

Ukraine in Contemporary Geopolitical and Socioeconomic Relations

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Ukraine's Relations with Russia, the EU, and the US

According to recently published opinion polls, the majority of Ukrainians consider friendly relations with the EU and US—even at the expense of relations with neighboring Russia—more important than strengthening ties with Russia, which would threaten Ukraine's westward push.

This can be explained in part by the fact that the West is winning the conflict with Russia regarding Ukraine; however, not all Ukrainians subscribe to this line of thinking, particularly those who live in the east of the country. In Ukraine, many support alliance with the West as well as with Russia. Gallup drew these conclusions in September-October 2014, immediately following the truce between government forces and pro-Russian fighters in the Donbas. The results are published on the institute's website.¹

The Russian-Ukrainian conflict, which has lasted for over a year, is no “peripheral” event for Kyiv and Moscow. Rather, its scope has proved both regional and international, and poses a challenge—and a threat—to global security. The international community has frowned on Russia's annexation of Crimea and condemned Russia's military expansion in the Donbas.

At the same time, world diplomacy is struggling to chart a course for resolving this conflict.² In April 2014, negotiations between the EU, US, Russia, and Ukraine began in Geneva. The result was the initiation of talks between the leaders of Ukraine, Germany, France, and Russia. In September 2014, representatives from Ukraine, Russia and the Organization for Security and Cooperation in Europe (OSCE) signed the Minsk accords to resolve the situation in eastern Ukraine. The negotiation process continues through a variety of channels.

Currently, the majority of Ukrainian citizens consider foreign policy relations with EU member states a priority, as evidenced by the findings of an opinion poll conducted by the Razumkov Center. Only 10 percent of respondents consider relations with Russia a priority, and even fewer—6.7 percent—mentioned relations with other Commonwealth of Independent States (CIS) as a priority. When asked whether Ukraine should join the

¹ Elizabeth Keating and Cynthia English, “Ukrainians Prefer European Union, U.S. to Russia.” *Gallup*, Dec. 16, 2014, <http://www.gallup.com/poll/180182/ukrainians-prefer-european-union-russia.aspx>

² “Rossiisko-ukrainskii konflikt: vzglyad diplomatov.” Razumkov Center. *Natsionalnaya bezpeka/ Oborona*. No. 5-6, 2014.
http://www.razumkov.org.ua/ukr/files/category_journal/ambass_5_6_Ukr_Ros_2014_site_s-3.pdf

EU, 57.2 percent of respondents replied affirmatively, and 29.6 percent negatively.³ The broadcasting company Deutsche-Welle shows even higher rates of support for European integration. According to a DW-Trend representative poll, 73 percent of respondents were in favor of Ukraine joining the EU in December 2014; moreover, 58 percent believed that this should happen within the next ten years. Only 19 percent of Ukrainians did not express a desire to join the EU. Notably, the number of supporters and opponents of EU membership was practically identical in the east and the west of the country.⁴

Since Ukraine first gained independence in 1991, the EU and Ukraine's relations with one another have been in dynamic flux. Ukraine represents a priority partner for the EU under the framework of the European Neighborhood Policy and the Eastern Partnership. The legal basis for EU-Ukraine relations derives from the Partnership and Cooperation Agreement.

The EU and Ukraine's ambitions for strengthening relations have allowed them to go beyond mere cooperation and to achieve gradual economic integration and deepening political cooperation. Thus in March 2007, negotiations began concerning a new Association Agreement (AA) between the EU and Ukraine; they came to a close in December 2011. The new agreement provides for political association and Ukraine's economic integration into the EU.

The signing of the AA between the EU and Ukraine occurred in two stages. On March 21, 2014, during the "Extraordinary Summit" between the EU and Ukraine, both parties initialed the political provisions of the AA and the Final Act of the Summit, which Prime Minister Arseniy Yatsenyuk signed on behalf of Ukraine. Specifically, both parties signed the Preamble and Article I, Sections I ("General principles"), II ("Political dialogue and reforms, political association, cooperation and convergence pertaining to foreign policy and security"), and VII ("Institutional, general, and final provisions") of the AA. At the June 27, 2014 session of the European Council, Ukrainian president Petro Poroshenko, EU leadership, and heads of state from 28 EU member countries signed the economic provisions of the AA, which stipulated the creation of a Deep and Comprehensive Free Trade Area (DCFTA). Sections III ("Justice, freedom and security"), IV ("Trade and trade-related issues"), V ("Economic and industrial cooperation"), and VI ("Financial cooperation and anti-fraud provisions"), together with the rest of the text of the AA, constitute a single document.

