visa requirements altogether might make it easier for Ukrainians visiting Turkey, as they would not have to pay even this amount. In any case, the Turkish side should be given a clear answer as to why visas have not been dropped: security concerns, a revision of visa policies, or simple bureaucratic inertia.
3. *Solicit Turkish input for Euro-2012.* As of 1 January 2009, Turkish investors had put US \$133 million into Ukraine, and some 543 Ukrainian companies worked with some Turkish capital. Kyiv should be interested in increasing these figures, especially as relates to the Euro-2012 football championships.

Ukraine's Government could offer incentives to Turkish companies, which are well-known for their skill in constructing roads, airports and hotels. Tenders for Turkish companies could include a requirement to employ Ukrainians. In this way, Ukraine could resolve both the problem of quality preparations for Euro-2012 and that of employment for its citizens.

4. *Encourage Turkish support for Crimean Tatars—and more.* The Turkish Government long ago put together a program to support Crimean Tatars. It is important that such initiatives be continued and that some—namely educational exchanges—even be extended to include other categories of Ukrainian citizens. This might include programs for students to study in Turkish post-secondary institutions, or for professional development in fields where Turkey has developed a strong reputation. This could remove some of the suspicions of observers who think that Turkey has a hidden agenda, besides simple humanitarian assistance, in supporting Crimean Tatars.
5. *Work together on Black Sea security.* Turkey is particularly sensitive to the issue of security in the Black Sea Region. Kyiv and Ankara need to deepen cooperation in this area. The 2008 conflict between Russia and Georgia demonstrated just how explosive the situation in the region can be. Ukraine and Turkey could develop joint initiatives to strengthen peace and security in the Black Sea basin. All previous initiatives, such as the Black Sea Economic Cooperation (BSEC) need to be revised and expanded, especially in light of the Russo-Georgian war.

Conclusion

Ukraine and Turkey could easily become true regional allies. Competition between the two countries, even in European integration, is not really inevitable. Turkey has a much stronger lobby among EU countries than Ukraine. People diplomacy has enabled hundreds of thousands of Turks to live comfortably in Germany. However, Ukraine needs to understand one thing: although Turkey faces some nigh-insurmountable obstacles to membership in the EU—including religious issues, a semi-authoritarian state, and the unresolved Kurdish question—, it has carried out far greater reforms than Ukraine. So Kyiv and Ankara together could actually try to get the doors to the EU to open for both of them. For one thing, Turkey could share its Eurointegration experience with Ukraine, including the negative aspects. After all, it signed an Association Agreement with the European Economic Community back in 1963. And Ukraine should keep this in mind on its own path to the EU.

UKRAINE AND GEORGIA: UNITED WE STAND

Volodymyr KRAVCHENKO

Because of its situation as a major transport, oil, and gas hub, Georgia is considered the western gateway to the Caucasus. The country's geographic location interests major geopolitical players and obliges its neighbors to keep close track of its internal political and economic shifts. As they say, who rules Georgia, rules the South Caucasus: the "neck" between the Caspian and the Black Seas is a very narrow one.

Georgia's unique strategic location is also a major reason why Ukraine has shown such interest in the country since the early nineties. Add to that the two countries' common desire to fend off pressure from Russia, and it is little surprise that Ukraine and Georgia have been drawn into an open strategic partnership. Between Kyiv and Tbilisi, the leadership position belongs to Ukraine, which has far greater economic potential and political weight than Georgia.

In the aftermath of the Rose and Orange Revolutions, ties between Kyiv and Tbilisi grew very close. This partnership, reinforced by regular personal contact between the countries' two presidents, Viktor Yushchenko and Mikheil Saakashvili, has been dominated by common political goals. Both countries are trying to withstand Russian intrusions, both intend to join NATO and the European Union, both are active within GUAM, and both are keen to support democratic processes across the former Soviet Union. In fact, it was Kyiv and Tbilisi who initiated the creation of the Community of Democratic Choice (CDC).

At the moment, of course, neither country has much of a chance of joining NATO anytime soon. Indeed, given Georgia's internal problems, it is in Kyiv's interests for the Ukraine-Georgia "package" to be broken up. No one is saying much about support for democratic processes across the former Soviet Union, either: both GUAM-ODED (the Organization for Democracy and Economic Development⁵) and the CDC are now in a state of suspended animation. For these organizations to become active in the region again, Ukraine and Georgia both need to put an end to their internal political crises, and both their leaders have to want to revive these associations and once more become active regional players.

Today, Georgia is in an extremely difficult situation. Tbilisi needs Kyiv's support on all fronts. The Russo-Georgian war of August 2008 radically changed

⁵ The abbreviation of the first letters of the names of its member states: Georgia, Ukraine, Azerbaijan and Moldova. The ODED will hereinafter be referred to as GUAM

the situation in the Southern Caucasus: the level of tension and confrontation in the region is considerably higher now than it was a few years ago. For Moscow, Tbilisi is yet another sore point between Russia and the US, and it has no intention of letting Georgia slip out of its sphere of influence.

The threat remains that Russia will undertake limited military operations on Georgian territory, under the pretext of fighting separatists in the North Caucasus. This certainly does not foster security in the region. The political situation in Georgia itself is destabilized by thus far unsuccessful attempts by the opposition to remove Mr. Saakashvili from power. The country's transit potential has suddenly become far less attractive, and potential investors are understandably squeamish. With the added stress of the global financial crisis, Georgia's economy has gone into a tailspin.

Unfortunately for Ukraine, its top leaders—President Yushchenko and Premier Yulia Tymoshenko—failed to unite during the Russo-Georgian conflict. Still, Kyiv was among those who offered diplomatic support to Tbilisi, and despite pressure from Moscow it continues to cooperate with Georgia in military trade and technology. No matter who is in power in Tbilisi, Kyiv considers it critical to increase resistance to Russian pressure in the South Caucasus by supporting Georgia in every possible way. Otherwise, Ukraine could be next.

Needless to say, Tbilisi does not always have a constructive approach towards Moscow. But it is still in Ukraine's interests to offer the country every form of diplomatic support possible. First is the issue of territorial integrity. It is not very likely that Georgia will be able to regain sovereignty over Abkhazia and Southern Ossetia, but the country still needs continuing support. This is all the more pressing as Russia is counting on gaining some form of recognition from some countries and international organizations for the breakaway regions, thus legitimizing the situation that emerged in the Southern Caucasus after last summer's conflict.

Firstly, Kyiv needs to do whatever it can to prevent the deployment in South Ossetia and Abkhazia of international missions whose mandate does not cover the whole of Georgia. Secondly, Kyiv needs to continue emphasizing the need to expand the presence of an international peacekeeping contingent in Georgia, Southern Ossetia and Abkhazia, and to reduce Russia's presence. On these matters, Ukraine's leadership should make any concessions to Moscow. Yet, in supporting Tbilisi, Kyiv needs to avoid finding itself in a position where the tail is wagging the dog: that is, giving Georgians an excuse to use Ukraine in their own foreign policy interests.

The unfortunate truth is that the biggest obstacle to Georgia's further progress now is Mikheil Saakashvili himself. For many Georgians he has become an odious personage: a hot-headed authoritarian who lost the war to regain jurisdic-

tion over South Ossetia and Abkhazia at considerable cost to Georgians. With Georgia's political elite largely against him now, the country has found itself, like Ukraine, in a state of permanent internal crisis.

Kyiv must not pick sides between the President and the opposition. Maintaining contact with all of Georgia's politicians while remaining neutral is in Ukraine's interests. This position looks toward the future, keeping in mind that Mr. Saakashvili will not be around forever.

For the future of Ukrainian-Georgian relations, close political ties and awareness among Ukrainian politicians of Georgia's geopolitical importance will not be enough. If links between the two countries are missing an economic component and regular contact among their people, they are doomed to weaken. Today, Ukraine is one of Georgia's three main trading and commercial partners. Trade and commercial relations picked up between the two after Russia began to squeeze Georgia, applying economic and financial sanctions and raising transport and energy blockades. For example, in 2006, Moscow banned Georgia's popular wines from the Russian market, along with its famed mineral waters and farm products.

The Ukrainian market, like the Turkish one, saved Georgia's producers, while goods from Ukraine replaced Russian ones where possible. Today, Georgia wants to increase both its exports of fruit and wines to Ukraine and its imports of Ukrainian wheat. One factor spurring the expansion of bilateral trade and commercial ties is the weak competitive advantage of their companies against western competitors, as well as Georgia's faded investment appeal. Foreign investors are put off by constant confrontations between the country and its overbearing northern neighbor and, as in Ukraine, the seemingly permanent state of internal instability.

Oddly enough, Russo-Georgian conflicts have not prevented Russian capital from coming full force to Georgia. Even after the 2008 war, Russian business did not leave the country. And why should it, when Russians control such strategic entities as TbilHRES (two blocks of a heating and power-generating plant), the Telasi Power Company (a distribution company in which Russia holds a 75% stake), the Azot Chemical Plant in Rustavi, and the Zestafon Steelmill (controlling stake)? Tbilisi has an interest in seeing Russian investment diluted by capital from other countries. Moreover, the economic reforms carried out by Tbilisi have set up attractive conditions for Ukrainian investment and Ukrainian acquisitions of Georgian companies.

Today, visitors can see Ukrainian Bohdan buses on the streets of Tbilisi and Batumi and Ukrainian fertilizers are used to prepare Georgian fields and vineyards. But one major obstacle in bilateral relations is the lack of a serious economic expansion on the part of Ukraine: Ukrainian investors are not, in fact,

flocking to this southern neighbor. Even Americans, Britons, Turks, Azeris and Kazakhs are showing much greater interest—after the Russians, of course. According to internal statistics, Ukrainian entrepreneurs have invested only US \$26.9 million in Georgia, mostly in the financial sector. Thus, in contrast with Russian companies, Ukrainians do not control a single strategic object in Georgia: an attempt by Ukraine's Interpipe to privatize the Chiaturmarganets manganese plant in 2005 failed.

It is in the interests of both Ukraine and Georgia that Ukrainian business invest not just in the banking and financial services sector, but also in energy, transport and communication, construction, and so on. At the moment, one of the more successful projects has been the merger of Ukrainian water bottler IDS and Georgian Glass & Mineral Water, famous for the Borjomi brand of bottled waters, into a single business group called GG&MW/IDS.

Georgia also has other assets that could interest Ukrainian business, including strategic enterprises such as ports, airports, Georgia Railways, and the Inguri HES (hydroelectric station). Not to mention the construction of hydroelectric stations (HESs) and transport infrastructure, the privatization of tourist resorts, the rental of terminals in the Poti and Batumi ports, and more. Ukrainians could, for example, participate in the construction of a rail line running Baku-Tbilisi-Akhalkalakh-Kars, of an underground natural gas storage facility using domestic equipment, or of a high-voltage power line between Georgia, Turkey and Azerbaijan.

