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QUID UKRAINE'S STRATEGIC SECURITY?

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ALEXANDER BOGOMOLOV

JAMES SHERR

ARKADY MOSHES

F. STEPHEN LARRABEE

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**CENTRE FOR
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**GENEVA CENTRE
FOR THE
DEMOCRATIC CONTROL
OF ARMED FORCES**

Place du Congrès 1, B-1000 Brussels, Belgium
Tel: +32 (0)2.229.39.11 Fax: +32 (0)2.219.41.51
www.ceps.be E-mail: info@ceps.be

Arundel House, 13-15 Arundel Street, Temple Place
London WC2R 3DX, United Kingdom
Tel. +44(0)20.7379.7676 Fax: +44(0)20.7836.3108
www.iiss.org E-mail: iiss@iiss.org

Rue de Chantepoulet 11, P.O. Box 1360
1211 Geneva 1, Switzerland
Tel. +41(22)741.77.00 Fax: +41(22)741.77.05
www.dcaf.ch E-mail: info@dcaf.ch

Quid Ukraine's Strategic Security?

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Chairman's Summing-up

François Heisbourg*

To introduce our proceedings we were fortunate to benefit from four papers, presented by their authors: Alexander Bogomolov of Maidan.org, James Scherr of the UK Defence Academy and Lincoln College, Arkady Moshes of the Finnish Institute for International Relations and Stephen Larrabee of the Rand Corporation, Washington, D.C.

They were urged by the Chairman to address in their reflections four questions:

- 1) What kind of country has Ukraine become? (is it like the Baltics, with a politically dominant non-Russian population; or is it a bilingual contract with a common nationhood, democracy and civil society; or is it a basically divided country?)
- 2) What kind of state is Ukraine? presidential or parliamentarian; oligarchic and clientelist or a civil society democracy?
- 3) What is the ability of the outside world – the West but also Russia – to influence outcomes in Ukraine?
- 4) What is the potential of developments in the Crimea to present new difficulties for Ukraine?

In presenting his paper, Alexander Bogomolov emphasised that neutrality would lead to isolation, that it is a threat alongside other negative outcomes such as authoritarianism 'à la Putin'; separatism or division; or becoming part of a larger unstable region stretching from Transnistria to the Caucasus. He considered that the Crimea constituted the most serious ethnic issue.

Overall, there was strong support in Ukraine for 'moving to Europe'.

James Scherr stressed that Ukraine's basic problem and weakness lies in the connection between politics, business and crime, with rent-seeking groups having a vested interest in avoiding political transparency and the conditions for entrepreneurship. The Rosukrenergo saga was symbolic of the problem. The Russian Black Sea fleet itself was not simply a status-of forces issue but a criminal problem. Crimea could become like Transnistria.

NATO's interest was less about MAP or membership than about sustaining the agenda of change.

Although Ukraine's existence is now accepted by Russia, the freestanding exercise of its independence is not. And Ukraine takes insufficient heed of Putin's reminders that only the strong are respected in international relations. More generally, there is dissonance between the EU's (and NATO's) post-modernism and Ukraine's need for classical nation-building. The situation is not improved by Ukraine's current behaviour, with the risk of the West losing interest.

Arkady Moshes indicated that there were three reasons for cautious optimism:

- Ukraine is and will remain pluralistic; it may well complete its democratic transition. The continuity of Ukraine's language policy also deserves to be noted.
- There will be no return to the Kuchma type of Russian-Ukrainian relations (preferential treatment in exchange of loyalty). Even Yanukovich had US consultants run his campaign... By moving away from preferential energy prices, Russia is speeding up this process; Ukraine, like the Baltics 15 years ago, should go for world energy prices.

*François Heisbourg is Director of the Fondation pour la Recherche Stratégique in Paris and Chairman of the European Security Forum.

- The West can continue to exert influence by supporting reform and via energy policy, even in the absence of EU and NATO membership.
- But again these reasons are:
 - the low quality of governance,
 - non-transparency and corruption and
 - the continued possibility of the manipulation of public opinion in Eastern Ukraine.

The keys for the future are:

- the continuation of domestic transparency,
- the West judging Ukraine by what it is actually doing rather than playing favourites with this or that party and
- keeping the prospect of EU accession on the agenda.

Steve Larrabee saw himself as being closer to Scherr than to Moshes. The Orange coalition never had a unified purpose; and Ukraine now had two policies, one with a euro-atlantic orientation, the other being neo-Kuchma (with the dissolution of Tarasyuk's Euro-Atlantic Committee and the reduction of funding for defence reform).

Yanukovich's policies, like those of Kuchma, are not straight pro-Russia; the West is viewed as a useful counterweight vis-à-vis Russia: Yanukowich had supported NATO membership when he served as Kuchma's premier.

In the discussion, a NATO official viewed the Ukrainian situation as being basically different from that of the Baltics during the 1990s. NATO membership is not popular in Ukraine: what was notable in recent elections was the fact that parties viewed as friends of the West had decided that supporting NATO membership was not going to help them. He noted that those who push for NATO membership in the US are also those who want to limit the Russian-NATO relationship. This won't do.

A Ukrainian politician emphasised that the Orange Revolution was not about East versus West but about democracy versus autocracy. Ukraine is becoming a normal European country, and not only in its capital, even if it has an abnormal past; the civil society and the free press are not at all in the same situation as in Russia. The current paradox was that Yanukovich had received a measure of legitimisation in the West, but not in Russia: Moscow wants him to deliver first on the gas package. There will be no return to Kuchma's 'milking two cows' policy: Yanukovich doesn't have the constitutional and political power to do that. As others, this participant was worried about the Crimea and Russia's policy of instability.

An EU official, like the previous speaker, compared Ukraine to traditional stereotypes of Italy: the situation is critical but not serious. Ukraine has become a nation, whereas the question was still open 15 years ago. Crimea may be the exception. Ukraine has democracy at the popular level. Indeed, in that regard, the population at large was much better than the elites. Russia's options vis-à-vis Ukraine are limited: Donbass oligarchs are not pro-Russia in structural terms; their greatest economic competitors are in Russia. The European carrot, alluded to by Steve Larrabee, exists: membership is not on the agenda but then it is not closed down either.

In the broader discussion, Arkady Moshes, in replying to the chair on energy issues, observed that Ukrainians were beginning to realise that energy efficiency was necessary. Ukraine has managed to digest the increase in gas prices from \$50 to \$130 per 1000m³ quite well. Russia does not scare the Ukrainians in the field of energy anymore. Indeed, Moscow pressed for rapid settlement after the January 2006 cuts, in part for lack of storage space for the gas.

A Finnish participant stressed that the political issue of energy dependency would be greatly mitigated by the reduction of energy over-consumption through higher prices. James Scheer remarked that the

Ukrainian energy sector was even less transparent than that of Russia. Others agreed with this, with the question being put: who runs the Ukrainian energy sector? One participant noted that there was no systematic approach by Ukrainian civil society towards the control of the energy sector and tariffs.

An American participant reminded the Ukrainians that what happens next will depend not only on Ukraine getting its act together but also on NATO and other Western institutions.

A European analyst considered that the debate should not go too far in the direction of dramatisation: Russia is playing games in the Crimea, and is strongly asserting itself in the field of energy.

In his final remarks, Steve Larrabee stressed that Putin and other Russian officials lost no time in raising the issues 'associated' with the gas deal (e.g. NATO, Sebastopol, WTO membership) when Kommersant leaked its version of that deal.

However, Arkady Moshes urged that what counted was what was actually going to happen: Ukraine would join the WTO in 2007, and there would be no referendum on NATO membership.

James Scheer considered that Russia was behaving in a pre-1914 mode. As for the EU, the talk should not be about membership but about actual integration of Ukraine in specific areas, such as visa policy. Functioning democratic institutions in Ukraine are of the essence.

Alexander Bogomolov remarked that the EU's relations with Ukraine are more heavily influenced by the "what about the effects on the relationship with Russia" question, than by the actual status of Ukrainian-Russian relations.

Ukraine's Strategic Security

On a Crossroads between Democracy and Neutrality

Alexander Bogomolov*

Over the past 15 years Ukraine has certainly become a much freer nation than many of its former Soviet neighbours. Yet, as this year's events have demonstrated, the point of no return in the transition towards a sustainable democracy has not been passed. Elements of an authoritarian culture are still preserved within a number of institutions, notably the security sector. There are powerful forces in the region working to undo the nascent democracy. The latter's very institutional structure is still too incomplete to be immune from these challenges.

The Orange Revolution has put before Ukraine a number of choices. It would be an oversimplification to reduce their complexity to a cultural choice formulated in terms of an East/West dilemma or an issue of the nation's political and geographical attribution – to Europe or some imaginary Eurasia. The dilemma is more complicated, concerning the essence of numerous institutional and policy steps taken by a variety of actors at different levels as well as the relative timing of such steps, which altogether will define what kind of country we will have in the next several decades – a successful or a failed one, a democratic one or otherwise. From a security perspective, the most important issues currently include accession to NATO, the development of state institutions (including those in the security sector), the emergence of a consistent regional policy and finally the sustainability of the nation's political progress towards a fully-fledged participatory democracy.

Political scene

With the adoption of new electoral legislation abolishing the majority voting system, political parties became the main actors in Ukrainian politics. The major issue, hence, is what these parties are actually comprised of and whether they adequately represent Ukrainian society's complicated social, class and cultural make-up. The simple answer is no, they certainly do not. Political party development lags behind society's growing diversity and dynamics. The persistently low credibility of the parliament, with 30% of the population declaring that they do not trust it, provides a numerical indicator of its incapacity to reflect society's interests. A sociological study found that party programmes in the wake of the March 2006 parliamentary elections had little or no overlap with the actual expectations of the electorate.¹

Of the five parties that won seats in the recent parliamentary elections, three of them – the Party of Regions of Ukraine (PRU), the Socialist Party and the Communist Party – finally formed the so-called 'anti-crisis coalition' in July 2006. For all the seeming ideological inappropriateness of this alliance of leftist and oligarchic forces, their common denominator is a reference to what has remained of the Soviet identity (mainly in the eastern and southern regions) and appeal to certain age- and culturally-specific populations, which explains such epiphenomena in the coalition policies as a clear pro-Russian tilt. Over time, the distribution of votes across this group has shown an interesting trend – a change of hearts in the combined 'pro-Soviet' target audience away from the left and towards a more nationalist interpretation of the common Soviet references, which mirrors a similar ideological trend in neighbouring Russia.

* Alexander Bogomolov is a member of Maidan Alliance (maidan.org.ua), a grassroots-based pro-democracy civic movement in Ukraine.

¹ See Maidan Alliance, *Usvidomlenn'a vyboru 2006: Interaktyvne spivstvlen'n'a interesiv vybortsiv ta obits'anok politychnykh syl*. [Conscious Choice 2006: An interactive comparative study of the voters' interests and promises of the political forces], Halyts'ka Vydavnycha Spilka – 200 UV, Maidan Alliance (2006).

The other two parties include Our Ukraine, a bloc of liberal, patriotically-minded groups forming the main political force that won in the Orange Revolution of 2004, and Yulia Tymoshenko's Bloc (BYT), another partner/competitor in the Orange team. The competitive advantages of the latter are its appeal to broader cross-sections of society and greater political flexibility, which are offset by an ideological uncertainty. Over a short period of time the faction has shifted from rather vaguely expressed populism to outdated 'solidarism' and finally to socialism (consider Ms Tymoshenko's most recent decision to seek membership in Socialist International), contrasting with its material dependence on large business groups as its major resource base.

Despite their failure to pass the threshold in the March parliamentary elections, ethnic nationalist parties such as the Ukrainian People's Party (an offshoot of *Rukh*) and the bloc consisting of PORA and the PRP (the Reforms and Order Party) have not disappeared from the political scene, having retained a high level of presence in regional politics – particularly in Western and Central Ukraine. With these parties the local political spectrum looks significantly more pluralistic than it does at the top political level.

In 2005, the Orange bloc had the chance to mobilise an unprecedented level of popular support for a new national project, but failed to do so because of its incapacity to formulate such a project and to see beyond its immediate social base – groups and individuals representing or affiliated with a patriotic segment of the business elite. The two major Orange parties, Our Ukraine and BYT, initially had a seemingly correct distribution of support across the social strata – the former as a liberal project reflecting the interests of the business elite, the latter in terms of what the Orange parties interpreted as reflecting the 'people'. Eventually, both of them missed the golden middle – failing to find support among the most active and motivated segment – the middle class. To be fair, the task was not as easy as it may now sound. The ability to mobilise the middle class at that time would have called for the capacity to see several steps ahead of the current situation. The Ukrainian middle class is not an accomplished social phenomenon, but rather a process, a class/group identity in the making. But the two processes, the political and the social one, could have been mutually re-enforcing.

Ukraine's approach to the politically decisive March 2006 elections involved a protracted debate among the team of the apparent winners. The defection of a minor Orange partner, the Socialists, overturned the shaky political balance and ended the hopes for the Orange coalition. The ensuing political developments, although hardly yet final, have inflicted much damage upon Ukraine's international standing. Domestically, only too obvious became the enormous drawbacks of the new political system of the so-called 'presidential-parliamentary' democracy with its party list-based electoral system, which resulted from the EU-blessed pacted transition in November 2004.

A major issue remains the identification of the differences between the PRU and the Orange parties, given the large overlap between them in both ideology and social base. From the perspective of the perceived threats to democracy associated with the rise of the PRU to power, at least one point merits attention. The Conscious Choice 2006 project² analysed key elements in the political cultures of the top 15 parties that ran for the March 2006 parliamentary elections. Sharp differences were found with regard to openness and the willingness to go for social dialogue, with the BYT and Our Ukraine ranking second and third and the PRU almost at the bottom of the 15-party list. There are other indications as well of reduced transparency in the decision-making process of the PRU-led government as opposed to its predecessors.