The Association Agreement is, in its thematic breadth and depth, the most significant international legal document in Ukraine's history and the most comprehensive agreement with a third country ever signed by the European Union. It qualitatively assigns a new format for relations between the EU and Ukraine based on principles of "political

³ "Grazhdanye Ukrainy o bezopasnosti: otsenki, ugrozy, puti resheniya problem." Razumkov Center, 2015.

http://www.uceps.org/upload/1412757450_file.pdf

⁴ DW-Trend: "Bol'shinstvo ukraintsev za vstuplenie v EU." Deutsche Welle, 2014. <http://www.dw.com/uk/dw-trend-більшість-українців-за-вступ-до-єс/a-18148842>

association and economic integration” and serves as a strategic blueprint for systemic socioeconomic reforms in Ukraine. The stipulated DCFTA between Ukraine and the EU will define the legal basis for the free exchange of goods, services, capital, and the workforce between Ukraine and the EU; it will also define a regulatory approach designed to gradually draw Ukraine’s economy into the larger EU market. In accordance with Article 486 of the AA, beginning on November 1, 2014, its provisional application is in effect until the moment it comes fully into force, which is January 1, 2016.

Developing a strategic partnership with the United States is one of Ukraine’s key priorities for foreign policy. The two countries established diplomatic relations on January 3, 1992; ever since the restoration of Ukraine’s independence, the US has provided practical assistance to support Ukraine’s development as a modern democracy and economically mature European state.

The primary Ukraine-US intergovernmental organ, whose activity aims to realize the provisions of the Charter of Strategic Partnership, is a bilateral Strategic Partnership Commission, co-chaired by Ukraine’s Minister of Foreign Affairs and the United States Secretary of State. It held its first meeting in December of 2009.

The Strategic Partnership Commission coordinates the activities of six Working Groups, each assigned jurisdiction over a particular issue. These include Political Dialogue and the Rule of Law, Export Control, Energy and Nuclear Security, Science and Technology, Trade and Investment, and, finally, Defense. Dialogue in the economic-trade sphere is institutionally organized in the form of a bilateral Council on Trade and Investment.

Recent years have witnessed the significant expansion of the legal framework for cooperation. The United States and Ukraine have signed a total of 143 international legal documents. On Ukraine’s side, priorities in issues of cooperation with the US include the mobilization of the international community in defense of Ukraine’s sovereignty and territorial integrity; strengthening Ukraine’s defense capabilities and energy security; bringing in international aid for implementing political, economic, and social reforms; and strengthening the rule of law in Ukraine.⁵

International Trade and Ukraine’s Economic Relations with the EU, US, and Russia

Foreign trade is a vital necessity for Ukraine’s economy, as it is for the economies of EU member states. Trade not only spurs economic growth and job creation, but also impacts people’s everyday lives and livelihoods. The growth of trade and competition is able to lower prices, raise product quality, and expand customer choice, as well as drive the creation of new and better-quality jobs for both trade partners.

⁵ “Political Relations between Ukraine and the USA.” Embassy of Ukraine in the United States, 2015.

<http://usa.mfa.gov.ua/en/ukraine-us/diplomacy>

The EU was a staunch supporter of Ukraine's accession to the World Trade Organization (WTO) in 2008. The EU believed then—and continues to believe now—that closer economic integration and more active trade with Ukraine would facilitate Ukraine's economic growth and development. Regarding membership in the WTO, the EU and Ukraine agreed on further integration and began negotiations over the DCFTA, which was a component of the AA. The EU had already begun to reduce or eliminate customs tariffs on products originating in Ukraine. Thanks to this action, Ukrainian exporters have increased their access to European markets.

In 2014, Ukraine ranked first among countries in the Eastern Partnership in terms of volume of exports from the EU: 52 percent (or 17.1 billion euros) of all EU exports to its eastern partners went to Ukraine. Roughly ten years ago, in 2004, EU exports to Ukraine accounted for nearly 10.6 billion euros. Moreover, 42 percent (13.8 billion euros) of EU imports from Eastern Partnership countries came from Ukraine; in 2004, this figure was closer to 8.5 billion.⁶

The situation took a turn for the worse in early 2015; due to the sharp devaluation of the national currency and the prolonged economic crisis, all sectors of Ukraine's international trade have contracted. Forecasts for growth in production, and, consequently, in foreign trade, are extremely grim: the international rating agency Standard & Poor's expects Ukraine's GDP to fall 15 percent in 2015. S&P assumes that Ukraine will take on a debt in foreign currency; in addition, a moratorium on payments and a restructuring of Eurobonds will be considered cases of default.⁷