One of the most promising opportunities is that of taking part in joint transport and power projects under the INOGATE, TRACECA and Eastern Partnership programs. One successful joint project has been the ferry line crossing the Black Sea between Illichivsk and Poti. In the future, Ukraine and Georgia could also work together on the White Stream pipeline to carry Caspian natural gas through the South Caucasus and across the Black Sea to Europe. White Stream may also cross Ukrainian territory. This project is critical if Kyiv wants to diversify both sources of and delivery routes for energy. Reversing the flow of the Odesa-Brody oil pipeline would also benefit both countries.

Other interesting prospects include setting up a new northeastern ferry line in the Black Sea, running Kerch-Poti-Batumi. Experts say that this new marine route could, with reasonable rates and given the need to diversify cargo transit routes, increase the volume of cargo and improve the competitiveness of the existing rail-ferry link. Despite instability in the region, participating in transport and energy projects is necessary for Ukraine. For instance, the Kerch-Poti-Batumi ferry line is really needed. Kyiv should encourage Ukrainian companies to participate to the utmost in upgrading old transport and energy infrastructures and in constructing new ones. All that is needed is for Ukrainian businesses to want to work on the Georgian market.

Despite their close political relations, Kyiv and Tbilisi have a number of skeletons in their closets. Economic issues include problems determining the ownership of property in both Georgia and Ukraine. These issues should continue to be raised during bilateral talks. But judging from the fact that some disputed assets have managed not only to be privatized but also to be resold several times over, there are few chances that this problem will be resolved—even if the political will were to appear.

Another issue—fishing by Ukrainian fishermen in Georgia’s exclusive economic zone—looks more likely to be resolved, provided Tbilisi wants a resolution. The trouble is that, when the Georgian Law “On licenses and permits” came into effect in 2005, it blocked a Ukrainian-Georgian agreement on cooperation in the fishing industry. If this problem is resolved and the agreement is revived in full, Ukraine’s State Committee of Fisheries claims that Ukrainian boat owners will be able to get permits to fish 5,000 t of Black Sea anchovies, worth some US \$20 million. However, nothing happened during President Saakashvili’s last visit to Kyiv in November 2009 and the Georgians have once again promised to “look into it.”

In recent months, Ukraine’s Interior Ministry has repeatedly called for reinstating visa requirements for Georgians. The reason, according to Ukrainian police officials, is that many Georgians guilty of white-collar crimes are finding shelter in Ukraine. And indeed, the presence of underworld figures from Georgia does threaten Ukraine when they settle in the country to evade investigations in Georgia. But is it serious enough to eliminate the open traveling regime with Georgia? A visa will not get in the way of white-collar criminals who want to come to Ukraine, but ordinary people in both countries will be separated by a serious “visa wall.” In addition to putting distance between the two peoples, such a decision would have negative political ramifications. First of all, Russia’s propaganda machine would leap on this instantly. Secondly, it would cause a crisis in relations between Kyiv and Tbilisi. Clearly, it is not in the interest of this country to turn a friend into an enemy.

Meanwhile, the tourism industry should not be left behind. Georgia has plenty to attract travelers, and Ukrainian visits to this South Caucasus country will enable the development of ties between ordinary citizens of both nations.

After the collapse of the Soviet Union, Ukrainians and Georgians had very little contact. Every year, there are fewer Georgian students in Ukrainian universities. Georgians now favor American and European institutions for their children. When ordinary Georgians and Ukrainians do not communicate enough with each other, there is a danger that both ordinary citizens and their leaders will move further apart in time. This is something that cannot be allowed to happen, because the two countries’ strategic relationship would then be reduced to little more than a series of declarations by politicians.

Recommendations for the President

1. Given the continuing threat that Russia will carry out new, limited military operations on Georgian soil, *do everything possible using established lines of communication with Tbilisi to prevent a repeat of the 2008 war.*
2. *Base cooperation with Georgia, especially in military technology, on purely pragmatic considerations to prevent politically-motivated by third parties that Ukraine is “arming the Saakashvili regime.”*
3. *Do not get involved in the conflict between Georgia’s President and the opposition.* Maintaining friendly contacts with all politicians without favoring any particular one is in Ukraine’s interests.
4. *Set up the necessary conditions for enhanced Ukrainian investment in Georgia’s energy, transport, communication and construction industries.*
5. *Prioritize participation in transport and energy projects under INOGATE, TRACECA and the Eastern Partnership.* The Illichivsk-Poti ferry line has been a success story. The White Stream pipeline to carry Caspian gas through the Black Sea to Europe and a new ferry line sailing Kerch-Poti-Batumi are other promising projects.
6. *Relegate the proposal to withdraw the visa-free regime for Georgian citizens to the back drawer as potentially very damaging to bilateral relations.* This change would do little to prevent Georgian white-collar criminals from hiding from the law in Ukraine.
7. *Create opportunities for young Georgians to study at Ukrainian post-secondary institutions.* After all, it is Georgian graduates of Ukrainian universities, including President Mikheil Saakashvili and Ambassador to Ukraine Grigol Katamadze, who have often showed the greatest commitment to developing a truly strategic partnership between the two countries.



UKRAINE'S PRIORITY AREAS

SECURITY POLICY: FITTING IN

Oleksandr LYTVYVENKO

Defending national values and interests is the main purpose of the state, especially when it comes to foreign policy. Ensuring national security is the tacit policy priority of any state: to ignore security needs is to condemn the state to extinction.

High-quality management in the security sphere requires, firstly, that a proper balance be struck between the state's objectives and its capacities. It also demands rational assessment and the application of means appropriate to the public policy goals being pursued. The main objectives of foreign policy as it relates to security include:

- ✦ resolving existing conflicts through peaceful means;
- ✦ reaching mutually acceptable compromises on contentious matters;
- ✦ fostering social progress within the country, especially by providing for its accession to international institutions and arrangements on favorable terms;
- ✦ engaging other countries and international organizations to resolve common security challenges;
- ✦ maintaining neighborly relations with other countries;
- ✦ avoiding the formation of hostile alliances and partnerships, and so on.

Ukraine's national security interests are laid out in the Law of Ukraine "On the foundations of national security," adopted by the Verkhovna Rada in 2003, and in the Foreign Policy Concept adopted in 1993. Among these interests, the three key ones are: maintaining the sovereignty and territorial integrity of Ukraine; protecting its national values; and providing the necessary conditions for the country's social progress, which means modernization through westernization.

International security comprises two main levels: global and regional. At the global level, Ukraine is already making a substantial contribution to stability. This includes strategic offensive weaponry, anti-missile defense for the European continent, preventing the proliferation of nuclear weapons and rocket technology, and the deployment of peacekeeping missions around the world. Also important is environmental security, especially the fight against global warming, in which Ukraine is an active participant and is generally keeping to its

commitments. In this way, Kyiv is demonstrating its responsible approach as a mature European state, and is therefore raising its profile.

At the regional level, given Ukraine's geographic position and current international conditions, reaching security objectives is possible, firstly, by following the legislated Western course—that is, integration into European and Euro-Atlantic institutions. Still, to reach this objective, it is essential to foster friendly relations with the Russian Federation (RF), based on a neighborly approach and the mutual recognition of legitimate interests.

By now, it has become apparent not only that deteriorating relations with Russia lead to negative results, but also that they significantly hamper Ukraine's progress toward European integration. At the same time, Russia remains one of Ukraine's main economic partners, and cooperation with the Moscow is a guarantee of economic and, even more so, of energy security. It is this precise combination that creates Ukraine's greatest security dilemma: how to join Euro-Atlantic security systems to preserve political independence, while at the same time maintaining economically essential neighborly relations with Russia?

No less important is cooperation in the Baltic, Black, and Caspian Sea regions, especially when it comes to ensuring energy security, fighting corruption and cross-border organized crime, and resolving frozen conflicts in the neighborhood.

Context

Pursuing these objectives was, in the past, primarily done by carrying out a strategy of fast-track accession to NATO and, to a lesser extent, to the European Union. Under this policy, Ukraine was able to launch an Intensified Dialogue with NATO in March 2005, to get a positive response as to Ukraine's prospects for membership in the Alliance at the Bucharest Summit in April 2008, and to begin implementing National Annual Programs.

The Organization for Democracy and Economic Development (ODED-GUAM) and the Community of Democratic Choice (CDC) also offer avenues for regional cooperation. GUAM has namely established a Virtual Anti-Terrorism Center.

Relations with Russia went sour during the largely pro-Western Orange Revolution and kept spiraling downward afterwards. Although previously-established institutional platforms such as the CIS and the Agreement on Friendship, Partnership and Cooperation with Russia continued to function, over the last five years they have failed to resolve any urgent issues. Relations between Kyiv and Moscow have grown increasingly chilly, at times almost to the point of a bilateral Cold War.

Measures instituted with Euro-Atlantic integration in mind were often merely declarative, and not sufficiently supported by internal political and economic reforms. Inadequate funding effectively wiped out achievements reached in military reform and, according to General Headquarters estimations, left Ukraine's Armed Forces on the verge of collapse.

Although a number of conceptual documents were put together over 2005-2007, including a Concept for Judiciary Reform, a Concept for Reforming Criminal Justice, a Concept for Reforming the SBU, and so on, the court system and law enforcement agencies have not been brought in line with European norms of organization and operation.

But the biggest problem has probably been the lack of consensus among both the political leadership and Ukrainian society around a security strategy for the country. The issue of NATO membership turned into the subject of noisy declarations, and sometimes appropriate but superficial debates on television talk-shows. As political competition in Ukraine developed along destructive lines, national security became yet another apple of discord.

The country's declining ability to effectively implement its security policy was also driven by a critical lack of political will and professionalism among the country's political elite, the diffusion of power in the executive branch, and the persistent habit of placing political appointees in administrative positions, which has led to a critical decline in the civil service's professionalism. Nor has state policy been made more effective by worsening corruption. And as Ukraine's security challenges go, these problems are merely the tip of the iceberg.

Powerful external factors are also at play, and foremost among these is Russia's own state policy. Still, the role of Russia's special services, especially the FSB, looms much larger in the consciousness of ordinary Ukrainians than it actually is. For instance, President Medvedev's speech at an FSB collegium session in December 2008 was primarily an example of good PR, not of the actual effectiveness of the agency. Nevertheless, the work of the Kremlin in relation to Ukraine over 2006-2009 was systematic and it proved highly effective. In particular, Moscow's European policy proved very successful: the Russians were able to persuade Berlin and Paris that there was no point to fast-tracking Ukraine's accession to NATO. Ukraine's inability to seize the very real NATO membership opportunity that existed between 2004 and 2008 is attributable both to the country's own internal deficiencies, described above, and to Russian diplomacy.