The central theme of domestic politics is the competition for power between the cabinet and the president's office. While President Viktor Yushchenko's Our Ukraine party has lost much of its power base, the presidential office, including the National Security and Defence Council (NSDC), is gaining more support backed by the Industrial Union of Donbass. Although in the amended constitution security, defence and foreign policy fall under the competence of the president, the cabinet is

² Ibid., p. 9.

effectively striving to put these policy domains under its control as well. The cabinet is following the same course of action with respect to local government, in trying to impose financial control over the executive committees of the local councils. The government is thus split over the foundations of its foreign policy and energy security and by its internal, economically-driven feuds.

The political scene in Ukraine should not be viewed as confined to party politics alone, however. There are many new developments at the grass-roots level, as revealed in the regions, in local government and in various forms of citizens' self-organisation, which are no less (and probably more) important for the nation's future than the party politics at the top of the political ladder. The change from the unprecedented high level of support for the Orange forces immediately after the Orange Revolution to the vast withdrawal of this support carries a different meaning from the traditional Soviet or Russian distrust of politics (the notorious post-Soviet 'gap' between the government and the governed). It reflects significantly higher demands being made on politicians by society and the perceived inadequacies of the current political class in addressing these demands, which create space for new political projects with a broader social base as well as those better adjusted to regional needs.

The NATO debate

The issue of NATO accession in Ukraine emerged in the context of the so-called 'multi-vector' policy approach of the Kuchma government – mainly reflecting the need to offset Russia's influence. In 2004, the NATO issue assumed greater prominence in the oppositional electoral programme, being seen as both an efficient security arrangement and an instrument to upgrade the country's global standing. Earlier, on 23 May 2002 the NSDC had passed a resolution on Ukraine's accession to NATO, which on 19 June 2002 was signed as the Law on the Foundations of the National Security of Ukraine. According to the Razumkov Centre for Economic and Political Research, it was since that time that references in the official language changed from the euphemistic 'Euro-Atlantic integration' to the unambiguous 'NATO accession'.³ Finally, in 2005 Ukraine entered the stage of intensified dialogue with NATO. Yet the above-mentioned law is currently being disputed in parliament by the PRU-led coalition. The NATO Membership Action Plan (MAP) that was expected soon to follow was put on hold by the visit of Prime Minister Viktor Yanukovich to Brussels in September 2006, on the pretext of low public support for the accession.

The Kyiv-based Razumkov Centre, the most-quoted source of public opinion polls on the NATO issue, found in 2002 that 31.4% of voters supported NATO accession, 32% were against it and 22.3% were undecided.⁴ Characteristically, those in the younger age groups showed significantly more support for the accession compared with the rest (40.4% vs. 22.4%), with almost the same proportion of undecided respondents (19.8%).

On 6 October 2006, the survey figures showed a dramatic decline in public support for NATO accession, with 18.2% for and 60.9% against it. These figures were extensively publicised by the historic opponents of NATO. They served as a convenient argument for the newly appointed Prime Minister Yanukovich in his effort to condition Ukraine's accession on a public referendum when signing a deal with President Yushchenko in August 2006 and to later back away from Ukraine's commitment towards the adoption of the MAP. The validity of this argument was hard to dismiss, but it left Western politicians wondering what could have happened to a nation that had demonstrated its strong commitment to democratic values just two years ago, i.e. the values whose protection is the very *raison d'être* of NATO. Moreover, the nation, whose majority voted for a president explicitly

³ See the article on the Intellect.org.ua website (retrieved from http://www.intellect.org.ua/index.php?lang=u&material_id=31774&theme_id=0).

⁴ See the website of the Razumkov Centre for Economic and Political Research (retrieved from http://www.uceps.org/ua/opros/16/?show_q_id=15&idTema=0&m_razdel=102).

calling for the country's accession, had at least suggested by default that the majority of Ukrainians were pro-NATO.

Viktor Yanukovich's electoral campaign of 2004 was the first and so far the last electoral campaign in Ukraine that so heavily exploited the subject of NATO. It produced tonnes of flyers and posters portraying Mr Yushchenko as an agent of the West.⁵ The campaign ideology was not so much directed against NATO as it was built upon the assumption that NATO is negative and Mr Yushchenko's association with it was used to weaken his positive image. Although this approach proved ineffective in 2004, having failed to undermine Mr Yushchenko's chances, it formed the basis for a subsequent anti-NATO propaganda campaign, particularly with the deployment of Natalia Vitrenko's group (the Progressive Socialist Party) as a prop for the PRU. Ms Vitrenko made the topic a key issue in her political campaign up to the March 2006 parliamentary elections and part of her group's political brand. It soon became clear that anti-NATO campaigning represents a political commodity in its own right regardless of the elections. A hyper-visible anti-NATO issue group thus began to form – with Ms Vitrenko and Russian nationalist organisations, Communists, religious activists and a task force of Russian politicians showing persistent interest in Ukraine.⁶ The most recent actions of the issue group include the Communist Party-led campaign "Crimea – An anti-NATO stronghold".

The backdrop of the war on terror and the perceived threats associated with Ukraine's engagement in the Middle East are being used as evidence for anti-NATO campaigning. But more important is the fact that, backed by the ongoing propaganda on Russian television, the issue group has succeeded in forming a direct cognitive link between NATO and Russia, and in sending a message that NATO means some serious problems with Russia. Furthermore, the public activities of the anti-NATO group and the ongoing hot party debate surrounding the issue have fostered strong negative connotations of domestic unrest. Bearing all this in mind it is clear that when asked about NATO accession,⁷ an average Ukrainian would be answering quite a different question – relating to what the accession would imply for Ukraine's political identity and the situation in the country. In other words, when asked about NATO, most respondents would probably think of wars, terror, Russia, the annoying Ms Vitrenko and 'commies'. They certainly would not be thinking of security guarantees against what happened to Georgia or another Tuzla (or Kerch Strait) incident, a better military service and membership in a real Western club, to which, according to the same polls, so many aspire.

The problem is not so much the declining popularity of NATO, which has been undermined by a synergy of efforts of the anti-NATO group, the Russian media and so forth. More worrying is the fact that even some liberal politicians outside the PRU-led parliamentary bloc have found a convenient excuse in the new social dynamic and embarked upon a campaign promoting the idea of Ukraine's neutrality. The main argument that this school of thought offers is the reference to Switzerland and four EU member states. The argument, however, disregards the realities that Ukraine is not Switzerland and that it is located in a significantly different security environment, let alone that other collective security arrangements – such as the EU's emerging security and defence policies – have largely overwritten the neutrality status of European non-NATO members.

⁵ In October 2004, the opposition uncovered a stock of 100 tonnes of posters and other propaganda material of this kind at the storage facilities of the Kyiv National Exhibition Centre. Even with this stock excluded from circulation, the anti-Western propaganda campaign associated with the PRU remained extremely visible throughout Ukraine.

⁶ The most outstanding case in point is that of the Russian MP Konstantine Zatulin, who was declared *persona non-grata* by the Ukrainian Security Service for organising the June 2006 anti-NATO rallies in Feodosia, Crimea.

⁷ The usual question in the opinion polls is along these lines: If the referendum on NATO accession were held tomorrow, how would you vote – for the accession to NATO, against the accession to NATO, difficult to answer or would not vote?

A political commentator of distinctly non-Orange background, Kost Bondarenko, has succinctly formulated the basic tenets of the neutrality doctrine, stating

[T]he foreign policy doctrine changes: the President abandons the previous Rybachuk's conception – [of] immediate entry to Europe – and Tarasiuk's one – [of] turning Ukraine into Georgia, and stakes on Chalyi – multi-vector policy, good-neighbour relations with the EU, Russia and NATO – *without integration into supra-national projects that harm the national sovereignty of Ukraine* (emphasis added).⁸

Although such a programme probably implies refraining from Russian-led integration schemes as much as Euro-Atlantic ones, it is clear that such an autarchic stance would be too difficult to maintain and, if adopted, the policy would effectively trigger a backslide into the grip of Ukraine's more powerful neighbour, running a risk of *de facto* international isolation. The project's philosophical underpinnings become clear in the other parts of Mr Bondarenko's five-point programme. The energy issue is presented as the primary (implicitly the only real) problem of Ukraine's national security,⁹ and a special line is dedicated to what the author sees as the adoption of the interests of Ukrainian-based transnational corporations as the guiding lights to foreign policy formulation. Important though these things may be, this technocratic tilt reveals the incapacity to see the strategic issue, namely the plight of the nation's integrity.

For all the prominence of the energy agenda, the Eastern European security dilemma stems not so much from energy disputes as from the conflicting visions of the mode of political and social development of these countries and the entire region. The energy issues, essential and troublesome as they are, come lower down in the taxonomic rank. For Ukraine, issues other than energy are more pressing: how to hold the nation together and stimulate social and political progress towards a fully-fledged democracy, for which the key words are the rule of law, isonomy and good governance (participatory democracy, local self-government, effective anti-corruption mechanisms, etc.). Solutions for the socially explosive issue of increasing energy tariffs lie in the fields of tax and property reform, housing and land privatisation, and ending the *de facto* policy of artificially limiting wage growth – i.e. measures to ensure the steady and commensurable growth of household income.

Moreover, modern Ukraine emerged as an independent state at the very moment when the bipolar world collapsed. Born into the complexity of post-modernity, would the nation be able to go all the way back on the axis of time to recreate all the stages that other historic nation states went through? At a time when the world's interdependency is growing, and the very notion of a nation state is being dramatically re-assessed and in reality overwritten by more complex forms of political organisation (the EU for one), it seems that an isolationist project would be a bit outdated.¹⁰

⁸ See K. Bondarenko, "Mysterious Hayduk: Final Part", *Ukrainska Pravda*, 16 October 2006 (retrieved from <http://www2.pravda.com.ua/news/2006/10/16/49107.htm>). The whole lengthy article is dedicated to interpreting (or promoting) the appointments made in the presidential administration of individuals affiliated with the Industrial Union of Donbass – Vitaliy Hayduk, Oleksandr Chalyi and Arseniy Yatseniuk (the latter of whom publicly denied the link). Of the threesome, former Deputy Minister of Foreign Affairs Chalyi has become a symbol of the neutrality doctrine. Although the author's view is not necessarily representative of the presidential secretariat's position, the foreign policy ideas outlined in the article rings bells with a cross-section of corporate politicians both inside and outside the parliament.

⁹ It is interesting to note that adherents to this school of thought richly utilise the old Soviet ideological clichés – such as the base/superstructure model – drawing on the assumption that once economic needs are satisfied, all the other problems will be sorted out automatically.

¹⁰ Refer to G. Yavorska, "Constructing European identity in Ukraine", paper presented at the Conference International et Pluridisciplinaire: Pour une Maison de l'Europe contemporaine, « L'Europe: utopie ou levier du changement », held in Paris on 16-17 June 2006. The author maintains that if Ukraine does not develop into a post-modern European nation it risks becoming a pre-modern one, and eventually, a failed state.

Apart from other risks, this neutrality tilt bears another domestic policy risk – the only way for modern Ukraine to produce a new national project that is capable of engaging people living in regions where Ukrainian ethnic culture does not dominate is by re-interpreting the Ukrainian ethnic nationalist ideology as a Ukrainian–European one. In all the opinion polls, Europe appears as the only ideologically common denominator across all the regions.¹¹ Needless to say, without a clear EU membership prospect there is no way that such a model could succeed. And that is something that only a united EU can help with but appears not to have enough political will. The notorious social division of Ukraine that has been widely discussed since the March 2006 parliamentary elections – having most clearly transpired over the issue of NATO – does not reflect a case of Russian vs. Ukrainian ethnic nationalism but in fact a nascent European–Ukrainian identity vs. the Soviet one. Obviously, domestic peace in Ukraine is not about reconciling these two identities, as it hardly makes sense to reconcile concepts that belong to the past with those of the future. A democratic, Europe-oriented project has the capacity to engage more followers while a Soviet-oriented identity is not even a project. A similar situation can be observed elsewhere in the region and a common European identity may provide clues to solving the region's chronic ills: in Transnistria, Moldovan identity is not attractive to Russian or Ukrainian speakers, while the new sense of belonging to Europe is capable of overcoming the rift. Paradoxically, while the EU is struggling to construct a common European identity, it is already functioning outside its borders.

A thorough analysis of the official texts of political programmes performed on the eve of the March 2006 parliamentary elections in Ukraine revealed that the hidden intent of most parties was neither EU nor NATO aspirations – but rather some kind of ‘third way’ development.¹² This conclusion could be corroborated by the impressions of some EU politicians working closely with Ukraine. A month before the elections, former EU Commissioner Sandra Kalniete said just as much, stating, “The impression is that the majority of the elite would like to have Ukraine to themselves, as their own fiefdom, to do whatever they want.”¹³

Another verbal tactic in public campaigning used by the proponents of Ukraine making its own way is to present the EU, the US and NATO as disconnected items for Ukraine to pick and choose among.¹⁴ The argument goes that we can drop out of NATO, which is presented as solely the project of the US, and head towards the EU, which is presented positively. This rhetoric clearly resonates with the opinion polls, which show the greater popularity of the EU as opposed to NATO and the US, with 48.8% favouring EU membership compared with 31.9% supporting NATO accession.¹⁵

¹¹ Consider the following figures in favour Ukraine's accession to the EU by region: Western – 67.4%, Central – 57.1%, Southern – 28.8% and Eastern – 39.1%.

¹² See the website article by S. Mykhailiv, “Unexpected soul-mates: European values in the mirror of elections”, Maidan Alliance, March (2006) (retrieved from <http://maidan.org.ua/static/mai/1142845102.html>). While most Ukrainian commentators dismissed the programmes as irrelevant to understanding the ‘real’ intentions of politicians, the author (using discourse-analysis techniques) found a number of characteristic omissions in the texts of the programmes – key concepts associated with European integration – across the entire ideological spectrum from the Orange parties (except Our Ukraine) to the ethnic nationalists, centrists, leftists and liberals.

