

! TRUMAN

INDEX

JULY – SEPTEMBER / 2018

#4 (8)

IVAN VANEEV

Founder, Managing Partner,
TRUMAN Agency



In the last three years, despite the military conflict with Russia, the number of Ukrainians who think that their country should be neutral and not belong to any bloc has raised by more than 50%, to 35%. If we don't look too deeply into the details, this could look like a conscious choice. But it doesn't seem so to me. I'm convinced that this has a lot more to do with how informed Ukrainians are about what NATO is and how the Alliance itself is organized.

For instance, how does NATO make decisions? What obligations and advantages do new members gain? And the big one: how does joining the Alliance affect a country's economy? Take, for instance, the economic performance of the Baltic countries since they joined NATO: GDP has grown 7-10% and investments have rapidly increased.

Ukrainians know next to nothing about how membership in NATO affects their security and other practical aspects. And yet it's only with broad public support that the country will be able to work towards not only its main strategic goal, membership, but also take the necessary practical steps—bring the army in line with NATO standards and get the MAP. This is why high-level visits are so important today: they set the agenda and give Ukraine an opportunity to take these same practical steps.

A special chapter in this TRUMAN Index is devoted to relations between Ukraine and NATO. This issue's foreword was written by the NATO Parliamentary Assembly President and former Lithuanian Defense Minister Rasa Juknevičienė.

At one point, Lithuania decided to join NATO. The transformation that accompanied Lithuania's bid for membership and its accession is something Ms. Juknevičienė can assess, not only as a NATO official today, but also as a one-time defense minister in a NATO member country. This makes her support of Ukraine's Euroatlantic and Eurointegrational aspirations during this difficult period especially valuable.



RASA JUKNEVIČIENĖ

President of the NATO
Parliamentary Assembly

As President of the NATO Parliamentary Assembly, a member of the Lithuanian parliament and a former minister of Defence, I have been always a strong supporter of Ukraine's sovereignty and independence as well as its Euro-Atlantic aspirations.

I am convinced that Ukraine – like Georgia – deserves a clear perspective of membership in NATO and the EU. Of course, it will take time to meet membership criteria, but the people of Ukraine should know that their future is in their own hands, and that no third power will have a say in this.

The success of Ukraine is key to durable stability on our continent. It is also key to convincing Russia to choose the path of respect for international law and norms rather than the path of hostility towards the free world. The stakes are high, and the Euro-Atlantic community should redouble its assistance to Ukrainian reform efforts.

These reforms are especially painful because they have been delayed by more than 20 years. And at the same time, Ukraine must cope with the consequences of ongoing Russian aggression against eastern Ukraine and the illegal annexation of Crimea. I hope that the resolve of the Ukrainian people that we witnessed in the Maidan will see Ukraine through this critical period.

During my numerous meetings with the Ukrainian people, I increasingly detect signs of frustration at the slow pace of the European and Euro-Atlantic integration. Consequently, the urgency of the reform process is being questioned. However, these reforms are not being conducted for the benefit of the EU or NATO; they are for the benefit of Ukraine, and their aim, first and foremost, is to provide a dignified European future for the citizens of Ukraine. It took more than a decade for my country, Lithuania, to make the changes needed to attain membership. Ukraine must be patient.

In 1990, I was privileged to be among those who signed the Act of the Restoration of the State of Lithuania. But we Lithuanians know from experience that it takes much more than just a declaration to preserve sovereignty, especially under external pressure. This is why it was so important for Lithuania to become a member of NATO, an Alliance of democratic values, individual freedom, human rights and



NATO PARLIAMENTARY ASSEMBLY
ASSEMBLEE PARLEMENTAIRE DE L'OTAN

the rule of law. I hope that Ukraine will also be able to join NATO's family when it has completed all the necessary reforms.

Although independent from NATO, the NATO Parliamentary Assembly provides an important platform for parliaments to influence decision-making in areas relevant to NATO both at the national and international levels.

The Assembly's relationship with Ukraine began immediately after Ukraine declared its independence. Ukraine became an associate member of the Assembly in 1991 and since then has actively participated in the Assembly's work.

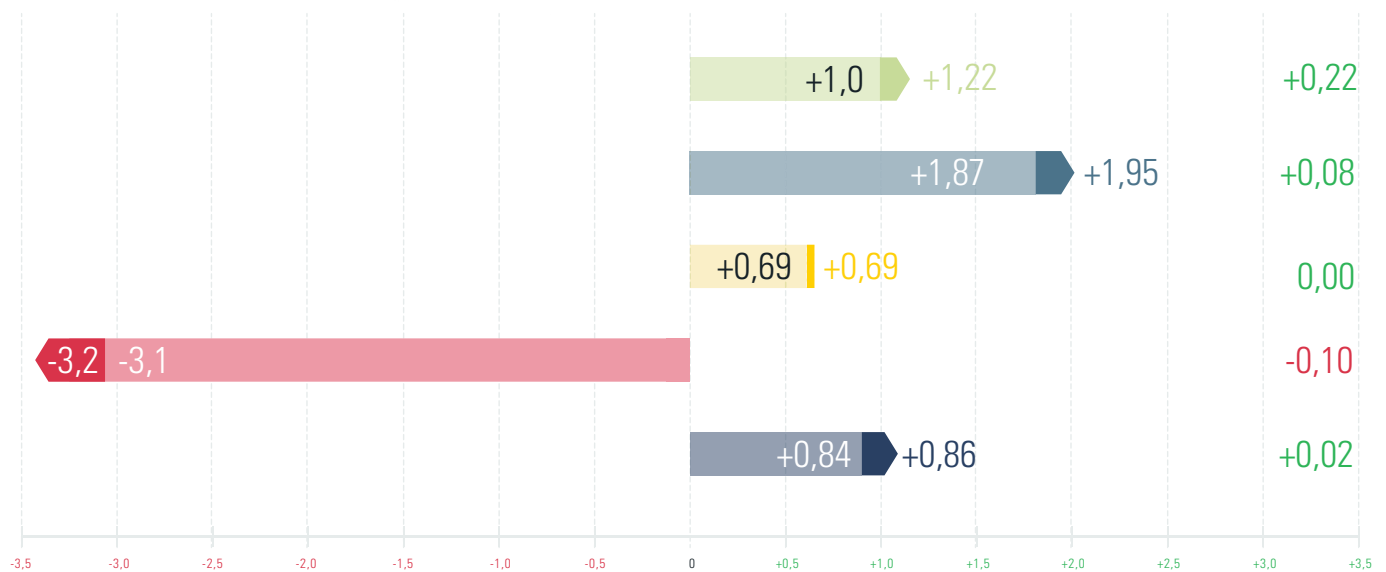
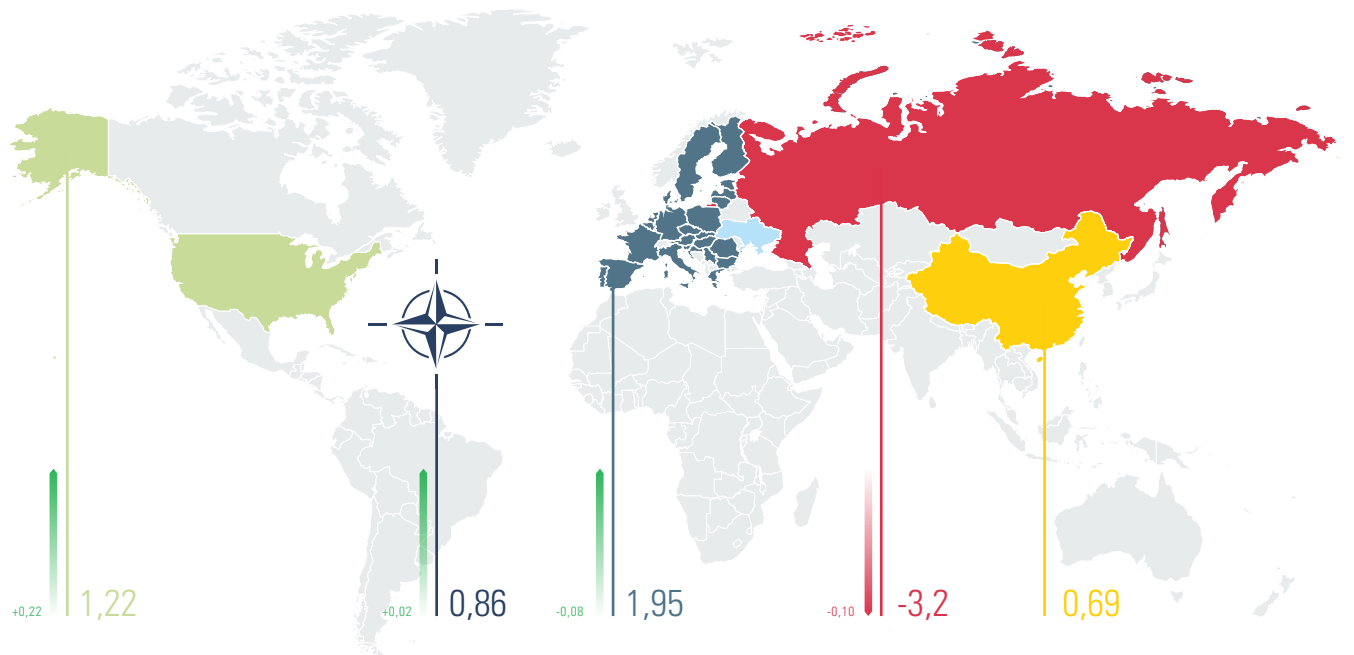
Since Ukraine declared its desire to become a member of NATO, it engaged in an ambitious reform process. The Verkhovna Rada has a key role to play in strengthening and consolidating parliamentary oversight over security and defence – including policies related to Ukraine's Euro-Atlantic integration, notably the establishment and implementation of an anti-corruption legal and institutional framework.