The current state of trade and economic relations between Ukraine and the United States remains disappointing. According to data from the United States Commission on International Trade, between January and May of 2015, trade turnover between the US and Ukraine fell by 24.5 percent (or 256 million USD) in comparison with the previous year, amounting to a total of 787 million USD. At the same time, the export of Ukrainian goods to the US fell by 13.5 percent (60 million USD), and at the end of May 2015 totaled 386 million USD. In addition, imports of American goods to Ukraine fell by 32.8 percent (196 million USD) and at the end of the reporting period averaged 401 million USD.⁸

⁶ "Interesting facts and figures about EU trade with Eastern Partnership countries." Delegation of the European Union to Ukraine (May 28, 2015). http://eeas.europa.eu/delegations/ukraine/press_corner/all_news/news/2015/2015_05_28_2_en.htm

⁷ "Standard & Poor's prognoziruie snizhenie VVP Ukrainy na 15% v 2015 godu." *Ukraine News* (August 29, 2015). <http://ukranews.com/news/180473.SP-prognoziruie-spad-VVP-Ukraini-na-15-i-dopuskaet-defolt.uk>

⁸ "The state of trade and economic relations and investment between the United States and Ukraine," Embassy of Ukraine in the United States of America, 2015. <http://usa.mfa.gov.ua/en/ukraine-us/trade>

Over the course of year, trade between Russia and Ukraine has decreased threefold, according to a report that the director of the All-Russian Scientific Market Research Institute (VNIKI), Andrei Spartak, prepared for the Expert Council of the Moscow World Trade Center. The volume of exports from the Russian Federation to Ukraine between January and April 2015 amounted to 3 billion USD; estimates for the same period in 2014 totaled 8.1 billion USD. Russia's imports during the first four months of 2015 totaled 54.1 billion USD, while for the same period in 2014 this figure was 93 billion USD—a drop of 41.8 percent. Imports from Ukraine fell by 60.1 percent. Exports from Russia fell by 35.2 percent across all countries between January and April 2015; in Ukraine, by contrast, they fell by 63.5 percent over that period.⁹

Security Issues

It's difficult not to agree with security expert Vadim Tyutyunik's conclusion that only the United States can guarantee Ukraine's safety and stand up to the threat that Russia poses to peace and stability in Europe and across the globe. Thus in Ukraine the most important task of the president and leaders of the Ministries of Defense and Foreign Affairs should be to lobby persistently for the fulfillment of all provisions of the "Ukraine Freedom Support Act," which United States President Barack Obama signed into law last December.

Foremost, this concerns the fulfillment of the provision which defines Ukraine as the US's primary military ally outside of NATO. In particular, the situation demands the acceleration of several military goals, including Ukraine receiving both lethal and non-lethal weapons from the US; the creation of joint training centers for instructing military personnel in their use; an increase in the number of joint military exercises, above all, special operations forces, anti-aircraft, anti-tank, and anti-landing defenses; and assistance in the formation of a modern system for logistics and medical supply, etc.

Furthermore, after the introduction of the aforementioned provisions of the Ukraine's Constitution, Ukraine's leadership ought to begin discussions with the US over a bilateral agreement on security and defense (such as the well-known treaties between the US and Japan and the US and South Korea), as well as the presence of American troops on the front line in Ukraine. Such an agreement would be the best way to guarantee Ukraine's security and defense; moreover, under these conditions, Ukraine would not need to apply for NATO membership. This would in turn have a positive effect helping to unify the positions of different member states in the alliance concerning how best to strengthen European security and counter Russia's aggressive intentions.¹⁰

⁹ "Torgovlya mezhdu Rossiyei i Ukrainoi za god sokratilas' vtroe," *Evropa*, 2015. <http://europe.newsru.ua/article/18478098>

¹⁰ Vadim Tyutyunik, "Natsional'naya bezopasnost' Ukrainy: problem poiska eyo garantov." *Center for Army, Conversion and Disarmament* (February 25, 2015). <http://cacds.org.ua/ru/comments/412>

As well as geopolitical security concerns, Ukraine faces additional internal security issues, as the conflict in the Donbas has become a font of criminal activity in the country. President Poroshenko directly addressed this issue at a meeting with representatives of law enforcement agencies in Kryvyi Rih (Dnipropetrovsk oblast). According to him, the number of criminal offenses has grown in the 21st region, which includes Nikolaev, Zaporizhia, Kirovograd, Kherson, Dnipropetrovsk, and Vinnytsia, with the highest growth rate for especially serious crimes recorded in the Donetsk oblast. He noted that this region witnessed nearly 1,000 premeditated murders over a 6-month period. President Poroshenko also stressed that the threat of terrorist activity remains high.¹¹

Energy security also poses an issue for the country. The development of Ukraine's statehood and its potential to enter the EU as a full member cannot be considered until the country finds permanent, reliable ways to secure fuel and energy resources, reduces its dependence on foreign energy imports, and maximizes their effectivity. The development and efficient function of the fuel-energy sector of our state constitutes one of the main factors in ensuring the viability of our economy and satisfying the needs of our populace.