¹³ Sandra Kalniete's comments appeared in the website article by H.M. Kloth, “Eastern Europe in Crisis: Democrats Versus Dictators”, Spiegel Online International, 21 February 2006 (retrieved from <http://www.spiegel.de/international/0,1518,402135,00.html>).

¹⁴ It is interesting to compare this line of argumentation with slogans used as part of the Communist Party-led anti-NATO campaign in Crimea: “Yushchenko, enough [dancing] to US tunes!”; “This is our land, and not [that] of the Americans!”; and “Ukraine – neutral [*vneblokovaya*]”. The presupposition of US–NATO aggression is just as clear here as in the television programmes hosted by Igor Slisarenko (Channel 5), and overlaps with the rhetoric of the proponents of neutrality.

¹⁵ Even in Western Ukraine, where 67.4% are for EU membership vs. 11.7% against, the polls on NATO accession are still not clear-cut, with 39% in favour vs. 24.6% against.

Business and politics

In many ways, politics, business and justice have become a single marketplace in Ukraine. The nature of this marketplace suggests that not just market but *black* market types of relations have served as the model, as a kind of parallel economic universe with loose and inherently opaque regulating principles and ever-present uncertainties, which are particularly dangerous for strangers. Political authority represents an economic value just as much as the presidency of a corporation or an enterprise would. The economic value of posts on the local council or in the mayor's office comes from the capacity to affect the distribution of land resources. In a recent interview, Mykhailo Brodsky refers to an episode in which Ms Tymoshenko called her faction leader in the Kyiv city hall to ask him to facilitate the allotment of 11 hectares of forest land to judges of the Supreme Court.¹⁶ This little episode provides the best description of the basic scheme of how the networks involving political, judicial and business authorities operate. Of course, in another cultural context this kind of scheme would be interpreted as corruption, and indeed Mr Brodsky objects to it. What makes this particular episode absolutely legal, despite the obvious actual loss incurred to the local budget, is the existence of a very Soviet-style law allowing local councils to allot land free of charge to any Ukrainian citizen for housing purposes anywhere in Ukraine.¹⁷ Clearly, those who actually obtain the land titles are Ukraine's 'most equal' citizens.

The logic of cross-sector networking – much as the black market ideology – is not a new one, and dates back to the shortages-ridden and privilege-driven planned economy. Hence, informal networks of persons with similar social and corporate backgrounds continue to play powerful roles in politics and business. As elsewhere in post-socialist countries, the formation of large-scale businesses and the development of state institutions in Ukraine went hand-in-hand, and was largely performed by the same set of individual actors/groups and represents elements of almost the same process. With such logic inherent in the economic reform and privatisation programme, which rendered those controlling the distribution of vast public property assets both economically and politically powerful, the process could hardly have produced a different result. Western consultants and governments that acted as the designers and sponsors of privatisations bear as much responsibility for the consequences, including widespread corruption, as the local parties themselves. Many of the failures and inadequacies that provided a fertile ground for the growth of the grey economy – such as improperly developed mechanisms of property disputes – could also be attributed to the legal, cultural and institutional heritage of the past, which resisted quick decomposition. Consider the following statement by the Harriman Institute project on Networks, Institutions, and Economic Transformation:

Seventeen years have passed since the process of reform began. Yet, deal-making and ties between businesspeople and politicians still greatly affect the performance of markets; the consolidation of institutions; and the process of policy-making in both the economically well-performing post-socialist countries and those that have fared poorly [*sic*].¹⁸

Mr Brodsky's comments on the way the party lists for the Kyiv City Council had been formed before the March 2006 elections also provide an insight into the way business and politics interact at the local government level:

¹⁶ See the interview of Mr Brodsky by the Glavred news agency, "Mikhail Brodsky: 'I am the party's doctor: I will cure the BYT – I give you my word'", 19 October 2006 (retrieved from <http://www.glavred.info/print.php?article=/archive/2006/10/19/112637-5.html>) (in Russian). The use of material pertaining to Yulia Tymoshenko's faction as an illustration here is of course purely random, but the conclusions drawn on its basis hold true just as well for all other political actors.

¹⁷ More specifically, the legislation referred to here is the Law on Local Self-Governance of 21 May 1997.

¹⁸ For further information, see the description of the Harriman Institute initiative, Networks, Institutions and Economic Transformation in Post-socialism (retrieved from <http://networks.harrimaninstitute.org/project.html>).

I demanded not to enlist the former members of the Kyiv Council, explaining to them, 'Guys, you should not do it. These people already have their schemes, they are involved in [other people's] schemes, they are not public figures anymore, and they will not protect the interests of Kyiv.' ...God forbid they will all leave the faction, it will be a blow in the face of the party.¹⁹

Within the network, motivations may vary from economic to more political ones. But they are so interlaced that purely political ones are more likely to be an exception that only proves the rule. A characteristic phrase was once dropped by a local businessman-cum-politician in Lviv: "There are people, who with their businesses, just cannot afford to be in opposition". After the Orange Revolution the phenomenon of so-called 'changed colours' was widely discussed – referring mainly to those who supported the blue-and-white PRU and then quickly changed to an Orange alliance – with new recruits often outnumbering the genuine Orange supporters in the local party and government lists. These apparent changes-of-heart became visible for the general public with the notable ideological rift that was highlighted by the revolution. They represent a rather established habit when changes at the top provoke clients in the lower ranks to seek a new patron up the hierarchy. Officials act as resource managers (with resources having both economic and political values, and being mutually convertible anyway) when one type of power is converted into another. Ukraine's predicament, compared with neighbouring countries such as Poland, comes from the fact that in the latter the core structural, institutional and legal changes were undertaken at the peak of political movements still very popular in their nature and led by ideologically-motivated and economically very modest politicians. The Orange Revolution brought large numbers of new individuals into the local political process, many of whom were initially involved with the new Orange parties, but were subsequently sidelined in much the same way as described above. Yet this glass can also be seen as half full – the revolution highlighted the willingness and the availability of local civic activists, and hence the potential of further civil society development. Apart from a purely ideological impetus, there is also the potential economic motivation for a change towards a more participatory democracy and rule of law, which after all is the best-tested way to protect oneself from most unpleasant uncertainties, such as those related to widespread raiding.

According to Olena Bondarenko of *Ukrainska Pravda*,²⁰ during the last several months a new wave of raiders' attacks (i.e. the illegal takeover of assets) has been mounting in Ukraine. It has included a crane-building factory in Brovary in the Kyiv region, a steel-casting factory in Kremenchuk, an oil-extracting factory in Dnipropetrovsk and many others.²¹ The author marks as a new development the fact that the focus of the attacks has shifted to medium-sized enterprises, while previously large business groups were featured as parties to such property disputes.²²

Although the raider normally seeks a court ruling to obtain a legal title to the property, according to the author the real deal occurs 'behind the scenes' between more powerful actors, who back the disputing parties. This description highlights the importance of vertically-integrated power networks based on client–patron principles. According to *Ukrainska Pravda's* other source,²³ the cabinet has recently formed a special commission to curb the illegal takeover of assets. For all the importance and scale of the phenomenon, however, there is practically no mention of the commission's existence let alone its proceedings on the Internet.

¹⁹ Derived from the interview of Mr Brodsky by the Glavred news agency, *supra*.

²⁰ See O. Bondarenko, "Kirovohrad trial", *Ukrainska Pravda*, 18 October 2006 (retrieved from <http://pravda.com.ua/news/2006/10/18/49224.htm>).

²¹ There are numerous other cases reported in the media – see for example the business daily *Delo* article of 16 October 2006 on the shopping mall *Detsky Myr* in Kirovohrad and the bread-baking plants in Zhytomyr.

²² The author quotes experts who believe these enterprises have attracted raiders for two reasons: the lower costs associated with these types of raiding operations and the comparatively higher potential for profitability in view of the fact that such enterprises remain underpriced in the market.

²³ See K. Matvienko, "Society does not need such [a] state", *Ukrainska Pravda*, 19 October 2006 (retrieved from <http://pravda.com.ua/news/2006/10/19/49311.htm>).

The issues of raiding and ‘free’ land distribution highlight a serious legislative and policy gap that constitutes a major domestic security threat – which is the inadequacy of private and public property regulations. The problem stems from an earlier spate of ideological fence-sitting, which created a major opening for the grey economy and multiple opportunities for property manipulations.

Multiple other problems, including those immediately affecting the household economy such as the current housing utilities crisis, are connected to this issue. A weak household economy represents a major problem in its own right. The situation in which any miniscule rise in food prices or housing utility tariffs makes the nation easy prey for immense external pressures and heats up domestic policy temperatures is hardly normal and as such it should be viewed as a major security threat. Meanwhile, a series of Ukrainian governments have artificially prevented the growth of wages and now the means to mitigate the current gas-price burden are only discussed at the level of subsidy programmes.

Ukraine’s economy shows little intensive development primarily because much of the effort of its business elite goes into the extensive dimension – protecting those assets that have been appropriated already and acquiring new ones, along with investing in the creation of political strongholds in order to secure and improve the economic status quo. For many Ukrainian oligarchs, development is tantamount to expansion.

Large foreign investments, such as those occurring in the banking and steel sectors, certainly have a role to play in changing the paradigm for Ukrainian corporate governance in due course. But this will take time.

Regional challenges

One of the major challenges Ukraine faces today is the fact that there are still parts of the country that have not fully integrated culturally into the new Ukraine. This challenge permeates all levels, notably the local bureaucracy, which theoretically has to be representative of the nation state. Those affected remain in a political limbo – referring largely to and greatly influenced by modern Russia primarily as a substitute for the former Soviet state. Throughout the electoral history of the past 15 years the political and cultural frontiers of the Ukrainian nation – as opposed to just those regions that are mainly ethnically Ukrainian – have been gradually moving eastwards and have engulfed much of the south and east, and certainly the centre,²⁴ even in the context of the March 2006 parliamentary elections. This shift was somewhat interrupted by the rise to power of the Party of Regions, but there is no reason yet to say that the trend has reversed. The pro-Ukraine movement did not stem from a conscious government policy, but rather came about by default – through regions with large or dominant populations of ethnic Ukrainians (including the Russian-speaking patches). When the stumbling blocks were encountered, the Orange leaders appeared incapable of realising that a systematic policy was needed to address the challenge. The issue was generally interpreted as a linguistic one – Russian-speakers as opposed to Ukrainian-speakers – and the Orange team naively thought it would be able to cope by occasionally speaking in Russian alongside the official Ukrainian on trips to eastern regions and when asked questions in Russian during public sessions.

The lessons of the Orange Revolution, which demonstrated the potential of civic activism, have not remained the exclusive property of Ukraine’s civil society and have been eagerly picked up by anti-democratic forces. Over the past couple of years, the Western newly independent states, with the exception of Belarus, have witnessed an onslaught of a host of fake civic groups sponsored by political technologists mainly with roots in Russia. The most prominent names include *Proryv* [Breakthrough] in Transnistria and subsequently in Sevastopol, where it openly called for Crimea’s succession from Ukraine in January 2006. *Proryv* is also affiliated with the Che Guevara School of Political

²⁴ In this context, ‘moving’ refers to the change in the geographical distribution of voters’ preferences, shifting from political models built on elements of Soviet identity to those that are more Ukraine-oriented.

Leadership.²⁵ Branches of either Russian or pan-Slavic extreme nationalist organisations – such as the Eurasian Youth Union – have also sprouted in Ukraine since late 2004.²⁶ They have acquired some media prominence and caused concern among Ukrainian authorities by organising anti-NATO rallies under the banners of Russian nationalism in Crimea and campaigning against official recognition of the Ukrainian Rebels' Army (UPA).²⁷ Together these groups' activities contribute to creating an impression that the essence of modern Ukraine's plight is a dispute over a pro-Russian versus a pro-Western orientation, and not democracy versus authoritarianism.

The combined efforts of these groups and local Russian nationalists in Crimea, who established a stronghold in the regional parliament,²⁸ are now working to undermine the inter-ethnic peace on the peninsula. On 11 August 2006, the Crimean MP and Russian community activist Oleg Rodivilov orchestrated a violent assault on the peaceful Crimean Tatar rally in Bakhchisarai. Since the mid-1990s, paramilitary units under a common umbrella of Cossacks and a Russian nationalist ideology have been proliferating in Crimea.²⁹ There are up to a hundred Cossack organisations that are registered at a district level, and together they make up four regional associations. They most frequently appear on the other side of any conflict involving the Crimean Tatars and are actively engaged in the war of religious symbols – which involves marking visible places with large stone crosses much to the chagrin of the local Muslim population. If the tensions between the Muslim population and ethnic Russians continue to grow, the Cossacks have the capacity to provide an infrastructure for an armed phase of potential conflict.

The Bakhchisarai events were a milestone in the growing inter-ethnic tension. They were followed by a series of fights between young Crimean Tatars and Russians in various localities and a graffiti campaign openly calling for a war against Tatars in Simferopol and other localities in Crimea. During the March 2006 elections, the national government lost much of its control over the regional authorities, as even the local supporters of the PRU in the regional parliament showed little willingness to heed the cabinet on many issues, notably including the cabinet's attempts to deal with the inter-ethnic tensions.

A new warning signal as to the security situation in Crimea was sent in the recent declaration of President Vladimir Putin, when in response to a question on the situation in Crimea, he stated that

²⁵ The International Youth Corporation *Proryv* and the High School of Political Leadership named after Ernesto Che Guevara are joined by some Ukrainian organisations such as Dmitro Korchynsky's rent-a-crowd *Bratstvo* in this Tiraspol-based project.