Ukraine's extensive partnership with NATO supports the country's reform process, and we expect that upcoming presidential and parliamentary elections scheduled for 2019 will not slow the pace of these fundamental reforms.

Cooperation with NATO also strengthens the ability of Ukraine's institutions to deal with the whole range of security challenges, as well as the resilience of its society to hybrid and cyber threats and other forms of destabilization.

The strength of NATO PA and Ukraine cooperation is also shown in Ukraine's offer to host the NATO PA's Spring Session in 2020. That will mark another significant milestone in our relations.

TRUMAN INDEX



USA	■ MARCH – JUNE, 2018.	■ JULY – SEPT, 2018.
EU	■ MARCH – JUNE, 2018.	■ JULY – SEPT, 2018.
CHINA	■ MARCH – JUNE, 2018.	■ JULY – SEPT, 2018.
RUSSIA	■ MARCH – JUNE, 2018.	■ JULY – SEPT, 2018.
NATO	■ NOVEMBER, 2017. – FEBRUARY, 2018 P.	■ MARCH-SEPTEMBER 2018.

RESEARCH METHODOLOGY

TRUMAN Index is a quantitative and qualitative assessment of Ukraine's progress in bilateral relations with key foreign policy directions: the EU, the US, China and Russia. This quarterly journal tracks the changing dynamics of these four relationships. Every 6 months we also monitor the progress of Ukraine-NATO relations. Our analytical articles are written by specialists based on their own observations and on many discussions with domestic and foreign diplomats, opinion leaders and officials.

TRUMAN Index monitors events in Ukraine's foreign relations with each of these countries and offers an analysis of the way that each of these partners has been interacting with Ukraine during the reported period.

In addition to analyzing the quality of relations, every bilateral event is evaluated on a scale from -10 to +10. The total points for foreign policy in the given area is the sum of the values assigned to these bilaterally significant events during that quarter. The expert group takes BISS[1] methodology as its basis, which offers a clear scale for evaluating foreign policy events.

The total points in a given foreign policy direction are divided by the number of events recorded during the quarter: this constitutes the TRUMAN Index. This approach minimizes the methodological risk that one partner will accumulate more points simply thanks to a large number of less significant events during a given quarter. A different quarter might result in lower points because of fewer, but more significant than average, events. TRUMAN Index serves to establish a balance between the quantity of events and the quality of the cooperation.

EVENT EVALUATION SCALE:

- **7-10** Economic and political integration, the coming into force of agreements on deeper cooperation
- **4-6** The signing or ratification of an agreement – on cooperation, on trade, on tariffs, on integration, and so on, – the opening of credit lines and economic assistance
- **1-3** An official visit at the ministerial level or higher, especially related to key ministries: foreign affairs, internal affairs, defense, economy, and trade; negotiations over potential agreements, official visits at the highest level – president, PM – from both sides; high level official telephone calls (primarily presidential)
- **1-2** Positive statements from key politicians in these countries, from the MFA regarding foreign policy, in legislative resolutions
- **1** Official visits at the deputy minister level from non-key ministries, parliamentary delegations, exhibitions, business forums, national culture days, important diplomatic contacts and negotiations
- **1-2** Negative announcements from key politicians, from MFAs regarding foreign policy, in legislative resolutions
- **2-4** Delays in ratifying agreements, not being invited to events, failure of support to come from the international community
- **3** Violations of agreements or mutual commitments
- **4-6** Trade wars, anti-dumping investigations, boycotts of goods, embargoes, expulsions of diplomat, recalls of ambassadors
- **7-10** Provocations, severed diplomatic relations, military action



UKRAINE – US RELATIONS

ALYONA GETMANCHUK

Director of the New
Europe Center

POSITIVE POINTS: +33

NEGATIVE POINTS: -5

TOTAL: +28

TRUMAN INDEX: +1,22

UPDATE

During this past quarter, Ukrainian-American relations involved a series of mixed signals, mainly on the US side. On one hand, Presidents Poroshenko and Trump did meet, and National Security Advisor John Bolton came to Kyiv to celebrate Ukraine's Independence Day. On the other, Trump met with Vladimir Putin in Helsinki, where the US president never once mentioned Ukraine or support for its territorial integrity publicly. The same was true of his speech before the UN General Assembly. On one hand, there were the Crimean Declaration by the Department of State and a harsh critical statement regarding Nord Stream II from Washington. On the other, there were no sanctions against European companies involved in building the pipeline and the US supported the Russian position in suits before the World Trade Organization.

Some of the mixed signals ended up playing in Ukraine's favor. Trump's unambiguous statements regarding Crimea made it possible for Kyiv's friends in Washington to once again actively promote Ukraine in its habitual role of victim. However, whereas in previous years, Ukraine was presented as a victim of Vladimir Putin's aggressive policies, after Helsinki many American stakeholders offered their sympathy and support to the country—as a victim of Trump's unpredictable policies.

If the Helsinki meeting between Trump and Putin provided a mostly positive background for relations in other areas, the start of hearings in the Paul Manafort case proved more negative—at least for perceptions of Ukraine in the US. The high-profile court case once again drew attention to large-scale political corruption in Ukraine and US media failed to point out that this was all under Viktor Yanukovych, before the 2014 Revolution of Dignity.

This period also brought the death of Ukraine's most consistent and reliable ally in the US Congress, Senator John McCain. Despite advice from some corners not to annoy Donald Trump by going, President Poroshenko did attend the senator's funeral and honored this great American.

TIMELINE

■ BRUSSELS OVERSHADOWED BY HELSINKI

Political dialog between Kyiv and Washington during this past quarter was mainly noted by a very brief meeting between Presidents Poroshenko and Trump during the NATO summit in Brussels, and a visit to Kyiv by National Security Advisor John Bolton in honor of Ukraine's Independence Day August 24. Both events required sub-

stantial diplomatic effort on the Ukrainian side and a meeting was not given in Brussels.

As to the Bolton visit, some sources say that the Ukrainian side, and President Poroshenko personally, negotiated this visit on Independence Day directly with State Secretary Mike Pompeo. After last year's visit to the military parade by US Defense Secretary Gen. Jim Mattis, a higher-level US presence seemed reasonable, especially as Pompeo had not yet visited Ukraine. However, Pompeo had oth-

er commitments during this time, but he promised that the Trump Administration would send a suitable representative to the event—in this case Bolton. At a press briefing in Kyiv, Bolton admitted that it was simply convenient for him to fly to Kyiv from Geneva, where he had had a five-hour meeting the previous day with his Russian counterpart, Nikolai Patrushev. One way or the other, this visit was yet another key element in establishing dialog with Bolton. At this point in 2017, he had already visited Kyiv, but as a paid speaker to a conference organized by tycoon Viktor Pinchuk. In February, several months before his appointment as NS advisor, Bolton again participated at a Ukraine event organized by Pinchuk during the Munich Security Conference.

The most significant indicator of the state of Ukrainian-American relations in this quarter could prove to be not a US-Ukraine summit but the US-Russian one between Trump and Putin in Helsinki. Despite the fact that far more attention was given to this meeting in Ukraine than to the Ukraine-EU summit or the NATO summit, both of which took place at the same time in Brussels, official Kyiv, including the president himself, made a point of publicly reacting coolly to the Helsinki meeting, its outcome and possible consequences. When questioned by journalists the day before, President Poroshenko replied that he had no expectations, good or bad, from the Helsinki meeting. During a television interview on a Ukrainian channel afterwards, he stated confidently that President Trump had held to the Ukrainian position in Helsinki. US Special Representative Kurt Volker later also reassured Kyiv that the American side did not concede any positions that might concern Ukraine in Helsinki. In an interview with Voice of America, Volker said, "There were no moves to recognize Russia's annexation of Crimea, support a referendum, or support Russia's position regarding the formation of an armed group to protect the monitoring mission, which could split the country."

However, it's understandable that Ukraine's president and the special representative could only make these statements based on their interpretations of Trump's talks with Putin, as only the two presidents and their interpreters really know what was said. One interpretation was voiced by SecState Pompeo at Senate hearings summing up the Trump-Putin meeting in Helsinki: No results were attained with regard to Ukraine and the two simply agreed to disagree. Obviously this concerns not just Crimea but also the situation in Donbas, where Putin suggested to his US counterpart that a referendum be held among the residents of the occupied territory. No one knows how Trump reacted to this at the actual meeting, but later the White House publicly cut the idea down.

After her meeting with the Russian president, German Chancellor Angela Merkel phoned the Ukrainian president to brief him on their conversation, but this approach does not work in Ukraine-US relations. The main thing is that the Ukrainian and American presidents met before the Helsinki summit with Putin, but it would be better to have a direct channel of communication after such key

meetings to avoid Kyiv having to make official requests to Washington about the content of Trump's talks with Putin regarding the situation in the Donbas.

If the Helsinki meeting between Trump and Putin provided a mostly positive background for Ukraine-US relations in other areas, the start of hearings in the Paul Manafort case proved more negative—at least for perceptions of Ukraine in the US. The high-profile court case once again drew attention to large-scale political corruption in Ukraine, causing the US Embassy in Ukraine to request the American press to be clearer in its coverage about what period was being described—the Yanukovich Administration, prior to the 2014 Revolution of Dignity. Testimony from Rick Gates, Manafort's former business partner, risked hitting the reputation of President Poroshenko, whom Manafort's firm supposedly helped in 2014. Poroshenko's office acknowledged that proposals for cooperation had come but his administration had rejected them.

