

Залучення Сходу Європи: український виклик

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Випуск № 5

Russia's Position

VIRTUAL FRIENDSHIP

January 27 ruling of the highest judicial instances of the Russian Federation to uphold decision suppressing Federal National and Cultural Autonomy of Ukrainians in Russia, rather meek reaction to this action by Ukrainian authorities coupled on the coattails of the widely publicized statement by Prime-Minister Putin denigrating Ukraine's contribution to the victory over nazism have highlighted again – at an emotional level - intrinsic flaws present in the current Ukrainian-Russian “entente cordial”.

Now it's more obvious than ever that Russia has never envisaged the process of “defrosting” bi-lateral relations in any other way than Ukraine's adopting Russian rules of conduct and playing along the scripts written in Moscow on the matters of principal importance. Thus, improvement of relationship between two states was perceived in Kremlin like a series of unilateral concessions on the part of Ukraine in exchange for illusionary (at best) advantages, most graphically demonstrated by Kharkhiv agreements that failed to generate much anticipated dividends for Ukraine either in form of lower gas prices or investment into Sebastopol's development. Any deviation from the chartered course, any defense of Kyiv of its interests, such as opposition to the “South Stream” project, unwillingness to join the Customs Union or recognize the right of Russia to the property and assets of the former USSR have been received in Kremlin with extreme irritation that has manifested itself in the cultural field in an especially deliberate and insulting manner.

On the other hand, unreadiness of RF to fulfill its commitments and its aggressive push for economic expansion have stoked suspicions and tempered down enthusiasm of Ukrainian leadership. Thus, so far the plans of integration in aircraft building, space, nuclear and shipbuilding industries have remained largely on paper. In a way, relations between two countries are traversing a rough patch again. Public quarrels are not likely to escalate and appearances most likely will be eventually preserved, but for Ukraine the strength and effectiveness of its stance in bi-lateral relations will ultimately depend on the ability of the leadership to stand up to Russia's *diktat* coupled with consistent and serious efforts to pursue the goal of European integration.

RUSSIA AND ASSOCIATION AGREEMENT NEGOTIATIONS

If behavior of Vladimir Putin is any indication, chances for conclusion of negotiations on FTA an Association Agreement between Ukraine and EU should not be negligible. Speaking about the prospective EU-Ukraine FTA, he said that Ukraine would have to make important concessions to EU and might have made a conjecture that a surplus of Ukrainian goods (not allowed into EU) would go to the Russian market. In this case, warned the Russian PM, his country would be obliged to close its borders.

This stark menace is part of the verbal and, it may be safely presumed, not only verbal offensive that has been launched by the Russian side in order to persuade Ukrainian leadership to abandon the policy of “knocking in vain at EU doors” and embrace instead the possibilities provided, without any preconditions, by the membership in the Customs Union, Common Economic Space and other structures dominated by Moscow. This was extremely visible at the EU-Ukraine forum recently held in Kyiv: a sizeable Russian presence (from NGOs to the members of Duma) persistently stayed on the message of advocating the promises of Eastern vs. Western integration of Ukraine.

Although reaction of the Ukrainian authorities to Putin's pronouncements was mute, in our assessment the balance of forces within Ukrainian ruling class is tilting now in favor of conclusion of negotiations with EU by the end of the year. However, it is not a done deal and Russian pressure is bound to increase, by the same token will increase its pressure to enlarge its positions in the strategic sectors of Ukrainian economy (March 21 statement of President Yanukovich as to the possibility of the sale of the part of the Naftogaz stock contradicting the views expressed on the same date by the PM can be the reflection of the relevant ongoing discussion). Under these circumstances it is vitally important for EU to show a certain degree of flexibility and political wisdom to foster achievement of the mutually acceptable compromise at the negotiations.

PUTIN IN KYIV: MISSION INCOMPLETE

Russian Prime Minister's visit left rather strange impression. Judging by President Yanukovich's ambiguous pronouncement on "3+1", statements by Russian officials and analysts and comments by some Ukrainian experts, one might have expected that Putin was coming to Kyiv to seal the deal of Ukraine's either *de-jure* or *de-facto* joining the Customs Union and thus completing her geo-political turnaround.

So far, it has not happened. Undoubtedly, this issue was at the centre of discussion between two leaders that took place behind the closed doors. According to information leaked to the press, Yanukovich has stuck to the following position: "Ukraine is integrating into EU, it is not joining the Customs Union and is ready to develop its relationship with this organization on the basis of "3+1" formula. This was definitely not enough for his Russian interlocutors: in words of Serguey Glaziev, Executive Secretary of the Commission of the Customs Union, "3+1" formula makes sense only if Ukraine directly participates in all processes of Customs Union integration.

In spite of this setback, the Russian game of "stick and carrot" around Ukraine's European integration is far from being over. During his stay in Kyiv Putin warned Ukrainians again of the harsh countermeasures Russia "would have to take" to protect its market in case of Ukraine's establishing FTA with the EU. It's hard to imagine real shutdown of the Russian borders, if we admit that RF is serious about joining WTO, but there's little doubt that it may try to hurt Ukrainian exporters in some sectors (for example, metal and especially metal tubes) and will be ready to play its usual economic hardball. Gas prices are the most obvious weapon of choice. Not incidentally the Russian side made the possibility of lowering prices for gas the centerpiece of its pro-Customs Union rhetoric (deputy chairman of "Gazprom" claimed that Ukraine would be able to save up to 8 billion USD). At this stage Ukrainian leadership tends to dissociate renegotiating the gas agreement with Russia, which should lead to the lower prices (comparable to those existing for other European countries) and Russian long-term guaranties as to the volume of gas transit through Ukrainian territory from the issue of Ukraine's participation in or close cooperation with the Customs Union.

On the whole, it will be premature to draw the line under the FTA vs. CU discussion, notwithstanding that the assertions of the Russian "sirens" as to the profitability of joining CU for Ukraine do not pass reality check and weren't supported by Ukrainian leaders in Kyiv. On the other hand, there are indications that stumbling blocks at FTA negotiations are not insurmountable and positive result by the end of the year is feasible. Thus, the moment for making one of the most important decisions in all Ukraine's history might be around the corner.