²⁶ The list of Russian-affiliated (or even Russian Federation-based) organisations in Crimea is growing. Recently, the Kremlin-sponsored youth movement *Nashi* [Ours – in reference to 'our people'] appeared in Simferopol distributing anti-American flyers. Consider some of their characteristic slogans: "Do not buy dollars! [The] ruble is our currency"; "Stop investing money in [the] American economy, a time will come when its might will turn against you" (see http://www2.maidan.org.ua/news/index.php3?bn=maidan_krym&key=1161340216&action=view).

²⁷ The UPA fought for Ukraine's independence against both the Nazis and Soviets in the period from World War II to 1953.

²⁸ An alliance with the Party of Regions helped the nationalist Russian Bloc [*Russkaya Obschyna*] win 7 seats within the largest 43-person strong faction of 'For Yanukovich', including the influential post of the First Deputy Chairman of the Parliament (Sergei Tsekov).

²⁹ The units have a military kind of hierarchy: ranks and uniforms, and in clashes they use whips but are not noted for possessing firearms. The Cossacks were instituted through a decree by Crimean President Yuriy Meshkov on 16 May 1994. Mr Meshkov was expelled and the institution of the Crimean presidency was abolished, but the Cossacks have continued to develop since then. They not only busy themselves with bothering the local Tatar population, but also are involved in businesses (particularly corporate security) and offer their members other advantages of an informal network that connects them with persons in authority across various sectors. Of course these modern militants have nothing much to do with the historic Cossacks, who were severely persecuted by the Bolsheviks in the 1920-30s, perhaps with the exception of aesthetic inspiration.

Russia is ready in case Ukraine appeals for protection from interference from abroad into internal Ukrainian affairs.³⁰ This message all too obviously rings bells for those who recall Hungary in 1956 or Afghanistan in 1979 and it subsequently generated a heated discussion in Ukraine.

The security sector

The institutional culture and underlying philosophy of the security service largely remains Soviet-style and intellectually dependent on modern Russian sources. The system is not capable of assimilating modern, Western security thinking as much for the reason of suspicion as for the lack of appropriate background knowledge in social sciences and humanities, which are still largely unpopular and underdeveloped fields in local security training. The security sector continues to cooperate uncritically with neighbouring authoritarian regimes and there is always a risk of re-enforcing or adopting unlawful practices through such cooperation. In February 2006, the Security Services of Ukraine (SBU) attracted much criticism on the part of civic groups when it detained 11 asylum-seekers in Crimea based on Uzbek extradition warrants, and forcibly returned 10 of them to Uzbekistan on the night of 14-15 February. As the most recent example of a negative influence upon law enforcement practices, our sources in Crimea reported a visit to the local interior department in October by a group of police from Krasnodar, a region of Russia that gained notoriety for local government-sponsored persecutions on ethnic grounds. Ostensibly the purpose of the visit was to share experience in dealing with migrants, which received much praise on the part of their Crimean colleagues. The law enforcement agencies seem not to have a policy as to how far cooperation with regional neighbours should go. On the other hand, Crimean Tatars often complain that the local police and security departments have an ethnic bias against them.

Ambitious security-sector reform based on a Western-inspired model and developed by the NSDC in 2005 has so far only produced a numerical reduction in staff (in the SBU) and one major structural change – the Governmental Communications Service has been singled out and become an agency in its own right directly subordinated to the cabinet. Now, in the context of the new budget for 2007, a struggle for financial control over the SBU is underway: the scheme of funding proposed by the cabinet provides for the cabinet-controlled Treasury to underwrite the SBU's bills, as opposed to the National Bank as has been the case so far. The logic of seeing government agencies as political assets hinders proper institutional development. In as much as security sector agencies are seen as assets of one politico-economic group versus another – any serious structural reform could hardly be expected despite ongoing sporadic attempts to push forward the reform at the level of the NSDC. It seems that only major security crises, such as the recent one in Crimea highlighting the low regional capacity of the security services, could stimulate significant changes in human resource strategies and organisational arrangements.

Conclusions

At the crossroads at which we are now, when choosing which way to go, it hardly would be wise to go backwards. Partial solutions such as the neutrality doctrine (which claims that it would protect “the national sovereignty of Ukraine”³¹ from integration into supranational models) stand only to reduce the country to sub-national status, immerse it in isolation and fall short of mending its internal social divides. Such a doctrine would obviously put at peril the level of democracy that the nation has already achieved just as much as integration with authoritarian neighbours. The outcome may be detrimental to both Ukraine's national security and that of Europe. Instead of contributing to regional stability, a neutral or otherwise non-European, non-democratic Ukraine runs a risk of becoming a

³⁰ See the Unian News Agency website article “Russia ready for talks to extend Black Sea Fleet's stay in Crimea”, 25 October 2006 (retrieved from <http://www.unian.net/ukr/news/news-170874.html>).

³¹ See K. Bondarenko (2006), *op. cit.*

source of instability and a connecting link to other conflict areas beyond its borders. The major internal and external threats that the nation now faces are outlined below.

- 1) **Backsliding into an authoritarian mode.** This threat concerns the prospect of adopting a model that takes inspiration from Mr Putin's Russia or, much worse, becoming its satellite. The formation of a PRU-led oligarchic monopoly could be the starting point for this mode of governance. So far the PRU shows many signs of heading there. To avoid it, Ukraine needs to preserve at least its current levels of political and economic competition.
- 2) **Political isolation and hence arrested democratic development.** If the country continues to follow an ambiguous and indecisive political course towards two major actors – Russia and the West – sugar-coating it with outdated political concepts such as neutrality or multi-vector policies, or if it openly joins any of the Russian-led integrationist initiatives such as the Single Economic Space, Ukraine risks *de facto* international isolation. Meanwhile, democracy and an open society can only thrive in an open world. It seems that to ensure a stable solution to this problem, Ukraine needs to find a better arrangement for solving its energy dilemma – such as being part of a common energy system with the EU – or strive as much as possible to divide these two issues, which will be impossible without European partnership.
- 3) **Social division, regional instability, separatism and loss of sovereignty over parts of the territory.** This challenge most seriously concerns Crimea. It calls for upgrading the institutional capacity of the security sector, but even more so for a serious, open public discussion and a new inclusive national project, which would be able to overcome the constraints of ethnic nationalism. Without a new Ukrainian–European national project, Ukraine will hardly be capable of addressing either of these two aspects.
- 4) **Becoming part of a larger instable region, which might include the continuously destabilised Northern Caucasus, South Ossetia, Abkhazia and Transnistria.** This sad prospect seems possible and presents a security concern for both Ukraine and the EU in the medium to longer term. Factors in the neighbouring Russian Federation that are likely to contribute to it include the ongoing civil war in Chechnya and the militant re-Islamisation of the Northern Caucasus, growing xenophobia, state-sponsored persecution on ethnic and religious grounds and the proliferation of radical Russian nationalism. All this comes against the backdrop of policies effectively reducing the nation's immunity to these negative influences – such as limitations on democratic freedoms, police harassment, censorship of the media and the persecution of journalists, and restrictions on civil society organisations.

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Ukraine's Security

The Interplay of Internal & External Factors

James Sherr*

The failures of the Orange interlude and the return to power of Viktor Yanukovich ought to draw attention to three long-standing features of Ukraine's predicament:

- Ukraine's internal condition, not its foreign policy, is the main factor defining the 'art of the possible' in its external relationships.
- On all parts of the political spectrum, Ukraine's emphatically modern preoccupations (statehood, nationhood and geopolitics) create a cognitive dissonance with the essentially post-modern outlook of the EU and, to a lesser degree, NATO.
- In the absence of external allies and internal strength, a 'brotherly' policy towards Russia will fail no less than an 'anti-Russian' policy.

The Gordian knot

For all its aura of dramatic change, the collapse of the Soviet Union and the emergence of 'independent Ukraine' merely completed a process of systemic mutation that had been underway since the time of the Brezhnevite stagnation. This process involved the transfer of real power from the structures of 'command administration' to the illicit and often criminal networks that had come to exercise *de facto* control over resources and their distribution. Because these networks were embedded in the very system they supposedly were subverting, the system's subsequent 'reform' and 'liberalisation' became a process of mutual co-optation between those who ostensibly ran and those who in practice owned the country. The process of *nomenklatura* privatisation consummated and partially legalised a process whereby bureaucratic power was transformed into financial power. The principal custodians of this power remained, as before, an inbred, collusive elite, unrepresentative of the wider society and, in ethos and practice, largely unaccountable to it. It is therefore perfectly fair to say that the Soviet system was destroyed by malign as well as positive forces – forces that not only consisted of its national and democratic opponents, but also some of its most privileged beneficiaries.

Dominance of resources and Leninist habits of governance – the instinct for organisation, administrative intrusiveness, the politicisation of law, the techniques of divide and rule, the skills of informational struggle and, in all things, an obsessive regard for the question of power – partially explain how the pillars of the old regime took control of Ukraine's 'revolution' in 1990-91. They also explain the relationship between politics, business and crime that has become characteristic of Ukraine since that time. The country's conflicted national identity, regional divisions, social fragmentation and the hollowing-out of civil society complete the explanation. In these respects, the 1990's snapshots of Ukraine under Presidents Leonid Kravchuk and Leonid Kuchma are not very different from that of Russia under President Boris Yeltsin.

But with Russian President Vladimir Putin, it has become different in one key respect: Russia has become an effective actor. For the leaders of a country not simply 'doomed' to be a great power (*pace* Andrey Kozyrev), but (by the time of Mr Putin's election in 2000) determined to be one, the national security implications of the Yeltsin system had become both obvious and intolerable. If in terms of

* James Sherr is a Fellow at the Conflict Studies Research Centre, Defence Academy of the United Kingdom. The views expressed in this paper are entirely and solely those of the author and do not necessarily reflect official thinking and policy either of Her Majesty's Government or of the Ministry of Defence.

diplomatic courtesy and international law the Russian Federation was a state, by the time of Mr Yeltsin's re-election in 1996 it bore more resemblance in operational terms to an arena upon which oligarchic interests competed for wealth and power – quite literally at Russia's expense. The semi-privatisation of this state corrupted and decimated several traditional instruments of power (notably the armed forces and defence–industrial complex) whilst keeping newer, softer and more effective elements (energy, finance, trade and investment) unsubordinated to either the law or the state. The *leitmotif* of President Putin's domestic agenda – the 'restoration of the administrative vertical' – represented a statist, authoritarian answer to notoriously Darwinian and anarchic conditions. It was just as much the prerequisite of an international agenda that included the partial re-subordination of former Soviet republics that had become juridically independent states.

The weakness of the state

What is favourably commented upon in Ukraine – the absence of great power pretensions – somewhat explains a blatantly unfavourable fact: the failure of Ukraine's state leadership to transform, or even meaningfully reform, the post-Soviet framework inherited in 1991. But this is a very partial explanation. The deeper explanation is less flattering, which is the absence of any state tradition in Ukraine, and with that, a political class schooled in traditions of public spiritedness and conditioned to assume responsibility for the country's affairs. Despite an impressive exercise in state building, some astute crisis management (e.g. the peaceful demobilisation of the Soviet Armed Forces), highpoints of courage (e.g. nuclear disarmament) and, of more secular importance, the emergence of democratically-minded and Euro-Atlantic centres of opinion inside the state apparatus, the system and culture of power in Ukraine continue to weaken the state's legitimacy and effectiveness. The adaptation of a Sovietised political establishment to a 'market-driven' process of collapse explains why many of Ukraine's state institutions lack legitimacy and effectiveness:

- For a start, they are not *public* institutions, in either their ethos or their *modus operandi*. Instead, they are more likely to function as personal fiefdoms with strong undercurrents of struggle between subcultures and financially-driven, clan-based interests. The template of Ukraine's culture of power – collusive, self-referential, unaccountable (and opaque) to outsiders, motivated by subjective interests and restrained only by equal or greater power – is, like all templates, a simplification of the situation. It is nonetheless based on reality and the lesson of the Orange Revolution is that this culture remains strong. What is weak in Ukraine is the culture of authority, more specifically the expectation that power will be confined to legally recognised persons and used for legitimate and openly avowed purposes.
- Institutional growth has not been accompanied by institutionalisation, i.e. the process whereby rules not only establish authority and a basis for action, but also checks on authority, mechanisms of internal oversight and a normative framework that outlasts the tenure of office holders. Ukraine's administrative staffs have lacked a tradition of political neutrality and have never enjoyed the safeguards that preserve it. They are not civil servants as in the Western model. They are state functionaries still largely schooled in the habits of Soviet bureaucracy, notably servility, rigid adherence to the most petty regulation, lack of regard for the opinions and feelings of subordinates, complete dependence on instructions, the incapacity to make decisions independently and a total lack of interest in the effect of their actions on ordinary citizens. At times, these functionaries exhibit the characteristics of their worst Western counterparts, including evasion, concealment, duplicity, 'working to rule' and disdain for ideas 'not invented here'. Yet there is no incentive to cultivate the attributes that Western civil servants also exhibit, such as professional pride, standards of rightful conduct, initiative, teamwork and an ethos of public responsibility. This culture of inertia, obduracy and submissiveness explains why, *pace* Anatoliy Hrytsenko, "high and

middle level authorities come and go, producing no system, no continuity and no results in the long-term”.¹ It also explains why Ukraine's state bodies are poor agents of change.

- During the Kravchuk and Kuchma eras, the legal order, once verbally defined by Françoise Thom as a “system of codified arbitrariness”, was a charter of harassment for every power in the land. It created a universe of petty offences, withdrew two rights for every right given, taxed before there was money to tax, nullified contracts at the drop of a hat and left everyone confused about what was permitted and what was forbidden. For those who were well connected (or able to pay), it was entirely negotiable. For everyone else, it was intolerable. The principal antidotes of *kriyshi* (shelters) from shadow structures or ‘arrangements’ with the authorities lay well outside the law. Is it any wonder that the system of law and the system of crime became closely related or that judges found themselves practically defenceless? Since 1991, there has been a continual process of ‘legal reform’ in Ukraine and some of it has actually made things better. But it has not changed these core realities, and those who hoped that the Orange Revolution would usher in a different type of enterprise have been largely disappointed.