Insiders in the Ukrainian government list a number of priorities in political dialog with the US today that need more attention from the Trump Administration:

- reviving the strategic Ukraine-US commission, which American partners support but seem in no rush to reinstate;
- instituting sanctions against European companies that are involved in the building of Nord Stream II;
- taking a decisive position regarding the release of Ukrainian political prisoners currently held in Russia;
- applying maximum efforts to help fight off Russian interference in Ukraine's upcoming elections, with a special focus on cyber security and the dissemination of disinformation in social networks.

All these issues are being discussed with various US partners. Some, like Nord Stream II, have been getting specific attention at the highest level, such as during Trump's meeting with Poroshenko in Brussels. In contrast to the American president, who can get away with publicly saying what he wants when it comes to the pipeline and Germany, Poroshenko's rhetoric is restrained and he cannot openly call for sanctions against European companies, given the established trust in relations with Chancellor Merkel.

A fairly new accent in bilateral relations was US assistance in countering Russian interference in Ukraine's presidential election campaign, which Poroshenko himself has raised in conversations with American interlocutors over the last half-year, including Assistant SecState for European and Eurasian Affairs Wess Mitchell and Bolton. This is no surprise, given that Poroshenko is personally interested in minimizing Russian influence during the election campaign, especially in social nets, or at least making it overt. Ukraine's incumbent president is not Putin's candidate, and so the strongest at-

tacks are likely to be against his candidacy. Kyiv has been positively impressed by how US agencies were able to uncover widespread Russian interference through a troll army managed by Moscow. Significantly, the US has decided to double its financial support for Ukraine to strengthen cyber security, from US \$5mn to US \$10mn.

■ CRIMEA AND THE AZOV LEAVE DONBAS IN THE SHADE

One issue that strikingly moved to the back burner was a resolution of the situation in the Donbas, where the Americans and Russians are on different tracks altogether. Instead, Crimea once again moved to the fore after President Trump began issuing ambiguous messages to Russia over Crimea, starting with the G7 leadership meeting in Canada, where he refused to respond on questions as to what his further strategy will be regarding the occupied peninsula. The assumption is that this was his tactic in the run-up to the Helsinki summit. Or perhaps European Council President Donald Tusk got it right when he said, after several meetings with Trump and discussions about Russia's aggression towards Ukraine initiated during these meetings—some at the request of Ukrainian officials—, that the overall impression was not reassuring: Trump demonstrated "less enthusiasm towards Ukraine and more understanding towards what Russia had done to Ukraine."

The elements of Trump's strategy of justifying Putin's policies can also be read between the lines of his statements and, obviously, his reluctance to publicly condemn Russia's action. That was evident at Helsinki and during his speech at the UNGA, when he blamed his predecessor for the annexation of Crimea, Germany for the construction of Nord Stream II, and Special Prosecutor Mueller for the investigation into Russian interference. Anyone was fair game—anyone but Vladimir Putin.

As contradictory as it may sound, but one positive bit of news about Crimea came in what was said at the Helsinki press briefing... not by Trump but by Putin. The Russian leader noted that his American counterpart maintained a different position than the Kremlin on Crimea during negotiations and condemned the annexation. The question is why the American president couldn't say so himself, especially as later that month, he told Reuters that he always remembers Crimea when the subject is about Ukraine. Of course, Ukraine was one of the four items on the agenda at Helsinki.

This ambiguous behavior on Trump's part has somehow played in Ukraine's favor. It allowed friends of Ukraine in Washington to once again position Ukraine in its historical role of victim. However, whereas in previous years, Ukraine was presented as a victim of Putin's aggressive policies, after Helsinki, many American stakeholders offered their sympathy and support to the country—this time as a victim of Trump's unpredictable policies. One obvious sign of sup-

port that became possible thanks to Trump's mixed signals was the Crimean Declaration issued by the Department of State. This was worded similarly to the famous 1940 Welles declaration regarding the soviet annexation of the Baltic countries, with which the United States refused to recognize Stalin's annexation. "As the Welles Declaration of 1940 did, the United States confirms that its state policy is to refuse to recognize Moscow's claims to extend its sovereignty to territory that it has taken by force and in violation of international law." The State Department's statement was greeted positively as this is a statement in which the US not only harshly condemned Russia's annexation of Crimea again, but also committed itself to a policy similar to its Baltic policy until Ukraine's territorial integrity is once more stored.

Why is this important? One of the key elements to restraining further Russian aggression is for the West to maintain an unambiguous policy not recognizing and condemning the annexation of Crimea. If the US president continues to make incomprehensible nods towards a possible recognition of Crimea as Russian, this will place the entire policy of containment, including the sanctions mechanism, under question. At the same time, it's clear that when talking about the annexation of Crimea by the Putin regime, it's important to talk not just about a blind repeat of the Welles declaration but of an upgrade to the US Baltics policy after 1941. Non-recognition is a good first step, but the US needs to continue to pay attention to the situation in Crimea, starting with human rights violations and ending with the growing militarization of the peninsula. It makes sense for Washington to be involved in negotiations that could foster to Crimea's reintegration into Ukraine. In short, the US approach has to be one that the Kremlin cannot possibly read as a signal that "Crimea is off the table now, so let's agree about the rest."

In addition to the question of Crimea, the situation on the Azov Sea joined the Ukrainian-American dialog in the last few months. Starting in April, Russia arrested more than 100 merchant vessels sailing to Ukrainian ports. Over the summer, many American experts criticize Ukraine for its overly passive response, as they saw it, to the situation. One respected US expert went so far as to call Ukraine's attitude "a strategy of indifference." To judge for himself what was going on in the Azov Sea, Benjamin Schmitt, a State Department official, quietly visited to Genichesk. Afterwards, State issued a very harsh statement calling on Russia to stop putting pressure on vessels in the Azov Sea and interfering in international shipping.

The Azov situation made the need for more active cooperation with the US in rebuilding Ukraine's Navy and Marine fleets even more urgent. Discussions about how America can support this have been ongoing since 2014, but so far results have been very modest. Illustrative of the problems is the cases of the transfer of two Island-class coast guard vessels, where agreement in principle was reached four years ago. Yet the boats remained in Baltimore

all this time, supposedly because of delays in procedures on the part of the Ukrainians—even though such boats would have been very useful on the Azov Sea. Only after a high-profile investigation by Radio Liberty that revealed that the tangle of red tape in Kyiv holding up the transfer of the two cutters was also in part due to mercantile interests within President Poroshenko's circles did government officials begin to chorus that negotiations were in their final stage. At last, during Poroshenko's visit to the US for the UNGA, the formal ceremony transferring the two vessels to Ukraine took place in Baltimore in late September.

As to regulating the situation in the Donbas, work continues on drafting a possible mandate for a peacekeeping mission and agreeing this with German partners, but both Kyiv and Washington have long ago resigned themselves to the fact that there will be little or no progress before Ukraine's elections. "Why should Putin make Poroshenko a gift like that," say some Ukrainian and American diplomats. "He's better off waiting in case a politician more loyal to him gets elected and then Putin can help that person gain political capital at the beginning their term."

■ SECURITY ABOVE ALL ELSE

Sources in diplomatic circles say that President Trump started his meeting with President Poroshenko in Brussels with a question along the lines of "Have you tried our Javelins yet?" In fact, as is known, Ukraine can only use them on parade if the situation on the front does not change and Russia does not attack openly. The Javelins were not given to Ukraine to be used as desired, but came with many strings attached. This means that, either Trump was ill informed about the terms on which the Javelins were provided to Ukraine. Or maybe he was simply hinting that it was time to add some purchases to what Kyiv had received for free.

All the more so that American collocutors say that one of the arguments that persuaded Trump to allow these weapons to go was that Kyiv would later on start buying them. This is what left some very puzzled and confused in Washington when they found out about an agreement signed just one month after the delivery of the Javelins—only not with the US but with France, where Ukraine decided to buy Airbus Helicopters worth €555mn.

Ukraine's Ambassador to the US, in Kyiv for a session among ambassadors, did not restrain himself and publicly criticized the lack of coordination in such sensitive issues in Ukraine's government agencies and the way that procurements were being prioritized. So far, 90% of the assistance being provided to the General Staff has been from the US, adding up to nearly US \$1 billion to shore up security since 2014.

Obviously, the French deal is reflective of internal competition factor: the contract on helicopters was put together by Interior Minister Arsen Avakov, burnishing his own reputation in the French capital.

Not surprisingly, the Poroshenko Administration, which is directly in communication with its American counterparts, came down on the American side, criticizing the French deal, which was, among others, not transparent.

Clearly, too, after the deal with France, it will be harder for Ukraine to argue the lack of such contracts, lack of funding, or other problems, with its main security partner, the United States. In order not to lose the dynamics of buying the support of the US president, earned earlier by buying Pennsylvania coal and a billion-dollar contract with General Electric, the Ukrainian side inquired with Trump about buying more anti-aircraft systems. One such unit is worth US \$750mn and the UA army needs at least three. During his meeting with Trump in Brussels and his later meeting with Bolton, Poroshenko mentioned other needs: for drones, for counter-battery radar systems and for counter-sniper systems. This is not a US \$4.7bn deal, like Poland's purchase of Patriot systems from the US, but nevertheless a desirable step. Given Trump's tendency, according to different sources, to continue to form his attitude towards different countries based to a large extent on two indicators—how many weapons they will buy from the US and to whose benefit is the trade deficit with the US—, this makes eminent sense.

It's no surprise, then that propositions for procuring US weapons systems and equipment, rather than freebies, are more and more part of the rhetoric of American partners. Kyiv gets that, and the Americans are providing incentives within the framework of the Pentagon's Foreign Military Sales program. This allows Ukraine's Defense Ministry to sign intergovernmental contracts with the US and buy weapons and military technology without intermediaries—provided some legislation is changed.