Ukrainian society and its ruling elites have become ever more mired in purely internal problems, and increasingly inclined to a certain type of isolationism. After a brief period in the stratosphere after the Orange Revolution, Ukraine's role in the world and its contribution to global security has slowly but surely declined. The country has fallen outside the objective interests of leading world

powers, with the exception of Russia. This underscores the risk that Ukraine's global role will continue to shrink and that the country will be squeezed out onto the margins of international relations.

At the same time, Kyiv has continued its peacekeeping activities. Today, Ukrainian contingents are involved in eight peacekeeping missions abroad. In June 2009, the President enacted the Strategy for Ukraine's International Peacekeeping Activities. Ukraine is also a signatory to international non-proliferation agreements regarding weapons and critical technologies, and continues to have serious potential in aerospace technology and other areas. The country already has the capacity to be an active player in setting up the European PRO defense system, by using the existent anti-missile early warning systems in Mukachiv and Sevastopol.

On the regional level, the security situation around Ukraine has two aspects: traditional "hard" security, and "soft" security. The problem with soft security is that, in the Baltic, Black, and Caspian Sea regions, traditional cross-border risks remain widespread while new risks and threats continue to emerge. These include:

- ✦ international terrorism;
- ✦ WMD proliferation;
- ✦ drug trafficking;
- ✦ human trafficking;
- ✦ contraband, including goods banned for non-military use;
- ✦ piracy and other forms of organized crime;
- ✦ cybercriminality, and so on.

These negative factors are impeding the resolution of many problems involving border control, as well as the demarcation and delimitation of borders with Russia, Moldova and Belarus.

Hard security in Central and Eastern Europe (CEE) has been distinguished by the unprecedented Eastward expansion of Western institutions, which began in 1989 and continues to this day. This expansion radically altered regional security dynamics. After having pursued a conservative policy of maintaining the status quo in the area throughout the 1990s, Russia, pushed by a number of internal factors, reacted by switching to a more heavy-handed defense of its own interests in 2007.

Firstly, the Kremlin made clear its understanding of the sovereignty of the Russian Federation—in other words, its intent to return its sphere of influence in Europe to its Soviet-era boundaries.

Between 1989 and 2005, Russia had actually tried to move closer to the West, including its institutions, and to become one of its leading power centers. Today, it most certainly does not stand as an opponent of the European Union and, for all intents and purposes, is a pragmatic partner to the US. Moscow has been actively cooperating on all issues of mutual interest and is keen to extract the best possible place for itself in the new architecture of the continent, while insisting that its “legitimate interests” be recognized. Among the touchiest issues right now are the situation in Afghanistan, the battle with Islamic fundamentalism and international terrorism, and energy security.

The situation is further complicated by divergent perceptions of developments in Washington and European capitals, on one hand, and in Moscow on the other. Where the West, on both sides of the Atlantic, has carried out a largely liberal foreign policy based on democratic values, the Kremlin tends to think in terms of a Russian version of *realpolitik*. This means that the same events and processes are perceived differently in the US-EU and in Russia, sometimes resulting in completely opposite assessments. Beyond this, the societies and ruling elites of Russia and the West, especially the US, have different values, as well as dissimilar political regimes and institutions. Their respective visions of the future of the world and of themselves diverge considerably, and they adopt different approaches to tackling such major issues as WMD nonproliferation, terrorism, and energy security.

Moreover, Russia sees any EU or US presence in the former Soviet Union (FSU), and even in former Warsaw Pact countries, as a direct challenge to its security—and therefore reacts with every instrument in its toolbox. This kind of response, while seen by the Kremlin as purely rational, is perceived in the EU, in the US, and especially in neighboring countries, as evidence of imperial ambitions. A clear example of this was the Russo-Georgian War of August 2008, when Russia acted to consolidate and legitimize a situation that had developed over 1990–2008. By contrast, Tbilisi’s objective was revolutionary: a renewal of sovereignty over South Ossetia and Abkhazia, two provinces that had belonged to the Georgian SSR, a fictively sovereign Soviet republic, but have never effectively been held by independent Georgia.

The Kremlin’s drive to maintain the status quo in Europe is accepted to some extent by the Obama Administration. But the reset in US-Russian relations should not be seen as a retreat by Washington, although it has often been referred to as such. It is more an attempt to entrench gains in Europe as the world’s attention drifts to problems in the Middle East and Asia in general. At the same time, a direct consequence of this reset has been the entrenchment of a kind of security “grey zone” in Europe, consisting of countries that belong to neither NATO nor the Collective Security Treaty Organization (CSTO), Russia’s answer to the Atlantic Alliance.

It is these countries that could become major geopolitical battlegrounds in the future. Yet the choice these countries face is not so much between foreign policy alignments as between models of societal development. Given the fundamental nature of this question, the importance of the stakes and the internal weakness of these countries, it is easy to predict growing instability until they run the risk becoming failed states, with a consequent collapse into civil disorder. This is the greatest threat presented by this security vacuum. And it is this that clearly represents the greatest threat to Ukraine's national security.

This situation has become particularly dangerous, as the declarations of independence of Kosovo, South Ossetia and Abkhazia in 2008 undermined the principle of fixed international borders. This has led to the de facto collapse of the Helsinki Accords, which has until now provided the legal foundations for European security. Russia's 2008 proposal to conclude a new "European Security Treaty" can as of yet not be seen as providing the potential basis for a new legal foundation.

Ukraine's place in the European security system

Ukraine falls into the grey zone between NATO and CSTO, along with Moldova, Georgia, and, to a lesser degree, Azerbaijan, which drawn to both Europe and Central Asia. Belarus and Armenia may eventually also fall into this category, as they are still in the lengthy process of emancipating themselves from Russian influence. An interesting situation, and one similar to that in Europe, is shaping up in Central Asia, where four countries—Kazakhstan, Uzbekistan, Tajikistan and Kyrgyzstan—belong to CSTO, while the fifth, Turkmenistan, is proud of its internationally-recognized neutral status. Meanwhile, the Shanghai Cooperation Organization (SCO) is helping China make inroads into Central Asia while forcing Russia to gradually give up its positions. These processes are similar to those Central and Eastern Europe, except that the role of the EU and US is played by China.

The grey zone is fairly asymmetrical. It consists both of relatively small countries, with populations ranging from 3 to 10 million, and of Ukraine, which boasts a population of 46 million. The nation's territory and economy are equal to those of the other "grey" countries combined. Geographically, this grey zone has two separate components: the Baltic-Black Sea region, comprising Ukraine, Moldova, and potentially Belarus; and the Black Sea-Caspian region, which includes Georgia, Azerbaijan and, potentially, Armenia.

The interests of major global and European players in this zone are also asymmetrical. For Russia, influence over Kyiv and other capitals in the zone is the key foreign policy objective, as more or less openly stated in the 2008 Foreign Policy Concept. For the US, this kind of influence is important but hardly qualifies as a top priority.

For the EU and its leading countries, Germany and France, the priority security issue is predictability and the absence of dangerous conflicts that might, among other repercussions, threaten the delivery of energy supplies—especially natural gas—to Europe. This predictability and peace-of-mind could be attained by recognizing the fact that Ukraine and other grey zone countries belong to Russia’s zone of privileged interests and are subject to Moscow’s influence. It is worth keeping in mind that, should Russia regain its dominion over the post-soviet region, it would have both the potential and real opportunities to establish hard-edged policies in relation to Europe as well.

Values have taken a back seat in the politics of the EU’s leading countries today. Still, the Lisbon Treaty will undoubtedly lead to radical changes, including revision of this area of foreign policy. Incidentally, the grey zone coincides with the members of the EU’s Eastern Partnership program. How coincidental this is is a rhetorical question.

Recommendations for the President

1. Given the security vacuum in this grey zone, *Ukraine needs to initiate the drafting of a treaty to include country security guarantees for itself, and potentially also for other grey zone countries.* This should be an improvement on the Budapest Memorandum of December 1994. All the countries capable of making such security guarantees should be invited to participate, including the US, Russia, France, Great Britain, Germany, other OSCE countries, and China. Potential provisions could include several threads, such as:
 - ✦ First, having all stakeholders *recognize the territorial integrity and inviolability of borders in Eastern Europe, as well as the principle of non-use of force.* The NATO zone has followed such principles for over 60 years.
 - ✦ Second, *declaring the rule of democratic values* (this is not a mere ritual, but is in fact very meaningful because it allows Europe to uphold a consolidated set of values) and recognizing the essential character of the free competition of political ideas and freedom of access to information in Ukraine.
 - ✦ Third, *enshrining non-interference in the internal affairs of democratic states* respectful of their own constitutions and legislation. This means not supporting subversive organizations and movements or running subversive propaganda. This also includes upholding the 1936 Convention on Using Radio Broadcasting for Peaceful Purposes and extending its principles to television broadcasting.
 - ✦ Fourth, *establishing the principle of transparency of key markets, including energy.* One component of this package could be the Energy Charter or

a document complementing it, which could lead to the creation of a consortium to develop Ukraine's gas transport system (GTS). Effectively, this means putting trilateral talks between the EU, Ukraine and Russia on energy security on the agenda.

- ✦ Fifth, *establishing the principles and means for regulating territorial disputes*. First among such disputes is the Transnistria conflict. Ukraine proposed mechanisms for its resolution in 2005. Ukraine's security on its southwestern borders and its image as a can-do nation will depend significantly on achieving success on the Transdnistria problem.
- ✦ Sixth, *unconditionally prohibiting the establishment or perpetuation of foreign military bases* in 'grey' countries, and possibly even demilitarizing specific territories in the region, especially Crimea or even the entire Black Sea, and so on. This discussion could culminate in an international forum for all members of the Montreux Convention on the status of Black Sea straits.
- ✦ Seventh, *cooperating with other European countries to combat non-traditional threats and challenges*, such as international terrorism, WMD proliferation, drug trafficking, human trafficking, smuggling, piracy, and other forms of cross-border organized crime, cybercriminality, and so on.
- ✦ Eighth, *prioritizing joint projects with the US, the EU, and the RF, including in the development of military technology*. Here, a project to build the continental PRO missile defense system could give an important role to Ukrainian radar station in Sevastopol and a Russian station in Gabala (Azerbaijan), and the joint production of AN-124s and AN-70s with Russia to supply NATO contingents in Afghanistan and possibly other distant countries could prove beneficial to all parties.