Ukraine is one of the most energy-intensive countries in the world; its energy consumption puts it at a higher risk for economic and national security crises. Ukraine is forced to purchase about 40 percent of its energy abroad, including from the Russian Federation, a dependency that naturally has created a conflict in light of Russia's recent aggression in Ukraine.¹²

Institution Building

Institution building in Ukraine presents a new challenge both for the government and for society. It has become necessary to introduce principles of subsidiarity, cooperation, and the provision of solutions to problems at the same level at which they arise into various aspects of Ukrainian life. Leaders must find and develop effective theoretical and practical measures to stimulate economic activity and raise the standard of living across the population through close institutional coordination. However, for the operation of both new and old institutions to be effective, they must undergo reform, and the country must formulate a national development strategy.

In Ukraine, civil society institutions include NGOs, religious organizations, charities, trade unions, associations of trade unions, creative unions, associations, employers' organizations, non-governmental information media, and other non-commercial organizations and institutions, legalized in accordance with Ukraine's legislature.

¹¹ "Iz-za voyny kolichestvo prestuplenii v strane bozroslo- prezident." *Ukrainskaya Pravda* (July 17, 2015).

<http://www.pravda.com.ua/rus/news/2015/07/17/7074824/>

¹² "Energy Experts Highlight Ways to Reduce Ukrainian Energy Dependence." *Ukraine Crisis Media Center* (August 7, 2014).

<http://uacrisis.org/7520-energy-experts>

Under the current conditions of economic recession and military conflict, it would be unreasonable to expect the rapid development of institution-building in Ukraine—the country is undergoing troubled times and thus fixed assets are allocated to the security sector, not distributed with the goals of self-organization on the ground and the effective work of non-governmental institutions.

The war, which has already mobilized over 200,000 men, has forced the population to engage in volunteer and charity work to provide for the victims of war and armed conflict in the east. This necessity, a relatively new phenomenon for Ukraine, has taken on a massive scope and actually serves as a good example of precisely the institution-building which must take place across the country.¹³

Today in Ukraine there exist many volunteer movements and coalitions, which have proven themselves efficient and effectively organized groups; they have had significant impact, been able to secure any resources necessary, and been able to solve problems of varying complexity. Of particular note are the groups “The Wings of the Phoenix,” “SOS Army,” “Volunteer Hundred,” “Return Alive,” and “We-the people of Kiev.”

Another example of new institution building are the “territorial communities,” which are attempting to create activists and public figures in Ukraine. Territorial communities are collectives of Ukrainian citizens who live together in an urban settlement or rural outpost and who possess collective interests and a defined legal status. In contrast to the simple territorial unit, these collective settlements have the legal status of “territorial community,” which accords them certain rights, first of all, the right to self-government.

The Ukrainian law “On Local Government in Ukraine”¹⁴ provides the right for territorial communities to influence the processes that occur within their limits. Consequently, these communities may create public committees, hold meetings, and even pass municipal referendums. Public hearings and local initiatives have proved most effective. Currently, some 50 such territorial communities exist in villages and towns in different regions of Ukraine. Their success suggests that precisely this path may move Ukraine forward.

Internal Political and Socioeconomic Divisions

Within Ukraine, powerful political and socioeconomic crises are raging. The tragic events of August 31, 2014, bear witness to this fact: on that day, within the walls of the Ukrainian parliament in Kyiv, clashes broke out after the Verkhovna Rada approved first-reading amendments to the Constitution regarding decentralization. Protestors launched an assault on the Verkhovna Rada building. According to data from the Ministry of

¹³ Petro Budich, “Volonterskoe dvizheniye v zonye ATO- unikal’noe yavleniye.” *Slovo*, 2015.

<http://slovoprosvity.org/2015/07/23/volonterskij-rux-u-zoni-ato-unikalne-yavishhe/>

¹⁴ Zakon Ukrainy o mestnom samoupravlenii Ukrainy/ Vedomosti Verkhovnoi Radi Ukrainy, 1997.