On August 13, President Trump signed the National Defense Authorization Act for 2019, in which US \$250mn is allocated for Ukraine. This is US \$100mn more than in the current defense budget. In accordance with the related 2017 law, Ukraine will be able to access half of this sum unconditionally while the rest has some well-defined strings attached. One key condition is that Ukroboronprom, the state-owned weapons manufacturer, has to be reformed, and in this respect a US advisor is scheduled to visit in October. American assistance to Ukraine is clearly providing incentive to reform the security and defense sectors.

Earlier, on July, 20, the Pentagon announced that US \$200mn was being allocated to Ukraine for 2018 in its budget as well. The main condition here was that Ukraine pass the law on national security. In September, the US Congress approved the Pentagon budget for 2019, in which US \$250mn is allocated to Ukraine, US \$50mn more than this year.

■ THE DEATH OF A GREAT FRIEND

Despite positive signals from the Trump Administration, the State Department, the Pentagon, and the House of Representatives, Ukraine's biggest friend at the official level was the US Senate. In the last few months, the Senate constantly demonstrated that it had tight control over the Ukraine question. It was clearly no mere coincidence the Congress's Crimean Declaration appeared just before hearings in the Senate Foreign Relations Committee. SecState Pompeo was invited to attend in order to report on the results of the Helsinki meeting. At these hearings, the Committee also approved a bipartisan Senate resolution condemning the annexation of Crimea and confirmed America's absolute commitment to Ukraine's territorial integrity and to continue to support Ukraine in the face of Russia's aggression. Within a few days, senators also submitted a bill to Congress on strengthening economic, political and diplomatic pressure on Russia in response to "the Russian Federation's continuing attempts to interfere in US elections, Russia's malicious influence in Syria, its aggression in Crimea, and other actions." The authors of the bill included Lindsay Graham (R), John McCain (R), Bob Menendez (D), Ben Cardin (D), Jeanne Shaheen (D), and Cory Gardner (R).

For this reason, Kyiv will carefully monitor how the Senate changes after November's mid-term elections to the Congress. There are some fears that the Foreign Relations chair, Bob Corker (R) will be replaced.

This period was also distinguished with the loss of Ukraine's most consistent and uncompromising ally in the US Congress, Senator John McCain. McCain empathized with Ukrainians during both Maidan revolutions. Like many both in Ukraine and in the West, he was deeply disappointed in the outcome of the Orange Revolution and he did not hide this in conversations over 2009-2010. At both meetings then, he recalled his trip to Crimea, a trip that seemed to stick in his memory more than any other during the Yushchenko Administration. In contrast to many western politicians whose disenchantment with the Orange Revolution made them turn away from Ukraine altogether, McCain was one of those whom the Revolution of Dignity stoked up again and spurred to invest new efforts into Ukraine. Russia's aggression, in turn, almost made this a moral imperative for him.

Despite McCain's role in relation to Ukraine in US politics, President Poroshenko's decision to fly to the senator's funeral was apparently not automatically approved in all corners in Kyiv. Some officials, knowing Trump's hostility towards the late senator, worried that the US president might take it as a personal affront if Poroshenko were there and this might eventually affect their relationship. Still, the conviction that Poroshenko was now morally obligated to honor Ukraine's great friend won the day. The decision proved to be the right one and the fears appear to have been unfounded, as the funeral was attended by other members of the Trump Administration and even members of his family.

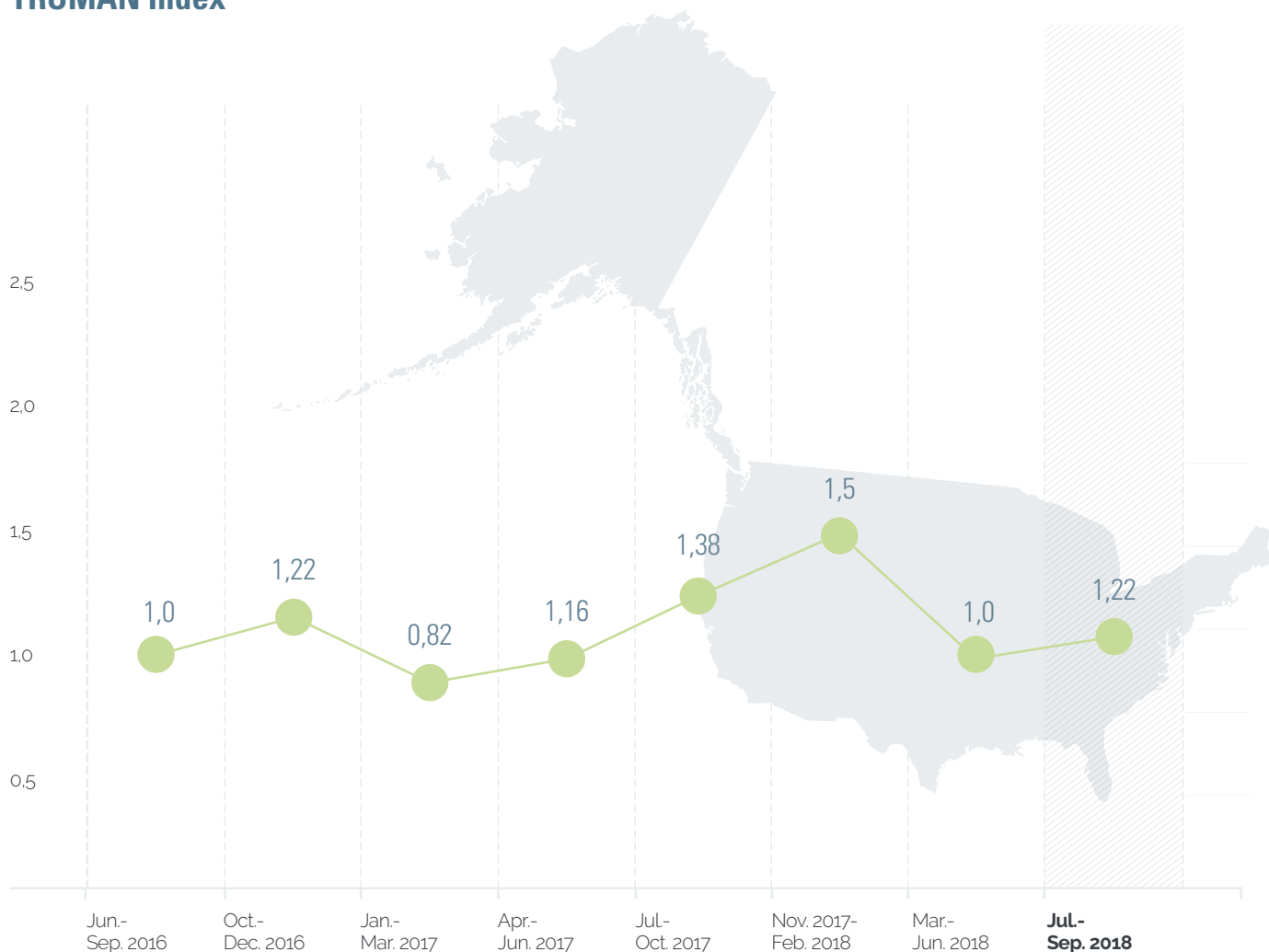
EVENTS IN UKRAINE-US RELATIONS (JULY - SEPTEMBER 2018). POINT-BASED EVALUATION

DATE	EVENT	POINTS
July 2	White House spokesperson Sarah Sanders announces that the US does not recognize the annexation of Crimea of Russia and will not weaken sanctions against the RF.	+1
July 9	The opening ceremony for Sea Breeze 2018 takes place in Odesa, a military exercise involving 19 countries and more than 2,000 service personnel.	+1
July 12	Presidents Poroshenko and Trump meet at the NATO summit in Brussels for about 20 minutes according to Ukrainian sources, with Nord Stream II one of the priority topics.	+4
July 20	The White House announces that it will not consider supporting Russian President Putin's proposal for a new referendum in occupied Eastern Ukraine. US Security Council spokesperson Garrett Marquis notes that agreements between Kyiv and Moscow to resolve the conflict in Donbas do not offer any option of a referendum and any attempts to organize such a referendum will entirely lack legitimacy.	+1
July 20	For the first time, Ukraine starts up an AES power unit running entirely on American fuel: the third unit of the Southern Ukraine AES now uses fuel rods from Westinghouse rather than Russian rods. By 2020, the second power unit at the Southern Ukraine AES is expected to switch completely to American fuel, as is the fourth unit at the Zaporizhzhia AES.	+1

DATE	EVENT	POINTS
July 21	The Pentagon announces that it will allocate US \$200mn to Ukraine for defense purposes in its 2018 budget, a decision that was made possible with the passage of Ukraine's Law on National Security. The money is intended for military equipment and training for military personnel.	+ 1
July 25	US Secretary of State Mike Pompeo presents an outline of official American policy regarding the restoration of Ukraine's territorial integrity. In the "Crimean Declaration," the State Department confirms US commitment to the policy of not recognizing Crimea's annexation. This document is the first time that the US has linked its policy of non-recognition and its non-recognition of the soviet annexation of the Baltic countries in the 1940 Welles Declaration.	+2
July 31	As the Paul Manafort case goes to court, it is revealed that Manafort opened 30 bank accounts in three countries to hide the profits from his work in Ukraine. Altogether, he earned about US \$60mn during his years working for Yanukovych. Manafort's former business partner says that in 2014 they helped Petro Poroshenko, a claim that the Presidential Administration denies.	- 1
August 1	Three trade disputes with Russia being considered at the WTO go against Ukraine. The WTO panel sides with Russia against Ukraine's protective duty on imports of Russian ammonia. Ukraine also loses its suit against Russia's refusal to certify Ukrainian railway equipment. The US sides with Russia in this dispute.	-1
August 2	A group of US senators submits a bill to Congress on strengthening economic, political and diplomatic pressure on Russia in response to "the RF's continuing attempts to interfere in US elections, Russia's malicious influence in Syria, its aggression in Crimea, and other actions."	+ 1
August 8	President Poroshenko speaks to SecState Pompeo over the phone.	+2
August 13	President Trump signs the National Defense Authorization Act for 2019, which includes an allocation of US \$250mn for Ukraine, US \$100mn more than in the 2018 budget.	+ 3
August 21	President Trump tells Reuters, a new agency, that he is not considering withdrawing sanctions against Russia and would begin to consider this possibility only if Russia took some steps in the right direction.	+1
August 24	US National Security Advisor John Bolton visits Kyiv, where he announces, among others, that the crisis around Ukraine needs to be resolved "asap," because it's dangerous to leave the situation in Crimea and Donbas as it currently stands.	+3
August 25	Senator John McCain, possibly one of Ukraine's most visible and most consistent supporters in Washington, dies after a long struggle with cancer.	-3
August 29	Ukraine's Ambassador to the US Valeriy Chaliy tells Radio NV that Ukraine has applied to the US to purchase at least three anti-aircraft defense systems worth US \$750mn each for its Armed Forces.	+2
August 30	The US State Department posts a notice on its site calling on Russia to stop harassing ships in the Azov Sea and not interfere in international shipping lanes.	+1