In parallel with this initiative, it would be worthwhile to set up a permanent consultative mechanism between Ukraine and its security guarantors, based on the 1994 Budapest Memorandum.

2. For Ukraine, raising the need to establish ground rules does not have to mean discontinuing its strategic course toward Euro-Atlantic integration or suspending the development of security relations with other countries and international organizations. This is simply about new ways to implement this strategy. *The top priority must be to normalize relations with the Russian Federation and to improve relations with the US and the EU.*

In relations with Russia, emphasis has to be placed not on differences, including civilizational ones, but on specific issues whose resolution is fundamentally possible and of mutual benefit. Early after the inauguration of the new Ukrainian President, positive opportunities should be taken as they arise, and intergov-

ernmental interaction revived, including through the Presidential Commission (currently called Yushchenko-Medvedev Commission). High- and working-level meetings should resume. Consultation mechanisms for security issues, established in the 1997 Agreement on Friendship, Partnership and Cooperation, need to be more actively used. Negotiations on the demarcation of land borders should continue at the same time as efforts to better equip the state border of Ukraine go into high gear.

Nevertheless, the opportunities for improving relations with Russia should not be exaggerated. Moscow's current tough stance towards Ukraine is not a response to things that Kyiv has done, but the outcome of internal processes in Russia itself. This means that any change in Ukraine's policies will have a limited impact. It is therefore critical that attempts at improving relations with Russia not come at the cost of worsening relations with Ukraine's western neighbors.

Ukraine should take fuller advantage of any opportunities that CIS membership has to offer, especially its security institutions, such as the Councils of Ministers of Foreign Affairs, Defense, Internal Affairs, heads of Security and Special Forces, in dealing with such matters as combating international terrorism and organized crime.

Under certain circumstances, the CIS could serve as an interesting platform to discuss conflicts, including the security aspects of relations among CIS members.

As to the temporary basing of units of the Russian Federation's Black Sea Fleet on Ukraine's territory, the focus should be on current challenges of interaction, rather than on Russia's withdrawal after the lease expires in 2017. Still, Ukraine needs to start drafting a matching State Program aimed at involving Ukrainian and international business in taking over the infrastructure when it becomes available.

3. *Relations with the US need to shift from the public and official level to the working level*, especially on security issues. The main task on this agenda should be to turn the December 2008 Charter on Strategic Partnership into something concrete and meaningful, concentrating specifically on security issues.
4. *Relations with NATO need to develop on the basis of the Annual National Program* and expanding opportunities to cooperate at the working level. Four objectives should be kept in mind:
 - ✦ involving Ukraine in the development of the Alliance's strategic concepts. This, of course, would be at the expert level, so the content of these concepts should at the same time be better applied in the development and reform of Ukraine's own security sector;

- ✦ accelerating the development of practical opportunities to work with NATO, and especially with the US and EU countries. Ukraine could be useful to the Alliance in terms of air transport, peacekeeping activities, logistics such as medical supplies, army engineers and sappers, and so on. The Armed Forces but also Ukraine's Special Forces could usefully expand practical interactions, for both informational purposes and in joint operations.
- ✦ continuing public awareness campaigns to inform Ukrainians about NATO, shifting the emphasis from soviet-style propaganda to actually informing the population about the goals, objectives and opportunities of the Alliance;
- ✦ increasing the profile of Joint Ukraine-NATO working groups involved in military reform, economic security, disaster and emergency planning, science and environmental protection, and armament, and updating the list as necessary.

Separately, Ukraine should look at options for renewing dialogue with the NATO-Russia Council and involving it in the search for compromise on the main problems dogging Ukraine-Russia relations.

5. *The key focus of interaction with the EU should be development of new mechanisms for practical interaction.* Developing relations with such European organizations as GRECO is important, as this organization can increase Kyiv's options for combating corruption. Ukraine should cooperate more with Europol and other agencies dealing with the fight against organized crime, terrorism and so on. Ukraine should more actively try to participate in European projects in military technology and in the formulation and implementation of a Common European Defense and Security policy—especially on issues relevant to the development of military potential, such as military transport aviation and aerospace technology.
6. *Developing security relations with all neighboring countries should remain an important priority.* Dialogue with Romania on resolving contentious issues should be more active in order to improve the relations between the two countries. Moreover, specific attention should be paid to upholding minority rights in both countries and agreeing not to use such issues for political purposes.

Security projects with Poland should also be expanded, especially Ukra-Polbat and others. In addition, Ukraine should maintain more active contacts with Slovakia, Hungary and other European countries, with reference to the Tysa battalion.

Expanding relations with Belarus should also be a priority, especially in the areas of energy security, cooperation on military technology, and border issues.

Nor should Ukraine forget to increase interactions with Turkey, especially in joint efforts to counter the activities of radical Islamic organizations and to fight international terrorism and organized crime.

Last but not least, Ukraine needs to expand the security component in its relations with all the countries in the Black Sea basin.

7. *Ukraine should not reduce its efforts to resolve global security issues*, but rather use these to raise its international profile. For this, the country needs to:
 - ✦ continue its peacekeeping activities in accordance with Ukraine's International Peacekeeping Strategy, approved by the President in April 2009;
 - ✦ strictly adhere to international rules on the production and trade of arms and critical technologies;
 - ✦ take advantage of relations in the US-RF-EU-UA quadrangle, especially in setting up the European PRO defense system, developing air transport, and contributing to the reduction of strategic offensive arms, especially conventional weapons.
8. *Ukraine needs to establish an ongoing security dialogue with China*, drawing the fact that China was the first country to guarantee Ukraine's sovereignty and territorial integrity, and that it confirmed this commitment in 2006.

Conclusions

In conclusion, Ukraine's new President will face a daunting set of security challenges:

1. *Deteriorating relations with Russia*, which are the result of Ukraine's continuing strategic course towards European and Euro-Atlantic integration and growing competition between the RF, the US and the EU for influence over countries in the grey zone.
2. *Ukraine's loss of ground in continental integration processes* and the consequent risk of further international isolation, particularly the disruption of European integration, growing tensions with neighboring countries such as Romania, and a noticeable deterioration in relations with Poland.
3. *Growing cross-border organized crime*, including drug trafficking, illegal migration, human trafficking, cybercriminality, weapons trafficking, dual-purpose technologies, and WMD and their components.
4. *International terrorism* evolving from a potential threat to actual incidents, primarily in the Crimean peninsula.

5. *Frozen conflicts* in the Black Sea region and the threat of military outcomes.

Given these conditions, Ukraine should urgently take six steps:

1. *Initiate the creation of an agreement to confirm security guarantees for Ukraine* and possibly other grey zone countries. Such an Agreement could enhance the Budapest Memorandum of December 2004.
2. *Continue its peacekeeping activities* in accordance with Ukraine's International Peacekeeping Strategy, approved by the President in April 2009.
3. *Strictly adhere to international rules* on the production and trade of arms and critical technologies.
4. *Take advantage of relations in the US-RF-EU-UA quadrangle*, especially in setting up the European PRO defense system, developing air transport, and contributing to the reduction of strategic offensive arms, especially conventional weapons.
5. *Maintain its strategic course towards European and Euro-Atlantic integration*, but refrain from noisy demands for immediate membership in the EU and NATO, focusing instead on resolving practical matters involving the Eastern Partnership and the Association Agreement, particularly their security aspects, and the annual Annual National Program with NATO.
6. *Develop relations with the Russian Federation* on the basis of clear and firm adherence to the principles of the 1997 Agreement on Friendship, Partnership and Cooperation; strictly adhere to agreements on the temporary basing Russia's Black Sea Fleet on Ukrainian territory and, in accordance with these accords, gradually establish conditions for its withdrawal, in 2017.

These measures can only be undertaken once the Ukrainian state begins to function properly. This means having the country's ruling groups reach a consensus on such basic values as democracy, human rights, and Ukraine's sovereignty and territorial integrity within its current internationally-recognized borders. Ukraine also urgently needs to make its senior civil service work more effectively, starting with the Presidential Secretariat, the National Security Council, the Ministry of Foreign Affairs, the Armed Forces, and the country's intelligence and counter-intelligence agencies.

UKRAINE AND ENERGY: WHEN THE PAST KILLS THE FUTURE

Mykhailo Honchar

Energy has been Ukraine's Achilles' heel ever since the Soviet Union collapsed. To this day, not one of Kyiv's strategic goals in this area has been reached, whether reducing the energy-intensity of GDP, increasing the extraction of domestic resources, diversifying supplies, or establishing a closed nuclear fuel cycle.

Meanwhile, over the last decade the European continent, along with the rest of the world, has moved, largely unnoticed, into an era of energy wars. This does not just refer to a mere "hunt for resources." Hydrocarbons and their delivery infrastructure have become tools for political and economic pressure, and even blackmail. In the eyes of ordinary people, this energy war is not perceived as an actual war. Yet its consequences are very similar to those of regular wars—and, in some ways, even worse. Rather than occupying territory, the enemy captures markets and assets without armed assault. Assets remain standing, but the economic potential of the victim country can suffer considerable internal damage. A country's capacity to defend itself in the face of armed aggression can also sharply decline.

All this has become possible for a slew of reasons, including mistakes in the not-too-distant past. When Ukraine reorganized its energy sector at the end of the 1990s, the goal, unfortunately, was not to optimize the sector in accordance with a market economy. The goal was to concentrate and centralize cash flow and to hand control of the sector to the then-dominant oligarchic clans who were corrupting the government.

This model, combined with an opaque scheme for trading through an outside middleman, led to the oil and gas sector's becoming a static system that has long since exhausted itself. The permanent state of indebtedness of Ukraine's gas sector could lead to consequences similar to what happened in 1997, when Ukraine was forced to keep foreign armed forces on its territory in return for having its debts for the previous period wiped clean.

Ukraine's core interests

Ukraine's core interests were set out in the Energy Strategy through 2030 by a series of decisions of the National Security Council (NSC), and approved by

Presidential Decree and Government documents. Still, these decisions have generally not led to serious action.

The Energy Strategy states:

“In terms of global energy processes, Ukraine’s convenient geopolitical and geographical situation should be kept in mind and, in connection with this, its role as a transit state.

Integrating Ukraine’s energy systems into the European one is a component of Ukraine’s strategic goal of joining the EU. In contrast to the countries in the new wave of EU expansion,⁶ Ukraine has fairly powerful and well-developed gas and oil transport and power distribution networks that are connected to the EU and CIS transport networks. This makes it possible for Ukraine to participate in the formation of European energy policy and its common energy market and to play a major role in energy projects with CIS and EU countries.⁷”

Today we can see that the government has turned these advantages into problems. As a result, Ukraine has not made progress toward becoming an influential and active player, but rather has regressed. Inconsistency in its energy policies is one factor that led to “Ukraine fatigue” in Europe. And in time this fatigue has grown into distancing.