The state of affairs outlined above has definite national security implications:

- A rent-seeking local government and bureaucracy that do not allow legal entrepreneurship to flourish will not establish the conditions of fairness and trust that enable taxes to be paid and essential services (armed forces, police and bureaucracy itself) to be adequately funded by the state.
- Those who live in dread of *kompromat* (incriminating information) are equally likely to live in dread of transparency, i.e. the ability to know what decisions are taken, where they are taken, by whom they are taken and why – in other words, the ability to reveal what has been kept hidden. These habits of concealment make it very difficult to ensure that resources are allocated as intended, to identify and curb the role of intermediaries between buyer and seller, and to establish who owns Ukrainian enterprises along with the connection between these owners, official structures and foreign countries. Without the mechanisms and data that produce transparency, it is also exceedingly difficult to discern which actors, domestic and foreign, influence the strategic direction of the economy and state.
- Those who treat information as a form of power rather than a public good will not only be dysfunctional administrators, they will also hinder the timely sharing of information with those better able to assess it and utilise it than themselves. Defence against today's unconventional threats depends upon mid-level and sub-unit competence, the delegation of authority and, above all, the horizontal (‘joined up’) integration of agencies, branches and departments. Nevertheless, the method, well understood in the British Army, of communicating ‘one level up, one level down, one level to the left and one level to the right’ is suspect to an administrative and security culture that reveres the ‘administrative vertical’, which in practice institutionalises distrust.
- Those whose business model is built upon deal-making and collusion with the state will not be able to advance integration into the competitive, rules-based EU system even if they wish to do so. The prevalence of this model leaves Ukraine, by default, significantly dependent on the former USSR and gives Russian economic actors an inbuilt advantage in the Ukrainian economic environment. It is partially for this reason – as well as the more obvious

¹ See A. Grytsenko [Hrytsenko], *Civil-Military Relations in Ukraine: A System Emerging from Chaos*, Harmonie Paper 1, Centre for European Security Studies, Groningen, Netherlands (1997), p. 1.

factors of language, history and the sympathies of much of the population – that Russia remains a powerful *internal* factor in Ukraine and not only a subject of international relations.

No one of consequence expected these realities to vanish after President Viktor Yushchenko's victory, but those who fought for it expected them to be addressed. In the event, Mr Yushchenko showed an entirely haphazard appreciation of the importance of institutions. He appointed some key figures (like Minister of Defence Anatoliy Hrytsenko) who have made a substantial difference and others (like Minister of Interior Yuriy Lutsenko) who have tried to do so with mixed results. More notoriously, he also appointed close personal associates (Petro Poroshenko, ex-Secretary of the National Security and Defence Council (NSDC) and Oleksandr Tretyakov, Head of the Office of the President) who engaged in a destructive spree of empire-building. By way of explanation, there is no need to add to what already has been said about Mr Yushchenko and a large proportion of the Orange elite: "[F]or all their repugnance towards the culture of power in Ukraine...[they are also] part of it".²

The question then arising is how, without transforming these realities, will it be possible to address glaring security problems, particularly:

- *Ukraine's energy dependency and security.* Even by the dubious standards of Russia's state-dominated energy complex, Ukraine's is less well managed and more opaque. Unlike the former, which according to the official Energy Strategy of the Russian Federation to 2020, is an "instrument for the conduct of internal and external policy" that "to a large extent determines [Russia's] geopolitical influence",³ it is far from clear that the structure and policies of Ukraine's energy sector promote Ukraine's national interests. Even if it were not plain before, the RosUkrEnergo saga – which unfolded outside the machinery of the cabinet and the NSDC – demonstrates that it undermines these interests. By now, only the most polite could claim that there is a meaningful connection between rhetorical commitments to diminishing dependency and adopting EU standards and the *de facto* energy policy of the state.
- *Crimea and the Black Sea Fleet.* The ingredients of Ukrainian state weakness in Crimea – an almost endemic criminality, a Russian-dominated business sector, the abysmally regulated Russian naval presence, the increasingly provocative activity of Russian-financed NGOs and 'civic' groups and a potential (if still largely mythical) catalogue of ethnic and linguistic disputes – create a brew potent enough to resist the antidotes that Kyiv is so far able and willing to administer. Until the state meaningfully and constructively exercises its authority, too much will depend upon Russia, including Russians who might be tempted to sharpen all these interfaces until Ukraine bows to the reality of limited sovereignty. The presence of the Black Sea Fleet cannot be divorced from this context. As a purely military formation bound by an agreed, transparent (i.e. published) status of forces agreement, its deployment might not arouse serious controversy, and it is for this reason that NATO has declined on principle to characterise the basing of the fleet as an obstacle to Ukraine's ultimate membership. The fleet is not a purely military formation, however. It is also a commercial structure with a permissive set of prerogatives over an ill-defined inventory of property and facilities; it possesses a powerful and potentially malign intelligence

² See J. Sherr, "Ukraine's Scissors: Between Internal Weakness and External Dependence", *Russie.Nei.Visions* n. 9, Institut français des relations internationales, Paris, March (2006), pp. 9-10.

³ The *Energeticheskaya strategiya Russisskoy Federatsii do 2020* states "Russia disposes of significant reserves of energy resources and a powerful fuel and energy complex, which constitutes a base for the development of the economy as well as an instrument of internal and foreign policy. The role of the country in world energy markets to a significant extent determines its geopolitical influence."

component and, rather like Gazprom, it has been used as an instrument of economic and political leverage. On these terms, the Black Sea Fleet is bound to serve as a reminder of Ukraine's weakness and a source of tension.

The security sector: A key variable

In any country, the security sector plays a pivotal role in establishing what the legal and political orders mean in practice. Like other post-communist countries, Ukraine inherited a defence and security sector terribly unsuited to its new circumstances. In their present, half-reformed state, the security services hinder the transformation of the country.

Yet the demands and pressures of reform vary considerably. The roles of the armed forces are to defend state sovereignty and territorial integrity, insulate the country from external conflicts and, in the worst case, defend the country against external opponents. In short, they are not a component of internal political struggle. But the military and civilian components of the other structures (not to say *militia*) are on the cutting edge of the relationships between the state and society and between the law and criminality, and hence they are subject to all of the strains and distortions in these relationships. This difference alone is enough to explain why the armed forces in the Kuchma era were reasonably well trusted by society, while the Security Services of Ukraine (SBU) were somewhat trusted and the Ministry of Interior (MVS) and ordinary police (*militia*) were not trusted at all.

This difference might also suggest that the demands of defence reform are easier to meet than those of the security sector are and that the urgency of meeting them is less. For four reasons, however, that would be a hasty conclusion to draw. First, measured by its property and assets, the Ministry of Defence (MOD) is one of the largest commercial enterprises in the country and is capable of behaving like one unless its *matériel* is carefully inventoried, its personnel properly motivated and a strict system of internal controls put in place. Anyone attempting to introduce and enforce such controls will have to contend with the power of those who have benefited from their absence, as the current Minister, Anatoliy Hrytsenko, knows. These interests harassed him when Petro Poroshenko was in charge of the NSDC, and now that Mr Yanukovych has returned to the premiership, they might destroy him. Second, the post-Soviet surplus in bases and facilities, toxic fuels, weaponry and ordnance – and the pilferage of budgetary funds for demolition, storage and safety – is a security problem in its own right, as well as a colossal environmental one. Third, with the exception of the police, the MOD is the largest employer of persons equipped with arms and trained to use them. The peril lies not in coup-making (for which there is no tradition in Ukraine) but in freelance activity by servicemen demobilised and officers retired without retraining and resettlement into civilian accommodation and jobs. Finally, the MOD/armed forces is the second largest item in the state budget, and the budget will need to be larger if the reforms and force reductions in the state programme are to be realised. In a presidential system, such as that which existed until January 2006, these budgetary needs make the MOD/armed forces dependent on a supportive and authoritative president. In today's system – a quasi-parliamentary republic of 'people's deputies' who are also multi-millionaires, tempered only by a cabinet of ministers who resemble a board of directors – they are likely to find that there are quid pro quos for money.

The risk today is that these quid pro quos will damage a system that not only has put controls in place and brought transparency to the armed forces, but which at long last is also bringing resources, training regimes, career structures and the roles and commitments of the armed services into balance. With inevitable mistakes, the team surrounding Mr Hrytsenko has been 'destroying the army', as its critics allege; yet with remarkable astuteness and care, it has also been creating a new one. Mr Hrytsenko describes his role as 'doing MAP' (NATO's Membership Action Plan), whether or not NATO or his own government remain interested in it.

The post-Kuchma record of the security sector is more problematic. Even more so are the challenges they face. If a *militционер* is paid a wage inconsistent with life, he will cheat rather than die. If the state cannot afford to fund the Ministry of Internal Affairs, the SBU, the border protection service, the state customs service and the tax police, someone else will. These facts should define and discipline expectations. The expectations of Mr Yushchenko's newly appointed Minister of Interior, Yuriy Lutsenko, were very decent, but were they disciplined? Like most democrats his priority was to eliminate corruption in Ukraine. Unlike most, he actually tried to do so, and by October 2005 he had secured 5,000 resignations from the MVS, dismissed 2,000 other officers and servicemen and placed 400 under judicial investigation. Still, if it is not possible to eliminate corruption in the UK or in Belgium, how can it be possible in Ukraine? What is possible, and surely urgent, is to eliminate the necessity for corruption in Ukraine: to reduce it to a matter of choice. But that will not be accomplished by dismissals and resignations alone. Neither will it be accomplished solely by money. Money will not overcome the harm caused by misguided policies, incoherent security concepts, poor motivation and flawed programmes. What is needed is a systematic effort to create skills and capabilities that are fit for purpose, to bring manpower and resources into balance, to rekindle an ethos of professionalism and give the professional a system of career development that expands his/her horizons and prospects. The MOD's efforts in this direction are arduous; the MVS's efforts questionable.

Ukraine's Strategic Security Crossroads Passed, Bumpy Road Ahead or an Optimistic View?

Arkady Moshes*

Banal as it is, the key to Ukraine's strategic security is the continuation of the process of internal reforms. With Russian influence in Ukraine decreasing rather than increasing over time and the channels of interaction between Ukraine and the West firmly established, it is the outcome of transformation at home that will determine the long-term future of the country. Today's Ukraine is stable and secure to a degree that very few observers would have dared predicted at the beginning of independence or even at the turn of this century. But if further progress in reforms is not achieved, the country may find itself unable to cope with future security challenges, both internal and external, whereas the temptation to exploit Ukraine's *de facto* limited economic sovereignty will affect the thinking and behaviour of outside players, Russia above all.

From pluralism to democracy or not yet?

A really strategic question that should be asked at the very start of this analysis is whether Ukraine is able to complete the democratic transformation and, if so, whether it is currently moving in the right or wrong direction. It appears to this author that a cautiously optimistic argument can be made.

First, in sharp contrast with many other post-Soviet states, Ukraine became (and remains) a pluralist state. For Ukraine, with its huge regional differences, pluralism and the multi-layer compromise among elites that it implies was perhaps the only way to remain a single country. Later on, a polycentric political system emerged to become a major characteristic of the country. The idea that one group of people could successfully attempt to monopolise all the power in the country would have looked as equally inconceivable in the days when former President Leonid Kuchma fought the parliamentary opposition while refereeing the disputes of oligarchic groupings as amidst the height of the euphoria surrounding the Orange Revolution. This polycentrism of decision-making is very far from a classic separation of powers, but it creates a certain system of checks and balances and fosters tolerance towards different thinking and diverging interests. It impedes the chances of a fast breakthrough on reforms, yet serves as a safeguard against destabilisation of the situation and trends to the reverse.

After the 2006 parliamentary elections, power was once again redistributed, but remained polycentric. Although it is not easy to dismiss concerns as regards the implications of transferring control over Ukraine's economic course into the hands of Viktor Yanukovich's Party of Regions – the backbone of the current governmental coalition, with its assertive cadre policy and notorious power appetites – other players possess strong instruments as well. President Viktor Yushchenko can use his veto, which the parliament will not be able to override without the support of pro-presidential forces. He has clear constitutional prerogatives in external policy and directly appoints the foreign minister as well as the ministers of the so-called 'power bloc'. The current presidential staff combines traditional national democrats and individuals linked with the powerful Industrial Union of Donbass, an eastern Ukrainian competitor to the Party of Regions, and this fact can be interpreted as further evidence of the impossibility of one group being able to dominate even regionally. The speaker of the parliament, Socialist leader Olexander Moroz, also has his bureaucratic means of interference in the power struggle. And the list of persons whose positions should be reckoned with can be extended. If the Party

* Arkady Moshes is a Senior Researcher at the Finnish Institute for International Relations, Helsinki.

of Regions fails to understand this fundamental rule of Ukraine's politics and tries to accumulate too much power, it will meet consolidated resistance and may lose everything.

The constitutional reform that entered into force in January 2006 adds to the same logic. Briefly put, the reform redrew the balance of power in the country in favour of the parliament and made Ukraine a parliamentary–presidential republic, which brought Ukraine closer to Central European political models and, again, further differentiated it from Russia or Belarus.

Ukraine has developed a certain culture of opposition. Opposition in Ukraine is not suppressed or ostracised, but plays a recognised political role. And while sometimes the fortunes of those who make up its economic power base may be as opaque in terms of origin those of the authorities' supporters, they are not usually persecuted through the law enforcement system – for better or worse. After the opposition came to power in 2004 and again in 2006, the position of being in opposition can less than ever be viewed as a political failure, but rather as a comfortable niche and even a springboard for future electoral success.