DATE	EVENT	POINTS
September 3	Rapid Trident 2018 is launched at the Yavoriv base with more than 2,000 service personnel from 14 countries participating in the military exercises.	+1
September 5	The US and EU issue a joint statement expressing concern that a Ukrainian court has granted the Prosecutor General access to information from the cell phones of TV journalist Nataliya Sedletska: "The Ukrainian government needs to support independent journalism."	+1
September 11	US Ambassador-at-Large for International Religious Freedom Samuel Brownback arrives in Kyiv, where he meets with President Poroshenko. This visit is particularly important in the context of establishing an autocephalous Ukrainian Orthodox Church and the position of the country's international partners, including the US, on this issue.	+1
September 11	The first General Electric locomotive is delivered to Ukraine at the Port of Chornomorsk. GE has already shipped a second locomotive called "Trident," due to arrive on September 24.	+1
September 27	President Poroshenko arrives in Baltimore to participate in a ceremonial transfer of two Island-class coast guard vessels to Ukraine. The decision to donate these boats was approved back in 2014 under the Obama Administration.	+2
September 28	President Trump signs the 2019 Pentagon budget, with US \$250mn allocated for Ukraine, which is US \$50mn more than in the 2018 budget. The budget was passed in the House of Representatives and Senate earlier in the month.	+3

TRUMAN Index



UKRAINE – EU RELATIONS

POSITIVE POINTS: +47

NEGATIVE POINTS: -4

TOTAL: +43

TRUMAN INDEX: +1,95

LEONID LITRA

Senior Research Fellow at the
New Europe Center



UPDATE

Ukraine's relations with the European Union have been rich and diverse and have brought good results. First of all, during the monitoring period, Kyiv and Brussels held an EU-Ukraine summit, which delivered a strong joint statement, highlighting Ukraine's European aspirations and de facto recognizing Russia as the aggressor in Ukraine. The summit also underlined areas in which Ukraine underperformed, especially the fight against corruption. Despite much hope on the Ukrainian side, the summit did not elaborate on the Four Unions concept put forward by Ukraine, but focused on the implementation of the Association Agreement.

Even if the summit was the key event in bilateral relations, the most discussed event in EU-Ukraine relations was the new Macro-Financial Assistance Program worth €1 billion. The program was welcomed by Ukraine as most of the conditions are not difficult and the country should be able to meet them. The MFA program is divided in two equal tranches and it is likely that Ukraine will get the first one by the end of the year, since the conditions for the first installment are easy and most have already been implemented. However, some diplomats from EU-member states regret that Ukraine is being "spoiled" and that the EU did not want to set serious conditions.

President Poroshenko's proposed amendments to Ukraine's Constitution have been broadly seen as self-promoting. The proposed amendments is that the president acted on the principle, "Let's fly it up the flagpole and see who salutes" in order to launch a process in which he would be seen as the driver of European integration. If the Verkhovna Rada supports these amendments, the president will gain some capital; if not, he can claim to be a true eurointegrator, while those who opposed the amendments are against European integration.

Finally, the latest round of EU sanctions deserves some special attention. Although all EU sanctions were renewed, some have met opposition. Since at least two countries have announced their intentions not to automatically prolong sanctions without a proper debate, from this moment on, future extensions may not be as assured as before.

TIMELINE

■ POLITICAL DIALOG AND SANCTIONS

President Poroshenko's proposal to amend the country's Constitution to specifically include Ukraine's aspirations to membership in the EU and NATO was a major bit of political news. The president submitted a bill containing amendments to Art. 85, 102, 116 and the Preamble. If adopted, the Rada and the Cabinet will be mandated to implement a

course towards full membership in the EU and NATO, while the president will have to guarantee that the provisions are implemented.

In order to adopt these amendments, the Rada first has to vote in principle to pass first reading with a simple majority (226 votes), which is scheduled for the current session. If the first vote is successful, the final vote will require 300 votes or a two-thirds majority to pass, which could be a challenge, although one high-ranked Ukrainian official claims that the votes are there. Moreover, the second vote is set to

take place in early 2019, just before the presidential elections scheduled for March 31, 2019, meaning in a very politically sensitive environment. The parties that oppose the constitutional amendments are already building their strategies for how to not participate in the vote. The main opposition candidate for the presidency, Yulia Tymoshenko, proposes signing a Memorandum on the irreversibility of a European and Euro-Atlantic course for Ukraine.

The position of various parties towards the amendments is very important, as many see the president's proposal as a Catch-22: if the amendments are adopted, President Poroshenko will gain PR and be able to portray himself as the eurointegrator #1. If they aren't adopted, the president and his team will be able to claim that they alone stand for a European future of Ukraine, while the rest are "working for Putin."

The actual idea has little practical value. If the amendments are adopted, Ukraine will declaratively and legislatively proclaim its aim to join the EU and NATO. In practice, however, if euro-skeptics come to power after the election, these amendments will be ignored, just like many other provisions of the Constitution. On the other hand, if adopted, these amendments will not harm Ukraine in any way, and they could possibly bring some gains. And so, these constitutional amendments are seen as a process-driven rather than results-driven action. This can be seen in the EU's reaction, which respected Ukraine's right to amend its Constitution, but reminded the country's leadership that reforms and full implementation of the Association Agreement are key to Ukraine's progress in European integration.

In July 2018, the policy of EU sanctions against Russia was prolonged for another 6 months. The EU extended economic sanctions in the banking, finance and energy sectors until 31 January 2019. The decision was adopted after the leaders of Germany and France informed EU member states about Russia's failure to implement the Minsk Agreements. Sources in the EU say that discussions regarding the prolongation took two minutes and that Italy and other countries that wanted to debate the issue did not bring it up.

EU sanctions for the illegal annexation of Crimea were joined by Montenegro, Albania, Norway, Georgia, and Ukraine. On July 31, 2018, the EU Council added sanctions against companies involved in the construction of the Kerch Bridge. The list now includes 44 companies and 155 individuals. Apparently, certain countries like the Baltics and the UK wanted to add more entities to the sanction list, but Italy was against and advocated to exclude from the list individuals who were former officials and no longer held any official position. Given that sanctions must be adopted unanimously, Rome blackmailed other countries by saying that it would vote against sanctions if the list included new names. Thus, the "Crimea senator" Olga Timofeeva was not added to the sanction list.

The next extension of economic sanctions, in December 2018, is likely to raise some debate within the EU. Italy and Hungary, both sympa-

thetic to Russia, already announced that they will ask the EU to debate the sanctions rather than prolong them automatically. Growing opposition to sanctions, although marginal, is creating difficulties for their prolongation and makes the EU's policy less stable. In his speech to the Rada, President Poroshenko also noted this, adding that it reflected Russia's efforts within the EU. However, one source in the EU stated that sanctions would definitely be prolonged in December, albeit with some discussion taking place. The EU is aware of the upcoming elections in Ukraine and does not want to provide counter-arguments to populist politicians regarding EU support.

Attempts to cancel sanctions can be seen, not only at the political level, but also within the legal framework. Several Russian banks—Sberbank, VTB, Vneshekonombank, Prominvestbank, and Denizbank, a Turkish subsidiary of Sberbank—and GazpromNeft' and Rosneft' have gone to court to get sanctions against them dropped. The court dismissed their appeal, which means that the EU sufficiently substantiated its position while adopting sanctions. The court's decision reads: "The declared objective of the disputed acts is to raise the price for Russia's actions, which undermine the territorial integrity, sovereignty and independence of Ukraine, and also to support a peaceful settlement of the crisis."

Sanctions against Russia have also been disputed, though in a more sophisticated way, in the Council of Europe. There, Russia initiated a review of the Council's sanction policy in such a way that there would be no real mechanism for imposing sanctions in the future. Russia wants to return to the Council of Europe without implementing anything in the CoE resolution, and leaving the Council no option to implement new sanctions. The CoE decision will be made in October. If this succeeds, it will serve as an argument to lift sanctions in the European Union as well, "because that's what they did in the Council of Europe and it worked."