<http://zakon4.rada.gov.ua/laws/show/280/97-bp>

Internal Affairs, a grenade was thrown in the direction of law enforcement officers. During the clashes, 3 officers of the National Guard were killed, and 141 other people were injured.

These events have already led to shifts in parliament's ranks. However, MPs are in no rush to leave the coalition. Only time will tell to what extent the existing coalition will disintegrate; however, it is obvious that pursuing change to the Constitution will be an arduous process.

Debates within the Verkhovna Rada do not wholly reflect the state of relations in society at large. Radicalism has a strong presence in Ukraine, in particular, in connection with the military operations in the east; however, the majority of the population tends towards the more moderate decentralization policy espoused by President Poroshenko, among others. Some believe—in particular, Ukrainian diplomat Bohdan Yaremenko—that decentralization will lead to federalization—and the eventual disintegration—of the country.¹⁵ Poroshenko, on the other hand, has declared, “Decentralization, which we are developing, will have nothing in common with federalization. Ukraine has been, and will continue to be a unitary state. This reflects the attitude of the Ukrainian people. More than 85 percent firmly stand in support of a unitary state. We won't act because this is what we at the top want—we must listen and act according to the position of the Ukrainian people.”¹⁶

The international community immediately greeted the decentralization policy with enthusiasm, since it reflects the model of subnational government, which the EU, Council of Europe and others promoted in Ukraine in the 1990s. For example, the United States Agency for International Development (USAID) funded the “Dialogue” program, which it implemented together with the Ministry of Regional Development and the Association of Ukrainian Cities, as well as with the Council of Europe; the program supports the creation of reform offices in the local government of each region. The Council of Europe published a new Action Plan for Ukraine for 2015-2017, wherein the decentralization of power in favor of regional governments plays a key role in realizing the goals of the Minsk agreements.¹⁷

The decentralization reform is supposed to proceed in the following stages: first, to create functional communities; next, to transfer the majority of power from the center closer to

¹⁵ Anya Bondar, “Yaremenko: Detsentralizatsiya privedet k razvalu strany.” *Pressa Ukrainy* (June 29, 2015).

<http://uapress.info/uk/news/show/83595>

¹⁶ “Poroshenko: Detsentralizatsiya ne budet federalizatsiyei i ne kosnetsya oboronyi.” *Ukrainskaya Pravda* (Feb. 11, 2015).

<http://www.pravda.com.ua/news/2015/02/11/7058194/>

¹⁷ Duncan Leitch, “Decentralization: The wrong solution to the wrong problem?” *Ukrainian Week* (June 26, 2015).

<http://ukrainianweek.com/Politics/139503>

the people; determine how many resources are needed, then allocate them to each level; and finally, make local government accountable to its citizens.

These reforms, of course, carry certain risks, according to experts. For example, Nobel laureate Roger Myerson sees three main dangers of decentralization. Firstly, the nation may find itself weakened if, during decentralization, regional leaders receive the right and ability to block national decisions, supported by a majority of the population. Secondly, some regions or municipalities may fall under the control of local tyrants. Thirdly, figures interested in maintaining power will oppose decentralization at all costs.¹⁸

The line splitting east from west represents by far the most typical concept of division and regionalism in Ukraine; it embodies not the geographical boundary so much as opposition on ideological, economic, historical and demographic grounds, all of which reinforce one another. This line appears to most aptly characterize the split because numerically it covers and divides all of society. The division is so powerful that some researchers claim the de facto existence of two Ukraines within one nation, or of a deep “civilizational fault” which divides the country in two.¹⁹

However, today, regionalism and bilingualism do not pose major problems, in part because the military threat and economic crisis demand that the population consolidate. The lack of proper state humanitarian and information policy negatively impact the mutual understanding between different regions, but on the level of civil society, Ukrainians tend to demonstrate tolerance and unity for the sake of tackling common problems.

¹⁸ “Mirovyie ekonomisti: detsentralizatsiya Ukrainy ne mozhет byt' nazvana obshchestvu iz tsentra.” *Unian* (June 13, 2014).

<http://www.unian.ua/politics/928417-svitovi-ekonomisti-detsentralizatsiya-ukrajini-ne-moje-buti-navyazana-suspilstvu-z-tsentr.html>

¹⁹ Sergiy Taran, “Pokhodi k izucheniyu regionalizma i etnicheskikh grupp v zapadnoi politologii: gipotezy dlya Ukrainy,” *Ї*, 2013.

http://www.ji-magazine.lviv.ua/anons2013/Taran_Pidhody_do_vyvchennya.htm