Ukraine has a tradition of a relatively independent judiciary. Without exaggerating the depth of this independence, it is worth remembering that both before and after the Orange Revolution some court rulings indeed put effective brakes on the actions of the executive. The fact that the transfer of power in 2004 was made within the confines of the existing law and not the 'logic of the revolution' further raised the value of legal procedures. At the moment Ukraine's highest legal authorities, the Constitutional Court and the Supreme Court, are headed by independent figures, a situation that provides hope for impartiality and compliance with the law.

Free, competing and high quality media are struggling to attain the status of a real fourth power. There are no forbidden issues, nor are there politicians who can feel insulated or immune from criticism. In big cities at least, there is an experience of powerful civic activism.

Ukraine's pluralism is coupled with the acceptance, although not necessarily universal preference, of elections as a mechanism that legitimises power. The 2006 elections were found to be fair and free by international observers. Whether this will be a rule in the future remains to be seen, but reliance on strategies aimed at winning the vote rather than manipulating the count may have set up an important precedent.

Finally, the 2006 elections showed that the majority of the population remained supportive of the pro-reform choice and that the motivation that had driven the Orange Revolution was not lost. The combined support of the forces that once belonged to the pro-Yushchenko Power to the People coalition fell just a bit short of the 52% that Mr Yushchenko had garnered in December 2004, notwithstanding the fact that his own party only obtained 14%.

All these factors are cited here to support the assumption made above that Ukraine has a fairly good chance to go forward and that there is no easy way to undo the changes that the Orange Revolution introduced or consolidated. But it is no less evident that today's Ukraine is solely an electoral democracy – where people can indeed elect their future leaders – and not yet a full democracy, where their leaders conduct policies based on the people's interests and expectations and where voters can also affect the behaviour of the leadership during the term.

The situation may be suspended in this way for a rather long period. In these circumstances Ukraine will be exposed to a number of political risks that could be grouped into three categories. The first one deals with the weakness of Ukraine's institutions and the low quality of governance. In a way, this is the flip side of polycentrism. Rather than finding a balance that would allow the branches of power and other powerful actors to work in concert, participants of the political process may concentrate on blocking each other's moves regardless of the national interests. Cohabitation between the president and the prime minister – names as such are not important here – in the new system will be extremely difficult at times, negatively affecting the performance of the executive power. If they are not willing to take the risk of early elections, those in power may agree not to rock the boat just to keep what they

have, which may lead to stagnation at best. Meanwhile, the opposition may be tempted to exploit populist slogans rather than to work hard at improving laws and putting together a professional shadow government. Since the constitutional reform entered into force before all the necessary legal norms were harmonised or even adopted, legal collisions are inevitable. In particular, the activities of local authorities (governors and local officials) could be paralysed soon, as it is not clear whether in the parliamentary–presidential republic governors should still be appointed by the president, nor is it clear whether these appointed officials could be affiliated with the opposition.

The second major challenge involves the lack of transparency of the decision-making process and corruption. Already the Orange administration has been unable to answer many questions raised in this regard, particularly after January 2006, in which it signed a very strange agreement that entrusted a Swiss intermediary company with the task of ensuring Ukraine's gas supply. Obviously (and unfortunately), after the change of government it would not be realistic to expect rapid improvement. The fact that it was normal for observers to presume that Olexander Moroz (once the instigator of the 'tapegate' scandal and a champion of honesty in politics) could have been paid a bribe for withdrawing from the coalition talks with the Orange parties and joining Mr Yanukovich is indicative. Indeed, it may be more telling about the situation than the ratings of Transparency International, which rank Ukraine among the second hundred of states studied.

The third risk is the possibility of abusing the sensitivities of Ukraine's *de facto* multicultural society and exploiting its regional differences. This risk does not mean that there is any likelihood of a split or secession in Ukraine.¹ Regional elites in the east of the country see the prospects of coming to power in Kyiv, taking part in governing the whole country and using the instruments of sovereignty to protect their own interests *vis-à-vis* Russia as very lucrative. Therefore, they are very unlikely to instigate a separatist movement. But they are building their power base around the idea of a special relationship with Russia, something that postpones the emergence of the Ukrainian political nation. Mr Yanukovich's return to power in this context may have a sobering effect. Moreover, if the possibilities open up for his cooperation with President Yushchenko, if the education and language policies of the new government display continuity and if at the same time it cannot be denied that the east is represented in the decision-making process, an incentive for rethinking may finally arrive.

Ukraine–Russia: Is there a reversal?

The Orange Revolution did a lot to free Ukraine – and Ukraine's image in the world – of a 'little brother' complex, as the Yushchenko administration did not seek Moscow's approval on domestic, bilateral or wider international issues. Mr Yanukovich, in turn, was uncritically labelled a pro-Russian politician, despite the fact that during his first term the government pushed the legislation on Ukraine's future accession to NATO, negotiated the EU–Ukraine Action Plan, stood firm during the Tuzla crisis over the undelimited border in the Strait of Kerch and preserved full control over Ukraine's gas transport system. So, when Mr Yanukovich became Prime Minister again, there was neither a shortage of concerns in the Western media nor a shortage of euphoria in Russian officialdom.

Yet these reactions may have been erroneous and short-lived. So far, Russian–Ukrainian relations have not been qualitatively different from what they were before March 2006. The centrifugal drift between Russia and Ukraine goes on. It is doubtful that the new government will be willing or able to stop it. And it is even more doubtful that Russia will regain the capacity it once had to project influence internally and externally on Ukraine.

First, Russia has lost a decisive role in Ukrainian domestic politics. After Russia's ineffective interference in the presidential elections in 2004, Moscow's support or lack thereof is no longer a

¹ The only hypothetical exception here could be Crimea. In the long-distant future, if the demographic situation changes further in favour of the Tatar population, and if only this ethnic group at the same time finds itself receptive to the ideas of radical Islamism, secessionist claims on its side cannot be ruled out.

critical factor. It can be seen as symbolic that Mr Yanukovych's victorious 2006 campaign was not run by Kremlin spin doctors, but by American political consultants. Russia, no doubt, still matters in Ukrainian politics as both a theme and a player. It can work through individual politicians. It possesses financial and media resources. But parties that place 'pro-Russianness' at the centre of their political platforms are marginalised and are left outside parliament.

The Declaration of National Unity (Universal), with which President Yushchenko conditioned his consent to propose Viktor Yanukovych to the parliament for confirmation, is an interesting document to analyse in this context. Incredibly, it does not mention the word 'Russia' at all. Not overestimating the significance of papers in the Ukrainian context, this omission should still be treated as remarkable, as the EU, NATO and the World Trade Organisation (WTO) are dealt with in the text of the document. If Russia was left out of the document on purpose, after negotiations it is probably time to re-examine the real depth of the pro-Russian sentiment in the eastern regions, since presumably their top representatives do not see any problem in such a big concession. If Russia were 'forgotten' intuitively, this would be even more telling. The issue of joining the Single Economic Space (SES) with Russia is addressed, but only to repeat that Ukraine would be ready to participate in the free trade zone, and not in the customs union. Furthermore, it adds that the WTO rules would be applied to Ukraine's entry into the SES, which is a clear indication of where the priorities of the new government lie.

Second, the return of the privileged energy treatment of Ukraine by Russia is practically excluded. 'Privileged' in this context does not equate to 'lowest in the region', but rather means the low prices in absolute terms to which Ukraine was addicted. Now it looks as though the gas price that Ukraine will have to pay in 2007 will be nearly triple that in 2005, having reached \$130 for 1,000 cubic metres (m^3). This author argued earlier that the gas price increase in January 2006, i.e. before the elections, had revealed that Moscow had slim expectations regarding whether Mr Yanukovych's success could lead to the restoration of the old model of cheap gas in exchange for formal political loyalty. And now Moscow sees little reason to drop the policy aimed at maximising economic gains. The major economic incentive for Ukraine to align itself with Russia or even to pay ritual lip service to it therefore quickly erodes. Another problem for Moscow is that the Ukrainian economy digested the doubling of the gas price, from \$50 to \$95 dollars for 1,000 m^3 in 2006, with surprising ease. As a textbook case of diplomacy, the situation in which the threat of sanction works more effectively as an instrument than sanction itself found further confirmation in practice. Ukraine's elites are now less concerned with further price rises – even \$160 is seen as acceptable by some analysts – and are less inclined to consider concessions than before. Furthermore, it was announced in October 2006 that Ukraine would no longer buy gas originating in Russia, but only import Central Asian gas going through Russia. If these plans materialise, the essence of the relations will change. Instead of a seller–buyer relationship, the two countries will be transit partners, which will give Ukraine more freedom of manoeuvre.

That being said, Ukraine's energy security concerns and problems are not to be downplayed. Moscow's new gas policy is likely to be more painful for Ukraine exactly for the reason that it cannot be met by political declarations and promises. Russia seeks tangible benefits in general, not just words, and in particular control over Ukrainian pipelines and the internal energy market. Nevertheless, the ability of Ukraine to resist the pressure is stronger today than ever. As Kyiv learned from experience last winter, a transit state has huge leverage over a supplier. Given the problems between Russia and Belarus on the same issue of control over the pipelines, a strategic alliance between Kyiv and Minsk is quite feasible, while at present the tactic of playing these two countries against each other on the transit issue is not. The increasing contradictions between Russia and Europe in the energy sphere make it impossible for the former to persuade consumers to put all the blame on Ukraine if problems emerge and gain their sympathies. Also, it would be wrong to think that Ukrainian business leaders in the east do not understand that a weakening of Ukraine's economic or political sovereignty would directly affect their interests. Deals between Moscow and these elites are possible (and taking into

account a generally corrupt environment in Ukraine such deals can be potentially dangerous), but there are also serious structural limitations as to how much they will be willing to negotiate.

Third, all the traditional controversies are still on the bilateral agenda. Mutual trade protectionism, the border issues, the status of the Russian language in Ukraine, grey areas in regulations concerning the Russian military presence in Crimea and other problems have to be dealt with. And if Russia grows more persistent – as happened with the statement by the Russian foreign ministry on the language issue in September 2006, apparently made to remind Mr Yanukovich about his unfulfilled promises – and thus potentially able to complicate the Mr Yanukovich's relationship with the electorate, the restoration of confidence between Moscow and Kyiv will grow less likely.

Finally, on many occasions the new government has confirmed the priority it gives to the Euro-Atlantic choice. The fact that Mr Yanukovich refused to submit Ukraine's application to join NATO's Membership Action Plan (MAP) is, of course, a serious revision of the previous line and cannot be ignored; but nor should an underestimation be made of the continuous statements that treat Russia as an important, but not an **equally** important partner for Ukraine as Europe.

The appearance of Russian–Ukrainian relations may look less conflicted. Today Moscow can be less concerned about the challenges posed by Ukraine than it was in early 2005. It is clear that there will be no noticeable spillover effect of the Orange Revolution domestically, and that the new frontiers of Europe will not be re-drawn along the Russian–Ukrainian border anytime soon. Ukraine, it seems, has postponed the NATO option, whereas the EU refuses to discuss even a hypothetical possibility of Ukraine's membership in the Union. Also, Moscow now seems to realise that the politicians capable of coming to power in Ukraine are destined to be much more pro-Ukrainian than previously thought; others just do not have a chance. Therefore, for the lack of better partners, it will have to offer Mr Yanukovich more than it offered Mr Yushchenko and claim normalisation. Kyiv, in turn, will most likely not push forward initiatives that provoke Russia's anxiety, such as the Community of Democratic Choice or a re-launched version of the regional organisation GUAM (Georgia, Ukraine, Azerbaijan and Moldova). Yet this will only be the façade. There is no way to return to the status quo of the Leonid Kuchma days.

Ukraine and the West: Change or continuity?

The decision of Prime Minister Yanukovich that Ukraine should not for the moment seek to join NATO's MAP, *post hoc* formally supported by the parliament, is often interpreted as a U-turn in Kyiv's foreign policy. But to what extent is it really?

The strategic goals of accession to the EU and NATO have not been abandoned and the corresponding provisions of the national legislation remain in force. In Mr Yanukovich's own words, pronounced during his trip to Brussels, Ukraine will cooperate with NATO on the basis of the intensified **membership** dialogue and this cooperation will include Ukraine's participation in NATO operations in different regions of the world.

So far, the words have not diverged from reality. On the very same day that Mr Yanukovich was confirmed as the head of government, the *Verkhovna Rada* [parliament] adopted the legislation necessary to allow military exercises in Ukraine with the participation of NATO countries, which the previous parliament had failed to do. There are no signs that Kyiv is preparing to renounce its solidarity with EU positions on hot issues in the neighbouring post-Soviet states. Ukraine joined EU statements on Belarus in July 2006 (as regards the conviction of the former presidential candidate Alexander Kozulin) and, more importantly, on the non-recognition of the independence referendum in Transnistria in September. The tightened controls on the border with Transnistria (a breakaway entity of Moldova) introduced in March remain intact.

The momentum in bureaucratic interaction, particularly in Ukrainian–EU relations, does not have to disappear. Implementation of the Action Plan – as well as the yearly target plans of cooperation with

NATO – can continue and the new framework treaty that should replace the expiring Partnership and Cooperation Agreement is to be negotiated. Contingent on Ukraine's WTO entry, the EU is also ready to negotiate a free trade agreement with Ukraine, which could be a major step on the way to Ukraine's *de facto* integration with Europe. At the EU–Ukrainian summit in October 2006, the parties initialled the visa facilitation and readmission agreements. In the latter agreement the EU chose to treat Ukraine less favourably than Russia (Russia will have up to three years to re-admit nationals and even third-country nationals who illegally migrate from Russia to the EU after a similar treaty will enter into force, whereas Ukraine will have to do so after only a two-year delay). Although this is a worrying sign in many respects, it is still possible to assume that bureaucratic inertia will push the relationship forward.