■ ENERGY DIALOG AND NORD STREAM II

The energy dialog with the EU has significantly increased since the Nord Stream II pipeline project kicked in. In this respect, the European Commission, backed by Germany, initiated trilateral consultations regarding the transit of Russian gas through Ukraine after 2019, when the current contract ends. Among others, the negotiations of the new transit contract have to consider minimum annual transit volumes, the rate, and possible guaranties, while other details can be agreed upon directly by the companies involved. But over and above the technical aspects of the negotiations, Ukraine expects, first of all, confirmation of its strategic role as a transit country for gas supplies to the EU. The first round of trilateral consultations took place in Berlin on July 17. The parties agreed to draw up a roadmap at the next meetings regarding gas transit. Based on statements by his spokesperson Dmitry Peskov, Putin assured Chancellor Merkel that transit through Ukraine would continue after 2020. Neverthe-

less, Gazprom officials did not attend the trilateral expert consultations on September 12. As a result, the Ukrainian position as reflected by FM Pavlo Klimkin is that if NSII is built, Russia will definitively stop shipping gas across Ukrainian territory. Kyiv's view is shared by the US, as NSA boss John Bolton also stated that Russia would not ship gas through Ukraine, even if it promised to do so.

There continue to be two ways to stop NSII. The first is to amend the EU's gas directive, which would mean that all pipelines supplying the Union, including foreign ones, are subject to EU law. That is how South Stream was stopped in 2014, as it became commercially unfeasible. Discussions regarding amendments to the EU gas directive are ongoing, but according to deputy Ukrainian FM Lana Zerkal, the final decision will depend on Germany, the Netherlands, Belgium and Austria, which are the countries that will directly benefit from NSII and with whom Ukraine is now working.

According to one high-ranking official in Ukraine, Kyiv does not think the EU will be able to stop NSII as the EU is under strong influence from Germany, so there are no expectations in Ukraine that EU will stop the Russian pipeline. The only way to hamper it is through the US sanctions against the companies involved in its construction. Still, US sanctions are also not the best option for Ukraine. Yes, Uniper, a German company, has declared that it would withdraw from the project if Washington imposed sanctions. But US sanctions on German and other European partners also present risks. The EU might retaliate in various ways, which could affect the common sanction policy against Russia, which is also crucial for Ukraine. In the meantime, Russia has taken a new step to cover the risks of the project. Apparently, while meeting the German chancellor in Meseberg on August 18, the Russian president told Angela Merkel that Russia was ready to fully assume funding of NSII in the event of sanctions.

Other possible barriers to the project were a lawsuit brought by environmentalists to Germany's Constitutional Court and Denmark's position. In the first case, the Court rejected the suit, which was a popular decision in Germany: opinion polls show that two thirds of Germans support the pipeline. In the case of Denmark, the country did not immediately grant permission for NSII construction to go ahead and the Russian reaction was prompt. Kremlin presented an alternative route that according to Russians does not require additional permits and avoids Denmark's territorial waters. At this point, Russia has already started work on laying the NSII pipeline in the Gulf of Finland.

In tandem with Kyiv's efforts to stop NSII, Ukraine has been advancing the cause of integration into the EU energy market. The road to the energy market is not easy and depends on many factors. For instance, for the EU, the key condition for successful reform of the gas market in Ukraine is unbundling. However, Ukraine cannot finish the unbundling process because of its current transit contract. Ukraine can change its contract in 2020, but until then it cannot modify any provisions. One way to sort this problem is to apply EU

legislation on external pipelines, which will force Russia to comply with EU law. Meanwhile, Russia went to the WTO to prove that the EU regulation, meaning the Third Energy Package, is discriminatory. The WTO found no basis for claiming that the EU would discriminate against Russian gas suppliers or Russian natural gas in the Third Energy Package.

Ukraine has intensified efforts to integrate into the EU energy market, which should result in the country being granted the same rights and obligations as EU members. The issue was discussed during the EU-Ukraine summit and is part of the Association Agreement as well. If Ukraine integrates into the EU energy market, EU law will directly apply to network codes, the determination of transit and other rates, information exchange, capacity allocation, and balancing.

■ EU-UKRAINE SUMMIT AND REFORMS

The most important bilateral event, the EU-Ukraine summit, took place in Brussels. This year's summit was a special one, as it was the 20th summit. It was the last scheduled summit before presidential elections in Ukraine. Compared to last year, when the EU and Ukraine did not manage to agree on a joint statement, this year the two sides did adopt a joint statement, agreeing on a shorter but quite ambitious document. Both the joint statement and the summit were good for Ukraine—possibly even better than anticipated.

The EU-Ukraine summit focused on issues like decentralization, fighting corruption, establishing rule of law, developing the economy, and energy. The leaders also discussed the Minsk Agreements, their implementation, and EU support for Ukraine. The joint statement covered a wide range of issues, but among them a few stood out. First of all, Ukraine's European aspirations were recognized. Secondly, the EU condemned the violation of Ukraine's territorial integrity and sovereignty and effectively acknowledged that Russia was the aggressor: "...acts of aggression by Russian armed forces..." During the previous summit, it was the wording on Russia's aggression and Ukraine's European aspirations that resulted in no joint statement. This year also affirmed Ukraine's role as a strategic gas transit country.

Significantly, the Netherlands did not oppose the formulation "European aspirations" in the statement, while Hungary insisted on an insertion regarding Ukraine's new education law that reflected mainly the Hungarian view. This took place on July 4 at the meeting of ambassadors, otherwise Budapest threatened not to endorse the joint statement. Still, it was a good outcome because Hungary failed to do to the EU-Ukraine relations what it had done in NATO-Ukraine relations. However, relations with Hungary could become an issue at the next summit: after a recent scandal with the Hungarian consul issuing Hungarian citizenship in Berehove, Budapest threatened to slow down Ukraine's integration in the EU even more.

Although Ukraine insisted on discussing the Four Unions that it had proposed during the Eastern Partnership summit in 2017, the EU did not engage with Ukraine on this issue. There was relatively positive feedback from the EU on the energy union and the digital union, but a negative response to association with Schengen and a customs union at the summit. Brussels made it clear it wanted Kyiv to focus on the implementation of the Association Agreement first and on fulfilling many commitments from the past that still languish.

Ukraine's reforms related to EU integration and advocated by the EU have entered the technical phase and the summer holidays slowed the pace somewhat. Still, there were a few scandals. First of all, the German newspaper *Süddeutsche Zeitung* published an investigation that concluded that Ukraine's annual losses due to corruption at Customs are at least \$4.8bn. The investigation further claimed that corrupt schemes are managed not only by Customs, but also involve the police, border guards, prosecutors' offices, and the SBU.

Scandals related to law enforcement agencies continued when the Prosecutor General's Office was backed by the Pechersk Court in an attempt to gain access to the phones of investigative TV journalist Nataliya Sedletska and *Novoye Vremia's* Kristina Berdyskykh. The EU issued a statement of disapproval and asked for this investigation to be curtailed, while an EU diplomat called the investigation "shameful," saying it was meant to silence Sedletska and other journalists who uncover corruption among high-ranking officials. The European Court for Human Rights reacted promptly, agreeing to apply an exclusive procedure for "urgent temporary measures" by forbidding Ukrainian authorities any access to the mobile operator's data regarding Sedletska's phone.

On the positive side, the Cabinet and legislature have renewed their roadmap of 50 "eurointegration" bills, of which 20 will be a priority for the current session of the Rada.

Some positive steps were made regarding the setting up of the automatic verification of e-declarations. A taskforce has been established and a schedule prepared. UNDP contracted a company that meets the technical conditions of the National Agency for the Prevention of Corruption (NAPC) in order to launch automated verification. There is a legal hitch, however: the NAPC does not have automatic access to the necessary registers. A bill that will allow automatic verification has languished in the legislature for more than a year and the launch of automatic verification depends on votes of the MPs who are apparently not in a hurry.

■ MACRO FINANCIAL ASSISTANCE

Lengthy talks about a new EU Macro-Financial Assistance (MFA) program worth €1 billion finally yielded results in September, when EC Vice-President Valdis Dombrovskis signed the Memorandum on the MFA with officials from Ukraine's Ministry of Finance and the

National Bank. Although the Memorandum concerns the European Commission and the Cabinet, President Poroshenko insisted that the signing ceremony take place in his presence and noted that the new MFA was made possible due to his efforts, as it was he who agreed with the EC president on the new program.

The conditions in the new MFA are the very good for Ukraine and much better than the previous program. The money is being provided as a form of loan for 15 years on the model of EURIBOR +0.2%, which means virtually interest-free. The general conditions require Ukraine to have an agreement with the IMF. The MFA is divided into two tranches, each worth €500mn.

The EU has also reduced its conditions. As one Ukrainian official put it, the EU has set "more realistic" conditions. For instance, the new MFA does not contain requirement to lift the moratorium on the export of unprocessed wood. For now, the EU-Ukraine dispute over unprocessed wood will be settled by a special arbitration panel. The conditions for the tranches vary. First installment is an easy task for Ukraine, while the second contains requirements that are more difficult to implement. Sources in the EU told that this was done on purpose by the EU in order to be able to deliver the first tranche by the end of the year and then the second tranche ideally before presidential elections. However, the latter seems quite unlikely, since there should be at least three months between the tranches.

For the first tranche, the key condition is to put in place all the necessary elements for automatic verification of e-declarations and institute changes in the governance of the state-owned enterprises. Ukraine also has to put at least 200 small state-owned assets for sale through the ProZorro tender system. As of end of September, Ukraine had already met many of the conditions for the first tranche and will probably get it.

For the second tranche, things get more difficult. First of all, Ukraine will have to adopt long-delayed reforms to tax and customs administration. This means clear deliverables to ensure tax compliance, tax audit, customs and cross-border cooperation and enforcement, and staff integrity. Also, automatic verification of e-declarations, the factual verification of at least 1,000 high-ranking officials, and the High Anti-Corruption Court all need to be working. The verification of declarations of high-ranking officials is something the EU expects as a priority. Other commitments involve sector reforms, state-owned enterprises, and social policy.

A number of EU diplomats in Kyiv are unhappy that the EU has intentionally put forward conditions that are easy to fulfill. Despite this, the EU has gained an additional instrument to influence Kyiv and put pressure on Ukraine to deliver, even if all the country's politicians seem to already be in campaign mode.