Yet another good example of the poor enactment of a strategic document is the policy on diversifying energy suppliers. Cabinet Resolution №1572, “The Program to diversify sources of oil supplies to Ukraine through 2015” issued 8 November 2006, refers to international practice:

“As practice in developed countries such as Germany, France, Italy and Japan shows, following the principle of diversification of sources and energy delivery routes is an additional factor that guarantees delivery and the economic independence of the importing country. In the EU, one of the criteria for level of diversification of an energy supply system is the availability of at least three sources for the supply of primary energy resources.”

But Ukraine still has not learned the lessons of the October 1973 oil embargo, and has failed to adequately diversify its energy supplies.

⁶ This refers to the 2004 expansion, not that of 2007.

⁷ Ukraine’s Energy Strategy through 2030 (*Enerhetychna stratehiia Ukrainy na period do 2030 roku*), Kyiv, 2006, p. 6.

Kyiv's energy policy

Ukrainian policy regarding external energy sources has degraded over the last six years. This can be seen clearly in the natural gas sector. The history of this degradation begins with the signing of the Yalta accord between Ukraine and Russia on 28 July 2004 (which introduced a trade intermediary, RosUkrEnergo). It continues with RosUkrEnergo's expansion on the domestic gas market through UkrGazEnergo in 2006, and includes the inequitable contract between NAK Naftogaz Ukrainy and OAO Gazprom signed on 19 January 2009. The main makers of this kind of policy were Ukraine's current political players—from the President's camp to the Premier's, as well as the opposition. Behind these flawed decisions was an excessive desire to monopolize pipelines and use shady financial flows in the interest of a particular oligarchic clan, while keeping others at bay.

This feature of Ukraine's energy policy has been successfully exploited by the ruling regime in the country's northern neighbor. As far as they see it, Ukraine's former and current leaders are effectively helping maintain its monopolist status as the exclusive fuel provider.

The policy of the Russian Federation in the post-soviet arena has always been intended to preserve, and where possible to increase, the dependence of FSU republics on Moscow while at the same time minimizing Russia's dependence on the infrastructure of the newly independent states. The Energy Strategy through 2020 adopted by Russia in 2003 officially enshrined the Federation's course towards establishing alternative energy transport networks, states that “[t]o maintain energy and economic security, we must work to diversify the areas for our energy exports by developing the northern, eastern and southern directions.”

And Russia has quite successfully pursued this objective. The Institute of Energy Strategy in Moscow assessed the enactment of the provisions of the Strategy through 2020 thus:

“Undertaking large-scale projects to construct energy export infrastructure to increase the reliability of delivery and transit of Russian fuels to Europe: Blue Stream (16bn cu m of gas annually), 2005; Baltic Piping System (BPS, 65mn cu m of oil annually), 2006; Yamal-Yevropa Gas Pipeline (33bn cu m of gas annually), 2007.”⁸

Adopted in August and approved 13 November 2009, the Russia's revised Energy Strategy through 2030 has kept and expanded a slew of priority pipeline projects that will continue to change the face of infrastructure in the region. An official Government announcement states: “It is appropriate to carry out large

⁸ Russia's Energy Strategy Through 2030 (*Energeticheskaya strategiya Rosii na period do 2030 goda*) (draft), Moscow, 2008, p. 62.

infrastructure projects oriented at diversifying export routes and penetrating new markets.⁹”

It’s Russia’s right to carry out whatever policies it chooses, but this policy contains a clear challenge to Ukraine’s energy security. By contrast, the efforts of Ukraine’s leaders to embody a European vector in their external energy policies have not gone beyond declarations. The preamble to the Ukraine-EU Memorandum of Understanding (MoU) on cooperation in the energy sector, dated 1 December 2005, states: “[I]n the field of energy, the EU and Ukraine share convergent interests and both could benefit from the integration of their respective energy markets, thereby enhancing the energy security of the European continent.”

The Memorandum goes on to state:

“Ukraine is a key transit country in the delivery of hydrocarbons to EU countries, with 40% of the EU’s imported natural gas delivered through Ukraine’s gas transport network. As to oil, in addition to transit using the Druzhba pipeline, the current development of the Odesa-Brody pipeline in the direction of Poland opens a new transit route for importing oil to EU countries from the Caspian Basin and international markets. For this reason, it is extremely important for both the EU and Ukraine that the security, transparency and reliable operation of the transit system be guaranteed.”

Unfortunately, the joint work that began between Ukraine and the EU after the signing of this Memorandum was derailed, largely because of the Ukraine’s internal political scandals. These were spurred by external forces looking for dominion and for vengeance in the post-soviet arena, not only on the territory of the former Soviet Union but even in Europe itself. This can be seen in the way the provisions of the Brussels Declaration of 23 March 2009 on modernizing Ukraine’s gas transport system (GTS) are being implemented.

The path from Memorandum to Declaration should have been 12-18 months long, no more, but it dragged on for three years, three months, three weeks and three days. And now it can be stated that the provisions of the Declaration are being carried out at an even more dilatory pace. Once again, internal disorder and a determined Russia stirring the pot are at the bottom of this, with Moscow leveraging the dependence of Kyiv’s top politicians, apparently unaware that they have long been puppets in the hands of the gasocratic regime.

With its loud proclamations about the end of the unipolar era, Russia is trying to replace a foreign—read, American—unipolarity with its own, at least in Eu-

⁹ Press release dated 26.08.2009. Official site of RF Government: <http://www.government.ru/content/governmentactivity/kzp/2c5cc904-030b-4b2e-b4e2-898bb0569ad4.htm>.

rope, and first of all in the energy sector. No other country has allowed itself to write into any official energy strategy that it “has enormous reserves of energy resources at its disposal and a powerful fuel and energy complex that is the basis for the development of the economy and an instrument for carrying out internal and external policies.”

All of Europe has borne witness to the way that this conceptual formula began to take on life, especially on the foreign policy front.

The American vector of Ukraine’s energy policy remains largely unused, despite the 2008 Charter on Strategic Partnership between the US and Ukraine. There are good options to cooperate on nuclear energy—among others, a proposal from Westinghouse, a US power industry giant, to build a nuclear fuel plant, which is intended to allow Ukraine to supply its own atomic energy stations (AESs) with materials. Moreover, since 2005, US-made nuclear fuel has been used on an experimental basis at one of Ukraine’s AESs. But Ukraine has never demonstrated the necessary political will—not in the 1990s, when this proposal first emerged, nor now.

Although Ukraine’s energy sector as a whole and its oil and gas sector in particular need serious capital investment, little has been coming in from abroad, and the situation looks unlikely to change in the foreseeable future. The problem is not only Ukraine’s flawed legislation: investors define their strategies as a function not only of legislation, but also of the risks of entering a given market. Thus, the political reasons behind the Tymoshenko Government’s decision to terminate the activity of a foreign investor operating in Ukraine’s section of the Black Sea shelf has been judged harshly by both analysts and the investment community. This decision will only postpone the arrival of world-class corporations, and that means stagnation in the seabed extraction of gas at the current level, 1 billion cu m per year.

This action, combined with protracted quarrelling between the President and Premier, has been a major blow to the investment climate in Ukraine and to the country’s image in the global hydrocarbon community. The precedent of Vanco, a US company, is seen by investors as a sign of maxed-out risk. Based on Ukraine’s investment climate in its hydrocarbon extraction sector, world-class oil and gas companies classify Ukraine in the same level as West African countries like Ghana, Nigeria, Equatorial Guinea and so on. Internal political conflict only strengthened the impression of Ukraine as chronically underdeveloped.

Analysis

Ukraine's National Security Strategy declares one of the key objectives to be energy security through a radical increase in the efficiency of fuel and energy consumption. This document specifically states that:

“Among the issues that need to be urgently tackled are how to reduce Ukraine's energy dependence and how to diversify the sources of energy supplies, attain the country's transit potential, and modernize energy infrastructure through the introduction of innovative technologies.”

The signing of a 10-year gas deal with Russia on 19 January 2009 did nothing to relieve the Ukraine's energy security problems, as it established asymmetrical commitments and capacities for the two sides. For instance, Gazprom switched to European prices with NAK Naftogaz Ukrainy, while establishing a convenient algorithm for calculating below-market rates for transit and storage in Ukraine's underground storage facilities (USF). For the duration of the contract, Naftogaz Ukrainy will be under threat of serious penalties for underconsuming gas, while Gazprom carries no responsibility for not delivering the agreed volumes.

Meanwhile, NAK Naftogaz Ukrainy cannot export any surplus gas, which will be treated as re-export. Gazprom gained another colossal benefit from Ukraine—the option of establishing a wholly-owned subsidiary in the country's internal market. This kind of imbalance is deliberately discriminatory and clearly does not reflect a real partnership. What is more, this discrimination extends to the draft Interstate Agreement to 2030 proposed by the Russians.

In essence, this Agreement is a collection of demands from a sovereign to his vassal, and contains no commitments at all from Russia to Ukraine. Having forced the management of Naftogaz Ukrainy to sign this contract on 19 January, the Government also gave the Russian gas monopolist a way to get compensation from Ukraine for revenues it fails to get on the EU market. This will effectively bleed dry Ukraine's economy, which is already reeling from the impact of the world financial crisis. Russia has actually put together a mechanism that is likely to cripple Ukraine's economy over the next decade, a perfect bit of slow-acting poison for a country that is its competitor in many world markets. This same mechanism provides an unprecedented financial boon for the dysfunctional and highly inefficient Gazprom.

The Russian Federation is clearly determined to destroy Ukraine's position as a key transit state for the delivery of Russian gas to Europe. The plan is to build two new GTTs that, together, will offer the same capacity as Ukraine's existing system. Such an objective is reachable in theory, but difficult in practice, as Gazprom lacks the necessary technology and financial resources. In other

words, these projects can only be put together with the help of European banks and corporations. Even if Nord Stream and South Stream are launched and Russia is able to satisfy ever-growing demand in the EU for natural gas, Ukraine's role as a link in the supply chain will remain solid, although it will not be as significant.

The transit role of Ukraine's GTS could be damaged in three instances:

- ✦ *A supply crisis*—gas extraction in Russia goes bust because the old fields in Western Siberia are depleted and the Yamalsk and Shtokman fields fail to go online, as happened in the 1990s;
- ✦ *Reduced demand*—the EU refuses to increase imports from Russia or even cuts back existing volumes, replacing piped gas with liquefied natural gas (LNG) from the Middle East;
- ✦ *Overcapacity*—Russia builds its two bypass projects with Germany and Italy just as its extracted volumes in Siberia begin to fall off, leading to more capacity than there is gas to transport.