In view of all this, there is no need to dramatise the pause in Ukraine's movement towards NATO membership (and to be fair, NATO itself does not). Some may regret that Ukraine lost the chance to gain a new quality in its relations with the alliance and to attain a new foreign policy status as a candidate country and predict that this move will have a de-mobilising effect on the reforms in the country. Yet others can argue that in principle, most of the measures can be taken outside the MAP and that Mr Yanukovich's decision is less in conflict with reality than NATO romanticism.

From a sociological perspective, it is well established that an accession referendum at the moment would be doomed to failure, while taking the decision to join the alliance against the known will of the people would be undemocratic and potentially destabilising. Unlike EU membership, the NATO option is supported only by a minority of the political class; in Ukraine there is not a ruling coalition (or even a hypothetical one) that would be unanimously in favour of it. Ukraine needs a dual-membership prospect, for both the EU and NATO. Unless this is secured, joining NATO only makes limited sense, as Ukraine would be at risk of ending up included in the Western security zone, but not in the prosperity zone. To campaign for such a dual prospect is difficult, particularly when concerns are strong in the eastern regions that entry into NATO may ruin relations with Russia.

In the short run, progress in Ukraine's relations with the West will primarily depend on the outcome of the tug of war between the prime minister and the president and the actual ability of the latter to guide Ukraine's foreign policy, which is his constitutional prerogative. In the longer run, it will again depend on the results of the country's internal transformation. If it is successful in making an internal transition, Ukraine will be a much better partner for the West regardless of whether or not it becomes a member of the EU or NATO.

Conclusions

To ensure Ukraine's strategic security, its Western partners should do their best to promote its internal reforms. Now that expectations of a quick breakthrough both inside and outside the country have been replaced by frustration and scepticism, it is more important than ever to sustain the efforts of engagement within Ukraine and to support its case internationally. Ukraine is also a country of strategic opportunities and importance, because if it is successful in its transition Ukraine will be able to serve as a positive example for Russia and the whole region.

The transfer of transition expertise to Ukraine should continue. Promoting pluralism and the rule of law, fighting corruption, fostering new elites and other requirements of transformation remain important goals. These goals are far from having been reached.

A reform scoreboard should be the major criteria against which Ukrainian policy should be judged as opposed to geopolitical rhetoric or, worse, Western expectations. In this regard, it is time to stop dividing Ukrainian politicians into those who are pro-Russian or pro-Western. After 15 years of independence, such demarcations are often inaccurate (as politicians tend to follow the own agendas) as well as being politically detrimental. Arguably, Western preferences in favour of re-building the Orange coalition after the 2006 elections, voiced loudly and based on concerns about the 'pro-Russian' stance of Mr Yanukovich, protracted the stalemate. Eventually these factors contributed to

the emergence of the present government, the composition of which is more problematic for the cause of reform than that which could have been achieved if Mr Yushchenko had immediately opted for a 'big' coalition with Mr Yanukovich.

Instead, it is advisable to tackle Ukraine by means of a conditionality policy. The leadership in Kyiv should be fully aware of what it may or may not receive in the case of implementation of or non-compliance with certain agreements. The EU role here will be crucial, of course, as it can offer incentives that no other player can – those both immediate and, ideally, when the situation allows, the mega-incentive of a membership prospect, which has proved to be the most successful instrument of transformation in the post-socialist world so far.

What the West can do without delay is help Ukraine to address its energy concerns and promote reforms in the energy sector. Only once it is energy efficient and able to pay the real price for what it consumes will the country be fully sovereign. Even in the short term, the Ukrainian economy would benefit greatly from the introduction of energy-saving technologies, the means for which could partly come from the West. In the longer run the EU and Ukraine share a common interest in building a new infrastructure for the transit of Caspian energy.

Such actions are easier said than done; nevertheless, the incentives to transform should reach the micro level of Ukraine's society. Average citizens should have reasons to believe that if their country implements reforms, there will be a positive effect on their lives, as for example a more professional and less corrupt law enforcement system can indeed be a pass to visa-free travel to Europe. If the stakes are personalised, and the West can assist in this process, with its revived tradition of civic activism Ukraine will have a good chance.

Ukrainian Foreign and Security Policy after the Collapse of the Orange Coalition

F. Stephen Larrabee*

The election of Viktor Yushchenko as president of Ukraine in December 2004 was an important turning point in Ukraine's political evolution. With his election, Ukraine appeared to have unequivocally embarked on a course of Euro-Atlantic integration. In the months afterwards, President Yushchenko stressed that his two top foreign policy priorities were obtaining EU and NATO membership. Relations with the United States were given new impetus during his trip to Washington in April 2005, where he and President George W. Bush outlined a comprehensive agenda for improving bilateral relations.

Today, two years later, Ukraine's foreign policy orientation is much less clear. The Orange coalition has collapsed, a victim of personal animosities and petty political ambitions. The current governing coalition is headed by Prime Minister Viktor Yanukovich, Mr Yushchenko's rival in the 2004 presidential elections and a man whom a year ago many observers had written off as politically dead. In addition to Mr Yanukovich's Party of Regions, the coalition includes the Communist and Socialist Parties, both of which oppose Ukraine's NATO membership.

The collapse of the Orange coalition and Mr Yanukovich's return to power raise several critical questions about Ukraine's political future. First, will Ukraine continue to pursue a policy of Euro-Atlantic integration – including seeking membership in NATO? Second, will Russian influence over Ukraine's internal and external policies increase? Finally, how should the United States and its European allies respond to these changes?

Foreign policy and the internal struggle for power

At present, Ukrainian foreign policy is in limbo. Two parallel Ukrainian foreign policies exist: the foreign policy of President Yushchenko and Our Ukraine, which is aimed at integration into Euro-Atlantic institutions, and the policy of Prime Minister Yanukovich and his Party of Regions, which resembles the 'multi-vector' foreign policy pursued by former President Leonid Kuchma. Which of these two policies ultimately prevails will heavily depend on the evolution of the internal balance of power between Messrs Yushchenko and Yanukovich.

Under the amended 2006 constitution the president has the responsibility for foreign and security policy. The president nominates the foreign minister, the defence minister and the head of the security service, the secretary of the National Security and Defence Council (NSDC) and the prosecutor. But they must be approved by the *Verkhovna Rada* [parliament], in which the Party of Regions has the most seats. The remaining cabinet posts are nominated by the prime minister. Thus President Yushchenko will have to build an internal consensus for his policies and obtain Prime Minister Yanukovich's cooperation if he wants his policies implemented.

The Declaration of National Unity (Universal), signed by President Yushchenko, Prime Minister Yanukovich and the leaders of the Communist Party, Socialist Party and Our Ukraine on 3 August 2006 sets the basic framework and priorities for Ukraine's future foreign policy. It puts strong emphasis on Ukraine's integration into Euro-Atlantic structures. The Universal is a political accord, however, and not a legally binding document. Its implementation will ultimately depend on the balance of power between Mr Yushchenko and Mr Yanukovich.

* F. Stephen Larrabee holds the Corporate Chair in European Security at the Rand Corporation.

Mr Yanukovich has already begun to challenge the president's authority to define Ukraine's foreign policy. During his trip to Brussels in mid-September 2006, Mr Yanukovich sought to set the contours – and limits – of Ukraine's policy towards NATO, declaring that Ukraine was not prepared to embark on a Membership Action Plan (MAP) and calling for a pause in Ukraine's quest for NATO membership.¹ In so doing, Mr Yanukovich not only highlighted his differences with Mr Yushchenko on policy towards NATO but also openly challenged the president's constitutional role in defining Ukraine's foreign policy.

Since becoming Prime Minister, Mr Yanukovich has taken several steps to strengthen his influence over foreign policy. One of his first moves was to appoint Anatoliy Orel as a Foreign Policy Adviser. Mr Orel had previously served as Chief Foreign Policy Adviser to President Kuchma; he is well known for his pro-Russian views and ties to the Russian security services. During his tenure under Mr Kuchma, the Ministry of Foreign Affairs was little more than a transmission belt for implementing decisions of the presidential administration.

Several of Mr Yanukovich's other appointments also give reason for concern – particularly those of Andriy Kluev as Deputy Prime Minister and Mykola Azarov (former First Deputy Prime Minister and head of the Tax Administration under President Kuchma) as First Deputy Prime Minister. Their appointments could presage a return to a Soviet-style centralisation of power. As architects of President Kuchma's administrative system, both men turned state and public institutions into tools of presidential power.²

In another move with important implications for foreign policy, Mr Yanukovich eliminated the Committee on European and Euro-Atlantic Integration, chaired by Foreign Minister Borys Tarasyuk, which had coordinated the policy of the ministries implementing cooperation with NATO and the EU. This committee had allowed the minister of foreign affairs to influence domestic policy related to European and Euro-Atlantic integration. This function will now be performed by a Committee on Legal, Defence and European Integration, which will be chaired by Mr Yanukovich.

In short, Mr Yanukovich seems intent on nibbling away at Mr Yushchenko's authority and exploiting ambiguities in existing legislation to aggrandise his power at the president's expense. Mr Yushchenko will have to fight to preserve his right to define Ukraine's foreign policy. If he is not vigilant, he could find his ability to influence foreign policy significantly eroded.

In an effort to protect his prerogatives in foreign policy, Mr Yushchenko has sought to strengthen the presidential apparatus. He appointed former Economics Minister Arseniy Yatsenyuk as one of his two first deputies and Olexandr Chalyi, a former Deputy Foreign Minister and Vice President of the Industrial Union of Donbass (ISD), as one of three deputies. Both men are closely associated with the ISD, as is Vitaliy Hayduk, the recently appointed head of the NSDC. Their appointment, together with that of Mr Hayduk, provides an important counterweight to the pro-Russian orientation of Mr Yanukovich's economic policy. It also represents an important political realignment. Instead of tapping figures from Western Ukraine, his traditional area of support, the president has turned for help to officials from Eastern Ukraine, Mr Yanukovich's base and an area where the Mr Yushchenko has not traditionally had strong political support.

Yet, Our Ukraine's decision on 19 October to withdraw its ministers from the government and join the opposition may reduce President Yushchenko's leverage.³ Two close Yushchenko allies, Foreign

¹ See P. Finn, "Ukraine's Yanukovich Halts NATO Entry Talks", *Washington Post*, 15 September 2006; see also D. Dombey & R. Olearchyk, "Yanukovich puts Kyiv's NATO plans on hold", *Financial Times*, 15 September 2006.

² See J. Sherr, "Ukraine: Prospects and Risks", *Action Report Ukraine*, No. 780, 25 October 2006, p. 6.

³ It is not clear whether the decision to go into opposition is final. The decision was announced by Our Ukraine leader Roman Bezsmertny in parliament on 17 October. At Our Ukraine's congress on 21 October, however, Mr Yushchenko expressed disagreement with the decision and argued for a continuation of coalition talks with Mr

Minister Borys Tarasyuk, who represents the People's Union of Ukraine, and Anatoliy Hrytsenko, who is not a member of any political party, remain in the cabinet. But they are likely to find themselves increasingly isolated and may also resign or be forced out, further reducing the Mr Yushchenko's ability to influence foreign and defence policy.⁴

Over time, the president risks becoming more marginalised as *de facto* power gravitates to the prime minister. President Yushchenko will be able to use his veto power to block certain initiatives, but he is unlikely to be able to provide strong and effective leadership on foreign policy – something he failed to do even when his power was unchallenged. There is thus a danger that he will become a figurehead with little real power to affect policy.

The role of the National Security and Defence Council

The role played by the NSDC – and whether it serves as an effective coordination and decision-making body – will be an important factor shaping Ukrainian foreign and security policy in the future. Under the Ukrainian constitution, the NSDC is supposed to act as the mechanism for coordinating national security and defence policy. During President Kuchma's first term, when it was headed by Volodymyr Horbulin, the NSDC was an important policy actor until Mr Horbulin fell out of favour with Mr Kuchma.

Nevertheless, the NSDC has been largely ineffective during President Yushchenko's tenure. He has tended to regard the NSDC as a sinecure to pay off political debts rather than using it as a mechanism for coordinating foreign and security policy. Petro Poroshenko, the first head of the NSDC under Mr Yushchenko, had no experience in security and defence matters. He made no effort to restructure the NSDC in order to make it an effective instrument for managing and coordinating security and defence policy. Instead he used the NSDC as a means to undermine Yulia Tymoshenko, whom he hoped to replace as prime minister. The result was a dysfunctional system for decision-making on national security, increased internal dissension and growing policy incoherence. Mr Poroshenko's successor, Anatoliy Kinakh, a former Prime Minister, also lacked experience in the defence and security domain. He acted more as a caretaker than an innovative policy thinker or manager.

It is unclear what role the NSDC will play in the new period of cohabitation. Mr Yushchenko appears to envisage the NSDC acting as a sort of advisory body to the president, but with expanded powers in economic and social policy and some decision-making capacity. The new Secretary of the NSDC, Vitaliy Hayduk, the former head of the ISD, again lacks experience in the security field. His appointment suggests that Mr Yushchenko may try to use the NSDC as a vehicle to exert some influence over economic and social policy – areas for which Mr Yanukovich is primarily responsible. This move could exacerbate the internal struggle for power.

NATO

The collapse of the Orange coalition has cast the NATO issue in a new light. Before the fall of the Orange alliance there was a possibility that Ukraine might be offered a NATO MAP at the Riga summit in November 2006. This move is now highly unlikely. Most NATO members are opposed to granting Ukraine a MAP at Riga. They want to wait and see how the Yanukovich government performs before making any decision about the MAP.

Yanukovich. It is possible that Our Ukraine could split, with one faction joining Yulia Tymoshenko in opposition and another faction remaining part of the coalition. There is also talk that President Yushchenko may form a new party backed by the ISD.