■ TRADE

Trade might appear to be the least exciting aspect of EU-Ukraine relations, but it is actually full of developments and challenges. Above all, trade is a source of very good news, as it is on the rise. The first half of 2018 saw trade with the EU rise 19.2% over the same period of 2017. It was worth \$9.79bn and 42.1% of overall trade. With EU countries, Ukraine exports most to: Poland at \$1.64bn, up 30.8%; Italy at \$1.47bn, up 24.8%; Germany at \$0.93bn, up 28.3%; and Hungary at \$0.83bn, up 39.3%. Exports to Russia for the same period were down 5.4% to \$1.82bn or slightly more than exports to Poland. Certain experts estimate that by the end of 2018, Poland will take the lead from Russia and will become Ukraine's main export partner.

The news was not all good, as in some EU countries exports declined. Exports to Latvia were down 15.1% to \$0.057bn, Spain was down 11.1% to \$0.62bn, and exports to the Netherlands slipped 1.9% to \$0.76bn. The imports from EU, on the other hand, topped \$10bn or up 12.4% in 2018, while total exports were \$23.2bn, up 12.7%, and imports were \$25.9bn, up 14.5%. By comparison, outside the EU and Russia, Ukraine exported the most to: Turkey at \$1.41bn, up by 12.1%; India at \$1.24bn, up 9.1%; and China at \$1.0bn, up 5.6%.

In terms of goods, Ukraine's exports are quite diverse. For 2018 Ukraine has already used 100% of the available EU quotas for honey, malt and wheat gluten, processed tomatoes, grape and apple juice, wheat, corn, and butter. Significant tariff quotas were used by Ukraine to starch (85.0%), processed starch (99.4%), poultry meat (75.0%), eggs and albumin (53.7%), and garlic (61.2%). There were few categories of tariff quotas that have not been used at all: 2,000 t of sugar syrups, 500 t of mushrooms, 250 t of processed oil products, and so on.

In a broader context, the Association Agreement, including the DCFTA, was implemented to 41% in 2017. There are areas in which Ukraine has been doing quite well, with very high implementation rates, but there are other areas with zero progress. The one area that is mentioned most during interviews is transportation: here, Ukraine has not managed to adopt a single one of the bills that have been languishing in the Verkhovna Rada for a long time. Both Ukrainian officials and EU sources point out that transport is highly dominated by several players who manage to block reform and lobby their interests.

Another area that reflects the interests of certain groups is unprocessed timber. In July 2018, MPs made a new attempt to strengthen the moratorium on exports of unprocessed wood by adding a ban on the export of firewood to a bill criminalizing the smuggling of wood. In the end, the bill was vetoed by the president, who said that he supported the criminalization of wood smuggling, but he was against the "lobbyist bills" being pushed by individual MPs. In fact, it was Radical Party leader Oleh Liashko who introduced changes to the bill. As the Rada was unable to overcome the presidential veto, the bill did not pass and the Association Agreement was not breached one more time.

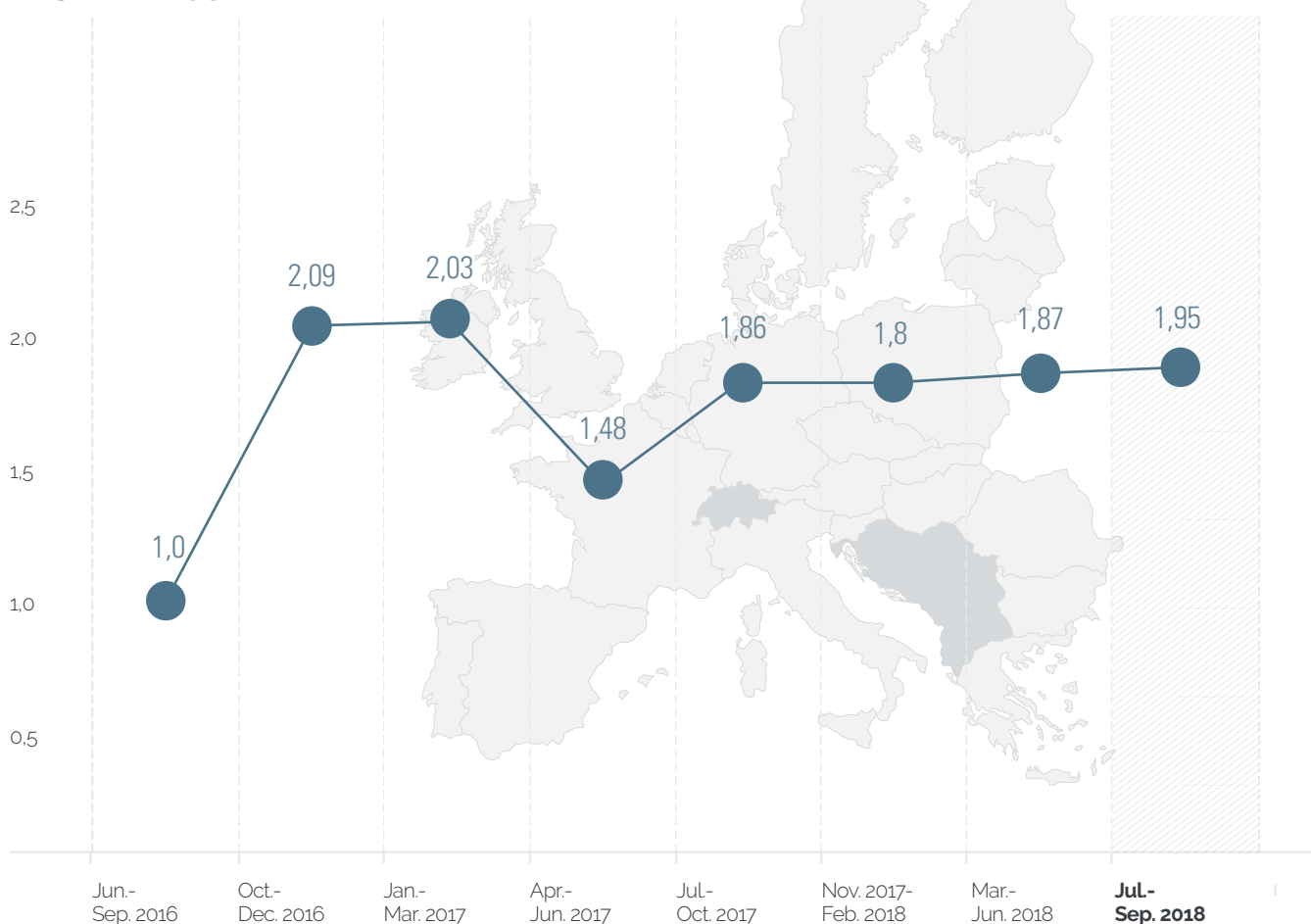
Experts claim that the Association Agreement could be transformed into a tool to fight the smuggling of wood. Art. 294 of the AA, which refers to the trade of forest products, provides for such an option. If the focus is switched from restricting trade to proper forest management, this would help a lot. It would allow Ukraine and the EU to cooperate in Trade and Sustainable Development. In the end, this kind of cooperation allows Ukraine to require EU countries to punish buyers of illegal Ukrainian timber.

EVENTS IN UKRAINE-EU RELATIONS (JULY - SEPTEMBER 2018). POINT-BASED EVALUATION

DATE	EVENT	POINTS
July 5	The Verkhovna Rada appeals to EU institutions to deepen cooperation between Ukraine and the European Union	+1
July 5	The EU extends economic sanctions against Russia for another six months	+3
July 6	The Official Journal of the EU publishes a decision launching a €1 billion MFA program.	+1
July 9	Ukraine will receive €75mn for road safety.	+4
July 9	The Ukraine-EU summit takes place.	+3
July 9	The EU announces it will provide another €16mn to support the OSCE SMM and up to €4mn to (1) strengthen the resilience of communities in the conflict zone and (2) reintegrate veterans of the conflict.	+4
July 18	Five countries join the extended EU sanctions against Russia.	+1
July 19	The EC imposes restrictions on 11 kinds of metal products from Ukraine.	-3
July 23	President Poroshenko vetoes the law on timber because it breaches the EU Association Agreement.	+2
July 26	The EU supports a US statement on Baltic policy regarding Crimea.	+1

DATE	EVENT	POINTS
July 31	The EU imposes sanctions against six companies that built the Kerch Bridge.	+2
August 10	The EU calls on Russia to provide medical assistance to Oleh Sentsov and to release all illegally held Ukrainian prisoners	+1
August 31	Four more countries join the EU's sanctions against the Russian Federation.	+1
September 3	President Poroshenko registers a draft constitutional amendment to specify Ukraine's aspirations to integrate with NATO and the EU, in the Verkhovna Rada.	+1
September 5	The EU expresses concern over a decision by the Pechersk District Court to provide the PGO access to the phones of investigative journalist Nataliya Sedletska and Novoye Vremia's Kristina Berdyskykh.	-1
September 8	The EU calls for elections in LNR and DNR to be cancelled, as they would be in breach of the Minsk Agreements.	+1
September 13	An EU court refuses to lift sanctions against Russian banks and other companies.	+2
September 13	The EU extends sanctions against Russian individuals.	+2
September 14	The EU and Ukraine sign a Memorandum on an MFA worth €1 billion.	+6
September 18	The EU is ready to allocate another €54mn to the Energy Efficiency Fund.	+4
September 26	EU High Representative for Foreign Relations Mogherini and FM Klimkin meet privately during the UNGA.	+3
September 27	The EIB will provide Ukrzaliznytsia, the state railroad company, and Ukravtodor, the state roadways company, €50mn.	+4

TRUMAN Index



UKRAINE – CHINA RELATIONS

POSITIVE POINTS: +14.5

NEGATIVE POINTS: 0

TOTAL: + 14.5

TRUMAN INDEX: +0.69

AMB. SERGIY KORSUNSKY-

Director of the Hennadii Udovenko
Diplomatic Academy of Ukraine at
the Ministry of Foreign Affairs



UPDATE

Over the third quarter of 2018, relations between Ukraine and China evolved sporadically, episodically and mostly in economic and cultural areas. In part, this was due to the summer vacation period, although this year the EU-China summit, a BRICS summit, a tour by Premier of the State Council of China Li Keqiang to a number of CEE countries, and visits by Chinese President Xi Jinping to Russia, the UAE and so on, all took place in July. Political dialog between Beijing and Kyiv remained weak. In fact, the only contact at the highest level was when President Xi greeted President Poroshenko on Independence Day in August and Poroshenko responded with a telegram congratulating Xi on the 69th anniversary of the founding of the People's Republic of China. Xi Jinping also greeted Poroshenko on his birthday.