Given all this, a slew of resonant issues that were troublesome in the past will continue to affect the political and economic life of the country.

A gas transport consortium

The question of setting up a gas transport consortium (GTC) between Ukraine, the EU and the RF will come up for Ukraine only if Russia guarantees additional volumes of transit gas to the European Union and the EU guarantees that it will actually buy it. But since 2002, when the idea of a GTC was first floated, Russia has stubbornly refused to provide any such guarantees. This only confirms, yet again, that Russia is not entirely confident that Gazprom has sufficient reserves or that its plans to bypass Ukraine will succeed. A less direct confirmation of this is a provision in the transit contract for 2009-2019, which sets the annual level of transit at 110mn cu m and does not provide for this figure to be raised or lowered.

Reviving trust

As a country that has faced three “gas attacks” from Russia (2006, 2008, 2009), Ukraine should be looking for a mechanism to prevent gas crises. But it has not done so. Instead, it is Russia, a country that uses energy as a foreign policy instrument, that has begun talking about the need for an early warning system.

Still, the issue remains pertinent to Ukraine. To prevent gas crises in the future, a Eurasian-scale system of confidence-building measures needs to be initiated,

from extraction to consumption. This system could be called the European Gas Transparency Initiative (EGTI). It should be based on the basic right to know. Consumers, regardless of where they live—Ukraine, Russia or the EU—should have the right to know how energy is moved, as they pay for all of this through the retail rates that utilities charge. Knowing how energy is moved means receiving information about the parameters of the physical movement of gas flows.

Once communication along the extraction-transportation-consumption chain is open, trust can develop. If this kind of initiative is launched, the various sides should inform one another on a daily basis about the physical parameters of gas movement. Then the question of who turned off the taps in Europe, Russia or Ukraine, would not arise, at least in theory. Accusations spread by the Russians in January, that “Ukraine disrupted the transit of Russian gas to Europe” were possible only because of the opaque way in which the gas transportation chain operates. The EGTI could be universally applied to other energy sectors as well.

A number of Ukrainian non-governmental organizations (NGOs) came up with the proposition to launch the EGTI back in April 2009 as part of the Eastern Partnership. In November, this initiative was officially supported at a Civil Society Forum in Brussels as part of Platform III: “Environmental Protection, Climate Change and Energy Security.”

Gas sector reform

Reform of the gas sector needs to be urgently pushed through because of its significance to both Ukraine and the EU. The Government of Ukraine has taken measures in this politically sensitive and economically important sector. The domestic gas market was returned to NAK Naftogaz Ukrainy and the activities of opaque intermediary entities on this market restricted. Still, the unsystematic nature of the Government’s actions in reorganizing the gas market has not led to much in the way of results.

Ukrainian law needs to properly incorporate the EU energy *acquis*. Gas supply contracts should follow EU standards in both form and content. The European principle of gas transit is that the consumer, not the supplier, organizes delivery. This means that gas supply contracts should be drawn up between NAK Naftogaz Ukrainy and European companies that use Russian natural gas, and that the gas should be officially transferred not at the Ukraine-EU border as currently happens, but at the Ukraine-Russia border. The border crossing should be equipped with the necessary gas metering stations (GMSs). Work in this area actually started with the European Commission and European banks—EBRD and ECB—back in 2005. The National Electricity Regulatory Commission (NERC) should become an independent regulator, not only in form but in fact. Finally, the Anti-Monopoly Committee should be given more powers.

Security of supplies and diversification

Ukraine needs to work toward reviving direct cooperation with Central Asian countries regarding the supply of gas—if said suppliers are interested in entering the Ukraine gas market in the form of joint ventures. Together with the European Commission, Ukraine needs to determine which of these diversification projects it will undertake, and establish a terminal for incoming LNG.

International practice shows that diversification projects are fairly costly and typically are undertaken as international cooperative efforts. For Ukraine, potential projects include:

- ✦ the White Stream pipeline or building infrastructure to receive LNG for the gas sector;
- ✦ the Odesa-Brody-Pivdenna Druzhba oil pipeline;
- ✦ establishing Ukraine's own open-cycle production of nuclear fuel with the support of the US and the EU.

The oil sector

With all the major developments in the gas sector, the oil sector has taken a back seat. Still it also has its problem areas. The use of the Odesa-Brody pipeline from Brody to Odesa did not result in greater volumes of transit oil coming through Ukraine, although this was one of the arguments the Russian companies had used in talks over 2003–2004. All that happened was that oil flows were simply redistributed—that is, those volumes that once went through the Prydniprovsk pipeline were now going to the Odesa-Brody line.

Using the Odesa-Brody line in this direction is profitable for Russian companies only if Ukrtransnafta offers below-market transport rates. The changes that took place at Ukrtransnafta in 2009 indicated that this state company has fallen into the system of an opaque private corporation and is establishing vertical integration in the oil sector. In the second half of 2009, the issue of oil supply diversification moved to the private, corporate level and, for all intents and purposes, beyond the influence of the state.

The Odesa-Brody project will continue to be an indicator of how capable Ukraine is of realizing its strategic priorities. The window of opportunity for this project, which was recognized as a priority for the expanded EU in 2003, will remain closed for some time to come. The period until 2013 is the time for either launching this line into full-fledged operation toward Europe or to forget about it once and for all.

Strategic reserves

Events in early 2009 provided the answer to a question Europe had been debating since Winter 2006: to establish or not to establish strategic gas reserves. Obviously, the answer after last year is very much yes. Ukraine was only able to withstand the “gas Blitzkrieg” because of its reserves. Ukraine should, together with its Central and Eastern European neighbors, look into options for setting up gas reserves using Ukraine’s USFs and the infrastructure capacities of gas transport systems in the Visegrad countries. If this does not take place within the next few years, Ukraine’s neighbors are likely to use their own capabilities, with financial support from the EU and technology from western European companies, to set up new and expand existing USFs, and to construct a series of interconnectors. This will solve their energy security issues without Ukraine’s participation.

Ukraine also needs to revisit its Concept for Forming Strategic Oil Reserves, drafted in 2005 with the help of experts from the European Commission. A program for this purpose needs to be drafted and adopted, providing for a 90-day supply of oil and petroleum products, similar to other countries in the OSCE and as recommended by the International Energy Agency (IEA).

The Azov-Black Sea shelf

Ukraine must resolve the dispute that has arisen over the development of the Black Sea shelf, which is now being heard in the Stockholm court of arbitration. Otherwise, it will be difficult to talk serious investors into coming to this sector in Ukraine. And without foreign investment and technology in exploring deposits in the Black Sea shelf, Ukraine will not see qualitative progress toward expanding its own extraction of hydrocarbons.

Alternative energy and energy conservation

Alternative sources of energy and innovative technologies need to be developed further, as is happening in the EU. At the regional level, energy-conservation programs should be adopted, as should programs promoting the use of local fuel and energy resources for heating purposes.

The Government should adopt a broad-based heating system upgrade program to improve heat efficiency by preventing line losses during the transmission and consumption of energy. This should be a two-way program: saving energy and more efficiently using alternative energy resources, reducing the overall consumption of gas while at the same time expanding domestic extraction. This will cut gas imports enough to ensure that Ukraine’s economic and political life is no longer critically dependent on them.

The Verkhovna Rada should adopt a legislative package, to be prepared by the Government in cooperation with the European Commission, in application of the MoU and based on the provisions of the Energy Community Treaty. Ukraine joined the Energy Community in December 2009.

Nuclear power

If relations in the atomic energy sector develop along the same lines as in the gas sector, nothing positive can be expected here. Russia reacts painfully to any joint Ukrainian-American efforts in this area, seeing it in purely political terms, although Ukraine has demonstrated a strictly commercial approach to this sector. This is intended to ensure a competitive environment and improve the pricing policies of its partners regarding long-term nuclear fuel supply agreements. If the two sides manage to sign a long-term agreement on fuel deliveries based on mutual consideration of interests and not on a desire to preserve the monopoly position of the supplier, then there will be real progress.

Russia has already received its latest shower of privileges from Ukraine in this sector as well: a contract through 2034 to supply nuclear components for the fourth power block at the Rivne AES and the second power block at the Khmelnytskyi AES. In addition, two new power blocks will be built at the Khmelnytskyi AES by Russian subcontractors. Still, Ukraine is interested in having its own open cycle for manufacturing nuclear fuel. Russia's propositions on this are aimed at preserving the status quo: the monopoly position of TVEL. In the final analysis, the advantage of the American propositions is that they are oriented on making Ukraine self-sufficient in nuclear fuel for its own AESs. Moreover, these propositions are not aimed at squeezing out cooperation with Russia, whereas the Russians clearly want to isolate Ukraine from any cooperation with the US or the EU in this sphere.

Conclusions

The next President will face largely the same challenges as his or her predecessors, because none of them were able to resolve any of these critical issues. The difference will be that these challenges will now have to be tackled in much more difficult circumstances, namely the tattered reputation of Ukraine's energy sector.

The main priority over the next decade should be the simultaneous reform and integration of Ukraine's energy sector into the EU energy space in accordance with the Energy Community, which Ukraine joined in December 2009.

At the same time, Ukraine needs to launch talks into joining a host of other international organizations, such as the International Energy Agency (IEA), pro-

vided that it has prospects of joining the OECD. Over the next few years, Ukraine also needs to undertake a number of procedures to join the Extractive Industries Transparency Initiative (EITI). The Government expressed its intentions in this regard in Resolution №1098 dated 30 September 2009. The Joint Oil Data Initiative (JODI), which involves more than 90 countries, is important to ensuring greater transparency and competitiveness in Ukraine's oil and petroleum markets.

Ukraine's energy strategy needs to be revised in view of today's realities and prospects for the future. It should provide answers to challenges and opportunities in the context of the energy strategies of its two biggest neighbors, Russia and the EU. This energy strategy should be seen as the foundation document for integrating Ukraine's energy infrastructure into the energy space of the EU.

Strategic priorities:

- ✦ a more energy efficient economy;
- ✦ energy security;
- ✦ environmental safety.

Recommendations for the President

Short term (1–2 years):

- ✦ make sure the Bill “On the basis for operating the natural gas market” passes in the Verkhovna Rada in accordance with the EU II Gas Directive;
- ✦ ratify the Agreement on the Energy Community in the Verkhovna Rada;
- ✦ revise the Energy Strategy of Ukraine in view of the challenges and opportunities related to the energy policies of neighbors (EU and RF);
- ✦ switch energy tracking to the Eurostat statistical system;
- ✦ regularly draw up a single energy balance sheet showing use and wastage against production and imports;
- ✦ undertake measures to develop the Euro-Asian oil transport corridor project;
- ✦ reorganize the NERC as an independent regulator in accordance with EU practice.