⁴ Significantly, Messrs Tarasyuk and Hrytsenko, both strong proponents of Ukraine's membership in NATO, did not accompany Mr Yanukovich on his trip to Brussels in mid-September 2006.

This consequence fits well with Mr Yanukovich's 'go slow' strategy as outlined in Brussels. He insisted that NATO membership is premature because it lacks widespread political support and that before a final decision is made the issue of NATO membership should be submitted to a referendum. This stance essentially kicks the issue off the political agenda for the near future, given that if a referendum were held soon, NATO membership would not receive sufficient political support.

Any future decision about Ukrainian membership in NATO will heavily depend on Ukraine's performance, not only in terms of implementing military reforms but also in carrying out political and economic reforms. Indeed, Ukraine's performance in the latter two areas is likely to be more important than the former. NATO member states will want to be assured that Ukraine is seriously committed to the basic values of the alliance and not just its military aspects.

The level of public support for membership will also be an important factor. Today only about 15-20% of the population supports Ukraine's membership in NATO. These figures are lower than was the case for most new members from Eastern Europe when they joined the alliance. Support, moreover, varies depending on the region. It is considerably higher in Western and Central Ukraine than in the heavily Russified areas of Southern and Eastern Ukraine. Still, a large percentage of the population – as much as 40-45% in the western regions – has no opinion about NATO membership. Much of this segment of the public could be mobilised to support Ukraine's joining the alliance if the Ukrainian government conducted an effective campaign to educate the public about NATO.

The Eastern European experience is instructive in this regard. Public support for NATO membership was low in several of the Eastern European countries that eventually achieved membership – particularly Bulgaria, Slovenia and Slovakia. After the leaderships in these countries launched successful campaigns to raise public awareness about NATO, they were able to increase public support substantially by the time these countries received membership invitations. The same thing could occur in Ukraine if the Ukrainian leadership embarks on a concerted effort to inform the Ukrainian public better about NATO.

The European Union

In contrast to NATO, there is a much greater consensus in Ukraine about EU membership. All the major parties, with the exception of the Communist party, favour Ukrainian membership in the EU. Public support for Ukraine becoming part of the EU is also much higher than it is for joining NATO.⁵

Under President Kuchma, Ukrainian leaders continually sought to persuade the EU to give Ukraine a prospect for EU membership. But the EU refused to do so, arguing that such a move was premature. The Political and Cooperation Agreement, which expires in 2007, calls for closer relations in a number of areas but does not contain the possibility of membership.

The EU's attitude did not fundamentally change after the Orange Revolution.⁶ Ukraine was included in the EU's European Neighbourhood Policy, which was designed to foster closer ties to neighbouring countries on the EU's periphery. While the Action Plan approved by the EU-Ukraine Council in February 2005 lays the basis for the EU's relationship with Ukraine until 2008, it does not extend a prospect for membership.

Ukrainian officials hope that negotiations on an association agreement that contains a possibility for membership can begin soon after the expiration of the Action Plan in 2008. The EU, however, continues to consider Ukrainian membership premature. EU officials argue that Ukraine has a lot of

⁵ See TNS Sofres, *Europeans and the Accession of Ukraine to the European Union: Wave 2, Main Conclusions*, TNS Sofres, Montrouge, France, November 2005; for more information, see also the website of the International Network for Ukraine in the EU (retrieved from <http://www.yes-ukraine.org/en/survey/november.html>).

⁶ See T. Kuzio, "Is Ukraine Part of Europe's Future?", *Washington Quarterly*, Vol. 29, No. 3, Summer 2006, pp. 89-108.

work to do before it can be considered for accession. Ukraine's concern with membership is seen as distracting from the primary task – the implementation of a coherent reform programme.

Many EU member states are worried about the EU's absorption capacity and the dangers of taking on new commitments before it has digested the recent round of enlargement. A sense of enlargement fatigue had already been palpable before the French and Dutch referenda in May–June 2004. The referenda reinforced the anti-enlargement mood. Bulgaria and Romania are expected to be admitted in January 2007, but after that there is likely to be 'pause' in the process of enlargement while the EU seeks to sort out its internal priorities and adjust to new circumstances.

The EU hopes to string out a series of small rewards – market economy status, relaxation of visa restrictions, expanded educational opportunities, etc. – to encourage Ukraine to move forward with reform without committing itself to offering Ukraine EU membership. The problem with this approach is that membership is the 'golden carrot'. It provides an incentive for countries to implement painful reforms. It also provides important cover for governments to justify to their publics the sacrifices that must be made to implement the reforms. Without the prospect of EU membership – even in the distant future – Ukrainian governments may be reluctant to pay the social and political costs involved in carrying out the type of restructuring and reform that is needed.

Moreover, the EU's approach is likely to reinforce the impression that Ukraine is in a geo-political grey zone. Together with a weakening of Ukraine's quest for NATO membership, this could encourage Russia to step up its pressure on Ukraine to reorient its policy towards Russia and the Commonwealth of Independent States (CIS). In particular, Russia could be tempted to exploit Ukraine's dependence on Russian energy as a lever to pressure Kyiv to weaken its ties to the West.

Relations with Russia

Besides NATO, relations with Russia are likely to spark the most controversy and to be marked by the deepest differences. President Yushchenko has by no means pursued an anti-Russian policy; he has recognised the importance of good relations with Russia and sought to keep them on an even keel. Nevertheless, his top priority has been Ukraine's integration into Euro-Atlantic structures. By contrast, Mr Yanukovich is likely to give higher priority to relations with Russia, especially economic ones.

Ukraine's dependence on Russian energy – especially natural gas – provides Russia with considerable leverage in dealing with Ukraine. Moscow is likely to use the gas issue to pressure Ukraine to adopt policies more in line with Russian interests, especially regarding NATO membership. On 24 October 2006 Russia agreed to supply Ukraine with natural gas for \$130 per 1,000 cubic metres (m³) in 2007. This price is nearly 50% more than the price Ukraine is currently paying under the agreement signed on 5 January 2006 but much less than the \$230-240 per 1,000 m³ Russia charges European countries.

Yet it is unclear what concessions – if any – Ukraine made in order to obtain the \$130 price. Russian sources have suggested that the \$130 figure was part of a package deal in return for which Russia demanded that Ukraine make several concessions. The most important was that Ukraine would agree to hold a referendum on NATO membership in the near future.⁷ Given current popular opinion in Ukraine at the moment – some 60% of the population currently opposes NATO membership – the results of a referendum would almost certainly be negative, thus ending talk of Ukraine becoming a member of NATO in the near future.

Russian Prime Minister Mikhail Fradkov also suggested that Ukraine and Russia synchronise their entries into the World Trade Organisation (WTO) – a move explicitly rejected by Olexandr Chalyi, Deputy Head of the Presidential Secretariat. Ukraine is slightly ahead of Russia in its preparations to enter the WTO and has little incentive to synchronise its entry with Russia's. If Ukraine joined the

⁷ See the Russian online daily *Kommersant*, 20 October 2006.

WTO first, it could possibly influence the terms of Russia's entry, thus increasing its bargaining leverage with Moscow.

President Vladimir Putin's offer to extend the stationing of the Russian Black Sea Fleet in Crimea beyond the 2017 deadline agreed upon in the Russian–Ukrainian accord signed in 1997 should also be seen in this context.⁸ The offer came out of the blue and caught many Ukrainian officials by surprise. It takes on particular significance because the Russian media have suggested that an extension of the accord is one of the concessions that Russia is demanding for supplying Ukraine natural gas at the relatively low price of \$130 per 1,000 m³.

Although President Putin strongly backed Mr Yanukovich in the 2004 presidential election in Ukraine, it would be a mistake to see Mr Yanukovich or the Party of Regions as 'pro-Russian'. Eastern Ukraine, the stronghold of the Party of Regions, shares a cultural and linguistic affinity with Russia. But that does not mean that the party will slavishly obey Moscow's beck and call. Mr Yanukovich is likely to show greater interest in participating in the CIS Single Economic Space than Mr Yushchenko, yet he is likely to balk at further integration into a free trade zone, customs union or monetary zone, as Moscow wishes. He is also unlikely to be willing to transfer Ukraine's gas pipelines to Russia, as Belarus did, in return for low gas prices. Such a deal would be seen by large parts of the Ukrainian population as compromising Ukraine's sovereignty and independence.

The Polish connection

The collapse of the Orange coalition will have an impact on Ukraine's relations with Eastern Europe, particularly Poland. Historically, relations between Ukraine and Poland have been marked by considerable tension. Over the last decade and a half, however, the two countries have succeeded in overcoming past antagonisms and developing remarkably cordial relations. Poland has become the most outspoken advocate of Ukraine's integration into Euro-Atlantic structures.

Indeed, a new strategic alliance has begun to emerge in recent years between the two countries. Former Polish President Alexander Kwasniewski played a critical role in brokering the roundtable that defused the crisis in Ukraine in November–December 2004, ultimately leading to Mr Yushchenko's election as president. Without Mr Kwasniewski's mediation, the crisis might have escalated out of control and ended in bloodshed. Moreover, as a result of Mr Kwasniewski's personal initiative, Javier Solana, the High Representative for the EU's Common Foreign and Security Policy, became directly involved in the negotiations, giving them a broader European character.

Maintaining this strong strategic relationship is likely to be more difficult over the next few years. Polish support for Mr Yushchenko in the 2004 presidential elections may make it harder for Warsaw to develop close ties to Mr Yanukovich's government. Prime Minister Yanukovich is likely to maintain the current direction of the Odessa–Brody pipeline carrying Russian oil north rather than reversing its direction so oil could be piped to Western Europe.

The Black Sea region

Ukraine's policy towards the Black Sea region may also witness some changes. Under the Orange coalition, Black Sea security received high priority. Mr Yushchenko sought to revitalise GUAM – a regional group composed of Georgia, Ukraine, Azerbaijan and Moldova – and transform it into a serious regional organisation. At the GUAM summit in Chisinau in April 2005, Mr Yushchenko proposed that the group be transformed from an informal group to a formal regional organisation with its own office, secretariat and plan of activities.

⁸ Mr Putin made the offer in his annual phone-in dialogue with Russian citizens, televised on 25 October 2006. See V. Socor, "Putin Offers Ukraine 'Protection' for Extending Russian Black Sea Fleet's Presence", *Eurasia Daily Monitor*, Vol. 3, Issue 200, 30 October 2006.

President Yushchenko also sought to build a strong strategic partnership with Georgia. During President Mikhail Saakashvili's visit to Kyiv in March 2005, the two leaders issued a joint declaration stating they would support each other's aspirations to join NATO and the EU. In August 2005, they also launched a joint initiative calling for the creation of a Community of Democratic Choice (CDC), which was designed to forge a common front among democratic states in the region. The initiative provoked irritation in Moscow.

The Black Sea will probably remain an important Ukrainian policy priority. Nevertheless, Mr Yanukovich and the Party of Regions are likely to be more sensitive to Russian concerns and put less emphasis on democratisation – a key priority during the first year under Mr Yushchenko – and more emphasis on economic cooperation, especially in the energy field. The CDC, with its strong focus on democratisation, is also liable to less emphasis, as are relations with Georgia, especially if Russian–Georgian relations remain tense.

About the European Security Forum

STEERING GROUP

FRANÇOIS HEISBOURG
FONDATION POUR LA
RECHERCHE STRATÉGIQUE
PARIS

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INTERNATIONAL INSTITUTE
FOR STRATEGIC STUDIES
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DEFENSE
WASHINGTON, D.C.

ROB DE WIJK
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The Centre for European Policy Studies (CEPS) and the International Institute for Strategic Studies (IISS) joined forces late in the year 2000, to launch a new forum on European security policy in Brussels. The objective of this *European Security Forum* is to bring together senior officials and experts from EU and Euro-Atlantic Partnership countries, including the United States and Russia, to discuss security issues of strategic importance to Europe. The Forum is jointly directed by CEPS and the IISS and is hosted by CEPS in Brussels.

The Forum brings together a select group of personalities from the Brussels institutions (EU, NATO and diplomatic missions), national governments, parliaments, business, media and independent experts. The informal and confidential character of the Forum enables participants to exchange ideas freely.

The aim of the initiative is to think ahead about the strategic security agenda for Europe, treating both its European and transatlantic implications. The topics to be addressed are selected from an open list that includes crisis management, defence capabilities, security concepts, defence industries and institutional developments (including enlargement) of the EU and NATO.

The Forum has about 100 members, who are invited to all meetings and receive current information on the activities of the Forum. This group meets every other month in a closed session to discuss a pre-arranged topic under Chatham House rules. The Forum meetings are presided over by François Heisbourg, Chairman of the Foundation for Strategic Research, Paris. As a general rule, three short issue papers are commissioned from independent experts for each session presenting EU, US and Russian viewpoints on the topic.

The Centre for European Policy Studies (CEPS) is an independent policy research institute founded in Brussels in 1983, with the aim of producing sound policy research leading to constructive solutions to the challenges facing Europe.

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The Geneva Centre for the Democratic Control of Armed Forces (DCAF) promotes good governance and reform of the security sector. The Centre conducts research on good practices, encourages the development of appropriate norms at the national and international levels, makes policy recommendations and provides in-country advice and assistance programmes.



Place du Congrès 1, B-1000 Brussels, Belgium
Tel: +32 (0)2.229.39.11 Fax: +32 (0)2.219.41.51
www.ceps.be E-mail: info@ceps.be



Arundel House, 13-15 Arundel Street, Temple Place
London WC2R 3DX, United Kingdom
Tel. +44(0)20.7379.7676 Fax: +44(0)20.7836.3108
www.iiss.org E-mail: iiss@iiss.org



Rue de Chantepoulet 11, P.O. Box 1360
1211 Geneva 1, Switzerland
Tel. +41(22)741.77.00 Fax: +41(22)741.77.05
www.dcaf.ch E-mail: info@dcaf.ch