Medium term (3–5 years):

- ✦ fulfill the provisions of the Brussels Declaration of 23 March 2009 regarding the modernization of Ukraine's GTS;
- ✦ cooperate with CEE countries in securing the delivery of gas using the capacities of Ukraine's GTS and UFSs;
- ✦ adapt to EU norms and rules for cross-border import contracts;
- ✦ diversify suppliers of nuclear fuel, set up a company to make fuel rods in Ukraine;
- ✦ privatize selected stakes in energy assets;
- ✦ implement the Extractive Industries Transparency Initiative (EITI).

Long term (beyond 5 years):

- ✦ gradually implement EU energy *acquis* into domestic legislation, in accordance with the Energy Community Treaty;
- ✦ establish a Strategic Oil Reserve in line with EU practice and IEA recommendations;
- ✦ institute an open door policy for the exploration of the Azov-Black Sea shelf and hydrocarbon deposits on land;
- ✦ invite EU companies to enter the energy market in Ukraine;
- ✦ reduce the energy intensity of the economy in general and the residential services sector in particular;
- ✦ introduce energy-saving technologies, develop alternative energy;
- ✦ provide incentives for energy efficiency;
- ✦ carry out diversification projects;
- ✦ participate in international climate change initiatives.

Over the last 5–6 years, Ukraine has rapidly been sidelined in European energy affairs. This is due in part to a deliberate strategy of discreditation on the part of its northern neighbor, but even more to the short-sightedness, corruption and folly of successive Ukrainian Governments, competing for control over cash flows in the interest of one or another oligarchic clan.

For the new leadership of a country that has been left standing on the roadside watching European processes, it will be important to apply the principle of one (small) step at a time towards modest goals. This would demonstrate the viability of the government machine and foster a renewal of trust among the country's

partners, especially the EU and the US. Countries like Azerbaijan, Poland, Slovakia, Georgia, Belarus and the US will remain important energy partners for Ukraine. On the other hand, relations with Russia and Germany, who have formed an alliance based on the opaque interests of monopolies and corrupt politicians—one potentially dangerous to Europe—will perforce be those of a subordinate.

UKRAINE AND THE ENVIRONMENT: TOGETHER IN NOAH'S ARK

Kateryna ZAREMBO

Compared to most other issues, the environment has a low profile in Ukraine, and with it Ukraine's environmental commitments. And yet, because nature ignores political borders, environmental issues and foreign policy must be close friends, if not siblings. Numerous studies have proved this and world leaders are also acknowledging the fact. The recent appeal by NATO Secretary General Anders Fogh Rasmussen was only the latest example, confirming that environmental issues are within NATO's scope of interest.¹⁰

Firstly, economies and demographic trends are directly affected by the state of the environment. Poor productivity, declining profits and deteriorating public health all lead to social and political instability.¹¹ On the other hand, a healthy environment encourages stronger human capital and a healthy workforce, and attracts investment, trade and tourism.

What is more, environmental issues have no borders. If one country has environmental problems, spill-over in the region and beyond is inevitable unless it is stemmed by concerted efforts on all sides. That is why cooperation in the region and globally is crucial to preserve and sustain favorable living conditions. The most recent example of such cooperation is the December 2009 Copenhagen Climate Conference, which brought together 192 countries with the aim of combating climate change.

Lamentably, Ukraine's performance was a fiasco, with 30 members of the 33-person delegation simply failing to show up, resulting in a complete lack of constructive contribution to the process. Such an attitude towards an event of extreme global importance shows just how little Ukraine's leaders think strategically on this issue and, to make matters worse, consider it important, going completely against much of the rest of the world.

The new global challenges ahead mean Ukraine must engage in the global environmental campaign or risk its security and reputation. Despite grave environmental problems, such as the lowest level of energy efficiency in the world and skyrocketing levels of pollution, Ukraine still has considerable potential to combat these problems. Moreover, with a combination of taking on responsibil-

¹⁰ http://www.nato.int/cps/en/natolive/news_60163.htm

¹¹ Cherp, A. (2007) *Environment and Security. Transforming Risks into Cooperation*, UNEP, UNDP, UNECE, OSCE, REC, NATO. Belley: Imprimerie Nouvelle Gonnet.

ity and developing sound domestic and foreign policies, Ukraine has every chance of becoming a regional leader and a reliable international partner.

At home, lots of problems

According to the 2008 Environmental Sustainability Index, Ukraine is 75th out of 149 countries, which, while not great, is a considerable improvement over 2005, when Ukraine ranked 108th.¹² Still, the environmental situation in Ukraine requires far-reaching policy and significant investment. With the key interest being immediate economic growth,¹³ however, decision-makers in transitional economies such as Ukraine's are not always focused on the necessary reforms. The fact that environmental issues can actually contribute to economic growth (industries such as use of wind energy and solar power are sectors that create many jobs) remains ignored by Ukraine's policymakers.

Most of Ukraine's environmental problems are mainly internal in nature. However, the same problems are faced by all countries in the region, which opens up opportunities for international cooperation. Such issues include:

- ✦ energy efficiency;
- ✦ nuclear safety;
- ✦ water quality: poor access to and/or poor quality of drinking water; cross-border pollution of shared waters;
- ✦ air pollution: energy, mining and metallurgy as main sources of air pollution;
- ✦ waste management: prevention, collection and treatment;
- ✦ environmental protection: deforestation and illegal logging.¹⁴

Global problems such as climate change and carbon emissions are also key areas where Ukraine can join forces internationally.

Ukrainian legislation reflects the fact that national security policy takes environmental issues into account. The 2003 Law "On the Basis of National Security" refers to numerous environmental hazards in Ukraine. Moreover, Ukraine's efforts on the environmental scene have been productive in terms of amount of treaties initialized and signed and international events being hosted, and in putting various national and state-wide programs in place, too. Key policy legislation includes:

¹² http://sedac.ciesin.columbia.edu/es/epi/papers/2008EPI_mainreport_july08.pdf

¹³ Copsey, N. and Shapovalova, N. (2008a) *Ukrainian Environmental Policy and Future SIDA Assistance in the Sector*. SIPU report for the Swedish International Development Agency.

¹⁴ Commission (of the European Communities). (2007) *Ukraine Country Strategy Paper 2007-2013*, Brussels.

- ✦ National Environment Strategy 2009-2020 and National Environment Action Plan for 2009-2012 to implement the Strategy;
- ✦ Constitution of Ukraine, Law “On Protecting the Environment” (1991);
- ✦ Main Concept of State Policy on the Environment, Natural Resources and Environmental Safety (1998).

National programs include:

- ✦ State Program for the Protection and Rehabilitation of the Black and Azov Sea;
- ✦ National Program for Rehabilitating the Ecosystem of the Dnipro Basin and Improving the Quality of Drinking Water;
- ✦ Program for Developing Water Supply and Sewer Systems;
- ✦ National Program of Ecological Network Development in Ukraine for 2000-2015.

These policies and programs outline the country’s priorities and provide specific recommendations for environmental policy. However, they are mostly poorly implemented for a number of reasons. None of the legislation can be enforced or monitored, a fact aggravated by severe lack of adequate funding and abuse of public funds, including revenues from emission credits. In addition, institutional capacity is poor in regard to this issue, and environmental protection¹⁵ is strongly centralized at the state level, leaving little space for local initiatives and accountability. Finally, lack of monitoring and evaluation mechanisms and poor access to information on the progress and impact of national and international programs all contribute to the environmental chaos Ukraine finds itself in today.

Abroad, all talk and no action

Ukraine is party to some 50 bilateral agreements and 19 international conventions and multilateral environmental agreements (MEAs). At the international level, Ukraine has ratified the Complex Program of Realization on a National Level of the Decisions approved at the World Summit on Sustainable Development (Johannesburg, 2002) for 2003-2015. Ukraine ratified the Kyoto protocol in 2004 and agreed to formulate a post-2012 emissions reduction program.

Ukraine also ratified the Aarhus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, although implementation has so far been assessed as poor.

¹⁵ Ibid., Copsey, N. and Shapovalova.

In 2003, Ukraine hosted the Fifth Ministerial Conference “Environment for Europe” as part of the environmental protection process that started in 1991. This event specified the international political measures Ukraine had to undertake. The most important of them were the following:

- ✦ the Framework Convention on the Protection and Sustainable Development of the Carpathians;
- ✦ the Declaration of Ministers of Ukraine, Russia, and Belarus on the Ecological Rehabilitation of the Dnipro Basin;
- ✦ the Declaration on Education for Sustainable Development;
- ✦ the Strategy for Ecological Partnership and Cooperation Among UNECE Countries;
- ✦ the Ministers’ Declaration on Ecological Policy for the First Decade of the 21st Century.

However, Ukraine has shown no significant progress since. Its compliance with the provisions of Conventions and Declaration is hindered by the failure to provide in time the membership fees to a number of MEAs Secretariats. The Copenhagen Conference of December 2009 may have been an overall failure, but Ukraine was declared the least constructive of all. Such a negative performance on the international stage proves that environmental policy is still a rhetorical question for Ukraine, rather than a priority.

The environment as a trump card

Strong environmental policy is a prerogative of the developed world, as developing countries are all too keen to point out. For Ukraine, with its transition economy and economic crisis, it’s hardly surprising that environment is not at the top of the list. Yet this is where the trump lies. With a strong stance on environment, a candid admission of its problems and a search for international partnership to combat them, Ukraine would gain popularity among both its friends and enemies alike, as a country that cares about things that affect everybody.

Ukraine’s main objective should be to become an active international player and to create regional *partnerships to combat its domestic problems through joint efforts*. The key areas of international cooperation of this kind should be *energy efficiency* and *nuclear safety*, areas in which crucial international interests overlap and where Ukraine has equally powerful negative and positive potential. A conscientious position towards global problems might distract international attention from “Ukraine fatigue” and confirm Ukraine as a far-sighted and reliable partner.

For every country in this report, there are several areas of possible cooperation with Ukraine (see Table 1). But for each of them there are priorities worth discussing.

In the first place, *the US* and *Russia* can become powerful partners in developing a common carbon emission reduction strategy, given that all three countries are among the Top 20 polluters in the world. The *European Union* would be primarily useful as a mentor and donor—provided it imposes enough conditionality for the commitments to be taken seriously in Ukraine. The European Energy Community, which Ukraine joined in December 2009, provides incentives for boosting energy efficiency.

Partnership with *Belarus* could be useful for improving Ukraine’s energy efficiency, too, in particular in diversifying energy supplies. Finding solutions to the common Chornobyl legacy through joint research should also be a priority.

With *Moldova*, *Romania* and *Georgia*, the priority is joint water management, given that international ramifications have worked against Ukraine’s reputation (see section “Ukraine and Romania: a Love-Hate Relationship”). *Turkey* belongs to this category, too, although the opportunities in its case are vaster (e.g. sharing ways of producing and using alternative energy) and dramatically underexplored. Finally, potential for cooperation with Poland lies in combating chemical pollution of air and water on common territories and preserving the Carpathians.

The rest of the world, the international community, offers opportunities that differ from country to country. For instance, the experience of key global environmentalists like Germany and Switzerland can be applied to make better environmental policies.

Threats and opportunities

Table 1 illustrates key areas of cooperation for Ukraine with the key countries in this report. Still, this kind of cooperation will be difficult unless some steps are taken at home. The recommendations here concern both domestic and international priorities and are aimed at ensuring successful cooperation in all problematic spheres. For that reason, they focus on proper policy-making, rather than specific steps to be taken for each problem. We argue that it is local governments and civil society who should be charged with developing and undertaking specific measures, whereas the central government is responsible for drafting legislation that can be enacted, enforced and monitored, and for delegating and coordinating environmental policy at the local level.

In the next five years, Ukraine is going to face a number of threats and opportunities.

Threat 1

Deteriorating environmental situation; declining life expectancy and public health, including cross-border dimensions.

Recommendations:

- ✦ Harmonize Ukraine's environmental legislation with the EU *acquis*. The process should be task-oriented and consistent with Ukraine's needs.
- ✦ Enhance bilateral cooperation with neighboring countries at the oblast or local level on cross-border issues,¹⁶ in particular on nuclear safety and shared water management, such as protecting the Black Sea together with Romania, Bulgaria, Russia, Turkey, and Georgia.
- ✦ Include environmental protection considerations in all key policy sectors. The "environmentalization" of Ukraine's industrial policy has been much talked about but still has not taken place. Environmentally-based regulation of business activity should be introduced in Ukraine, such as a pollution tax. Theoretically, it exists, but it is poorly enforced.
- ✦ Localize the implementation of environmental regulations. Ukraine's environmental policy is centralized at the state level. As a result, communities and the state do not share responsibility for environmental protection.¹⁷ Regional bodies should be given an authority to ensure the development and implementation of results-oriented environmental regulations under the control of civil society.
- ✦ Ensure civil society involvement and monitoring of state environmental policy. The involvement of civil society should not be limited to community councils, which have proved unsuccessful in the advocacy they are charged with. Provisions of Aarhus Convention should be fully implemented and complete public access to environmental information provided.

Threat 2

Damaged international reputation for not coming through on commitments in signed and ratified environmental conventions due to inadequate funding.

¹⁶ Ibid., Cherp.

¹⁷ F. O'Donnell, *National Environmental Policy in Ukraine: General Assessment and Key Recommendations*, Ministry of the Environment of Ukraine, Global Environmental Facility, UNDP, 2007.

Recommendations:

- ✦ Engage neighboring countries in common fund-raising for the shared environmental problems (such as joint research activities with Belarus to minimize the impact of radiation in the Chernobyl zone, joint Ukraine-Romania monitoring of the Danube Delta, setting up an Environmental Investigation Agency (EIA) of transboundary projects implemented in Moldova, Slovakia, Belarus etc.)
- ✦ Draw on budgetary support from the EU for a common Eastern Partnership fund to combat environmental problems.
- ✦ Enforce transparent use of funds as proof of reliability for international donors, including revenues from carbon credits traded directed to the environmental issues.
- ✦ Build broad-based public support for strong environmental policy by explaining the importance of environmental issues for the benefit and well-being of all and the social and economic costs of neglect, such Ukrainian exports being banned because of poor environmental regulation.
- ✦ Provide adequate allocations from the State Budget for realistic environmental priorities.

A number of opportunities for strengthening Ukrainian environmental policy will also emerge in the next five years.

Opportunity 1

A greater role for Ukraine's role as an international player through cooperation with the key global actors like the US, Germany, Russia, Switzerland and Scandinavian countries.

Recommendations:

- ✦ Develop a common strategy to combat climate change with the top 20 polluters, among which Ukraine is one;¹⁸ formulate a genuine post-2012 emission reduction program, instead of simply cutting emissions to 1990 levels¹⁹.
- ✦ Apply for technical and R&D assistance from these countries to provide cutting-edge environmental technologies and approaches in Ukraine.
- ✦ Cooperate and develop a common position with developed countries at the next UN climate conference.

¹⁸ D. Victor, *The G20's role in Addressing the Threats of Climate Change*, G20 top-level meeting, IDRC, Ottawa, 2004.

¹⁹ Ukraine's current emissions are around 52% below 1990 levels, which means that a genuine emission reduction strategy is required.

- ✦ Ensure top quality preparation and delivery of Ukraine's position at international conferences and meetings; guarantee proper composition among Ukrainian delegations.

Opportunity 2

Reducing tensions with the neighboring countries such as Moldova, Romania and Russia through joint environmental projects.

Recommendations:

- ✦ Establish more contacts and joint projects with neighboring countries to the east and north of Ukraine, such as joint monitoring of radiation levels.
- ✦ Engage the EU as an arbitrator in environmental disputes with other non-EU countries; coordinate Ukraine's role in EU environmental projects.
- ✦ Draw on EU financial and technical assistance for joint environmental projects.

Opportunity 3

Developing environmentally-friendly tourism: Ukraine's natural resources and resorts are recognized as invaluable, some of them being unique to Europe. Yet, development in Crimea and the Carpathians has mostly only damaged the environment.

Attracting foreign investors and visitors to boost the country's economy and improve its environment.

Recommendations:

- ✦ Introduce a joint mechanism for monitoring and controlling with the participation of the neighboring countries, such as a joint Poland-Slovakia-Romania-Ukraine monitoring group for the tourist industry in the Carpathians.
- ✦ Attract international investors to construct eco-friendly resorts in Ukraine.
- ✦ Run information tours for foreign travel agencies to sites on the UNESCO World Heritage List and other tourist attractions in Ukraine.
- ✦ Increase civil society participation as an "early warning system" in monitoring how environmental regulations is implemented in tourism. Set up a civil society council directly linked to UNESCO and the European Environmental Agency.

- ✦ Introduce effective, enforceable legislation in the domestic tourist industry, based on the “polluter pays” principle.

Conclusion

The environmental problems Ukraine is currently facing are grave. However, the fact that the same problems are faced by many countries means that international cooperation is the only solution. Environmental cooperation is not only of vital global importance, but also a fresh, novel way for Ukraine to be seen as a reliable, constructive global actor and eliminate “Ukraine fatigue” in the international community.

The transboundary challenges that Ukraine will face in the next five years include air pollution, the use and protection of shared waters, waste management, energy efficiency and reduced dependence on foreign suppliers, nuclear safety and the impact of the Chernobyl disaster, environmental protection, deforestation and global climate change related to carbon emissions. Although regional actors such as Russia, the EU, Moldova, Belarus, Poland, Romania, Georgia, and Turkey are the primary partners in cooperation here, global actors like the US and the UN are also important.

The key recommendations for Ukraine to act on the environment are to:

1. Make environment a key policy priority for both domestic policy and international cooperation.
2. Harmonize domestic environmental legislation with the EU *acquis*.
3. Promote cross-border cooperation between regions.
4. Take a pro-active role among top world polluters in strategies to combat climate change.
5. Set realistic priorities for environment policy and ensure adequate funding.

The solution to environmental problems always starts at home, but it has to be applied in concert with the neighbors.

Table 1. Areas of international environmental cooperation for Ukraine

	Air pollution	Water quality	Waste management	Environmental protection	Nuclear security	Energy efficiency	Climate change
Russia		<ul style="list-style-type: none"> Withdrawing Black Sea Fleet, which poses environmental threat Cooperating under Convention to protect Black Sea against pollution 			Building plant in Ukraine for spent nuclear fuel, which is currently sent to Russia for reprocessing		Developing a common strategy to counter climate change
EU					Upgrading atomic energy stations (AESs) (finishing units at Rivne and Khmelnytskyi AESs)	Working successfully in the European Energy Community	
USA	Continuing cooperation with USAID and expanding into air pollution, water quality and waste management						Developing a common strategy to counter climate change
Moldova		<ul style="list-style-type: none"> Drafting bilateral agreement on protecting Dnister water resources Cooperating on Danube delta: resolving disputes on Giurgulesti oil terminal and Reni-Izmail railway Cooperating under Convention to protect Black Sea against pollution 		Cooperating in disposing of toxic waste and legacy of Chornobyl on Ukrainian side and legacy of Transdnistria military conflict			Jointly analyzing linking power grids
Developing joint cross-border projects under EaP with EaP funds							

	Air pollution	Water quality	Waste management	Environmental protection	Nuclear security	Energy efficiency	Climate change
Belarus	Cooperating to cut chemical pollution	Cooperating to cut chemical pollution in shared Dniipro, Prypiat, Sozh river basins			Undertaking joint research to minimize impact of radiation in Chernobyl zone	<ul style="list-style-type: none"> Cooperating on energy supply diversification Jointly analyzing linking power grids Extending the Odesa-Brody pipeline 	
Romania	Developing joint cross-border projects under EaP with EaP funds						
		<ul style="list-style-type: none"> Cooperating under Convention to protect Black Sea against pollution Cooperating under Convention to protect Danube River 		Cooperating to preserve East Carpathians under Convention on Protection and Sustainable Development of Carpathians			
	Modeling harmonization of domestic environmental legislation with EU <i>acquis</i>						
Poland	Cooperating to cut chemical pollution	Cooperating to cut chemical pollution		Cooperating to preserve East Carpathians under Convention on Protection and Sustainable Development of Carpathians			
	Modeling harmonization of domestic environmental legislation with EU <i>acquis</i>						

	Air pollution	Water quality	Waste management	Environmental protection	Nuclear security	Energy efficiency	Climate change
Georgia		Cooperating under Convention to protect Black Sea against pollution					
Turkey	Searching for common solutions to urban air pollution, sharing EU funding	Cooperating under Convention to protect Black Sea against pollution		Searching for common solutions to deforestation and land degradation, sharing EU funding		Cooperating to develop alternative sources of energy	
International community	<ul style="list-style-type: none"> • Collaborating to cut carbon emissions in Ukraine; • Trading carbon emission quotas under Kyoto protocol 					<ul style="list-style-type: none"> • Borrowing other countries' experience in energy efficiency and alternative energy (Japan, Germany, Spain, France) 	<ul style="list-style-type: none"> • Developing common climate change strategy • Consolidating international pressure to make polluting industries in Ukraine more eco-friendly

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