On one hand, this state of affairs is a result of chronic tendency among Ukrainian officials to underestimate the importance of expanding cooperation with China on a systematic, consistent basis. On the other, China's leadership was distracted by the growing trade war with the US, the EU-Japan summit, resolving the situation with North Korea, a series of important visits to Central and Eastern European countries involved in the 'One Belt, One Road' initiative, as well as visits to the Persian Gulf and Balkans. In fact, the stagnation in Sino-Ukrainian cooperation that became apparent in the first half of 2018 has continued in the third quarter.

A number of positive cases of economic cooperation in trade and relatively small investments in energy projects do not suggest that the vast potential of partnering with China is being tapped in any way. Meanwhile, the cultural and other contacts that led to actions through the quarter will undoubtedly foster better understanding at the people-to-people level. Still, they will have yet to become regularly working channels to enhance Ukraine's presence in China's informational space, as well as China's in Ukraine. Growing cultural exchanges are an important instrument for establishing bilateral political and economic relations but they cannot be a goal, in and of themselves.

The lack of progress in Sino-Ukrainian bilateral relations is in contrast to actively growing ties between Beijing and Moscow, which is, in turn, in sharp contrast to growing tensions in trade relations with Washington. President Trump slapped additional duties on a variety of Chinese goods worth US \$200 billion in September, an action that could quite possibly grow into a full-blown trade war. In this kind of situation, China is likely to start looking for alternate markets for its own product and to establish manufacturing facilities in third countries that are not under US sanctions. In the last six months, the volume of Chinese investment in US projects collapsed by 92% compared to the same period of 2017. Today, Chinese investments in Europe are nine times greater than investments in the US, demonstrating clearly that the Middle Kingdom has already shifted its focus on other partners, including European ones.

China's leadership has also decided to reduce duty on a slew of goods from other countries so that Chinese consumers don't feel the pressure of Donald Trump's trade restrictions. Under these circumstances, Ukraine should take advantage of the status of a strategic relationship with China, its convenient geographic position and qualified labor force to establish joint production of high tech products with Chinese investments on Ukrainian territory. However, no solid analysis of the opportunities Ukraine can offer in this situation has been put together yet. Preference is being given to cultural projects and the participation of domestic businesses in exhibitions, roundtables and conferences.

TIMELINE

■ POLITICAL AND STRATEGIC CONTACTS

The only political event in August was a telegram from President Xi to President Poroshenko congratulating him on Ukraine's 27th anniversary of independence and stating: "Under your leadership of Ukraine in the last few years, we can observe a growing trend to economic growth, a steadily improved standard of living among the people, and continuing change in Ukraine's position and influence in the international arena." At the end of September, President Poroshenko also congratulated President Xi on the 69th anniversary of the founding of the People's Republic of China. But a mutual exchange of diplomatic greetings can have little impact on establishing cooperation with a partner like China. Given certain cultural traditions, relations with China will develop more actively if only relations between the two leaders are on a solid footing and the initiative will have to come from the Ukrainian side.

The fact that the situation in Ukraine was discussed between the leadership of the EU and China during the 20th EU-China summit in Beijing on July 16 is a positive signal. However, this discussion was the result of an agreement between Kyiv and Brussels, not the initiative of Beijing.

Meanwhile, China continues to give very positive signals about Russian projects and initiatives, including in the context of the Vostok 2018 large-scale joint military games. China's Defense Ministry says that the purpose of these exercises was to strengthen Sino-Russian strategic military cooperation, strengthen the potential of both sides in joint responses to various security threats, and to support peace and stability in the region. In other words, China is trying to play on US fears that it might form a military and political alliance with Russia in the Far East, with Beijing having the main role.

China's military takes part in the International Army Games (ArMI) organized by Russia since August 2015 and sometimes called the "War Olympics." In July 2018, four ArMI competitions took place in China. ArMI 2018 involved 32 countries, with only Nicaragua from the Americas, and only Serbia and Greece from Europe. It's quite clear that China is engaged in a situational and tactical rapprochement with the Russian Federation in military politics as a way to put pressure on the US to encourage a reduction in the import duties Trump slapped on Chinese goods. With US trade talks effectively on hold and the "cold trade war" taking over relations, China will be more actively looking for new allies, new markets for its products, and third countries that are not under Washington's trade restrictions, where it might establish new manufacturing facilities.

China traditionally abstained from a vote to put an item related to the situation in the temporarily occupied territories of Ukraine on the

UNGA agenda, a motion that was supported by 68 countries, while 13 voted against. China's position is based on one of the key principles of its foreign policy: not interfering in the affairs of other countries.

Diplomatic events on the 91st anniversary of the founding of the People's Liberation Army of China and the 69th anniversary of the founding of the People's Republic that took place in Kyiv showed that Kyiv's leadership is not paying enough attention to China. First Deputy Secretary of the National Security Council Oleh Hladkovskiy participated, as did First Deputy PM Stepan Kubiv. The two officials emphasized the strategic partnership and the enormous potential of Ukrainian-Chinese relations, but the number of practical steps that have been taken and the volume of joint projects do not reflect the declared positions.

In September, agreement was reached between the two country's diplomatic academies that a group of Ukrainian diplomats would visit China in December to study for a week at the Diplomatic Academy under China's Foreign Ministry. This will allow them to become more familiar with China's cultural and political systems and its economy. This program is part of a previously signed MOU and is intended to become a regularly scheduled event.

One important event was the September 26 presentation of the results of a study called, "Ukraine-China after 2014: A new page in relations," at the Ukrainian Crisis Media Center. This research was commissioned by Friedrich Ebert Stiftung, a German foundation, and undertaken by the Ukrainian Prism Council on Foreign Policy. Based on an international roundtable and consultations with Ukrainian and Chinese specialists, the report illuminates Sino-Ukrainian relations after 2014, provides an analysis of the dynamics of bilateral political contacts, outlines the most promising areas of economic cooperation, and identifies Ukraine's place and role in China's global and regional projects. Its main conclusion was that the nominal level of strategic partnership with China is not fully visible in practice. The most important element in establishing an effective partnership must be contact at the highest level that takes the Chinese mentality into account. Moreover, the Ukrainian side has to take the initiative.

In July, Chinese leadership continued to visit a slew of European countries that are part of the "16+1" initiative. Despite certain restrictions—the European Commission has instituted investment screening with regard to investment projects involving Chinese companies—, countries on the EU's eastern flank and the Balkans, including Serbia, Bulgaria and Romania, have been actively working with China in infrastructure projects.

Belarus has also demonstrated interesting showcase joint projects with China. So far, a technology park has been set up, as well as a logistics enter and transit infrastructure. So far, Ukraine has not decided to join this initiative while episodic discussions on this is-

sue have not led to any practical steps. In part, this is because of the US-China conflict, given that the US provides Ukraine with the strongest support in its conflict with Russia. In part, it's a lack of understanding on the Ukrainian side of how to develop economic relations with China on a pragmatic basis. Some international specialists suggest that growing economic interest on China's part could well lead to greater political interactions, especially at the level of the UN Security Council.

■ SECTORAL INTERACTIONS AMONG AGENCIES

During this past quarter, the most active sectoral interactions took place in the information and cultural spheres. On September 14, Ukraine's Information Policy Minister Yuriy Stets met in Kyiv with He Ping, editor-in-chief of China's main news agency, Xinhua. The two agreed to work together in information sphere, specifically in mutual promotion and information exchange between Ukraine's foreign-language multimedia platform and the Xinhua agency. During the meeting, Stets noted that the main point of this meeting was to promote factual news about Ukraine in China and Southeast Asia, including positive breakthroughs taking place in Ukraine, the daily lives of Ukrainians, and Ukraine's unique, centuries-old culture. The day before this event, Ukrinform, a national news agency, and Xinhua signed an agreement to share news. Ping noted that China was prepared to cooperate more deeply with Ukraine. Importantly, the Xinhua site is read by 100 million people around the world, making it one of the leading agencies in Southeast Asia.

On September 25, Culture Minister Yevhen Nishchuk visited Beijing to open "Days of Ukrainian Culture" with China's Minister of Culture and Tourism Luo Zhugang. The event included an exhibition of cultural artifacts and decorative arts from Ukrainian museums called "A splash of colors on a golden wreath" in the largest and most prestigious art and architecture complex in China, the Gugong or Forbidden City in Beijing. The Days of Culture program included a performance by the Verivka National Merited Academic Folk Choir, exhibits of works by renowned Ukrainian painters and photographers, and master classes in the famed Petrykivka style of decorative painting. On September 27-28, the Ukrainian delegation also took part in the Silk Road International Cultural EXPO in the city of Dunhuang, where Ukraine was the guest of honor.

■ JOINT TRADE AND ECONOMIC PROJECTS

A key event in this area of bilateral relations was a July 24 meeting between Ukrainian Deputy PM Volodymyr Kistion and Wang Jianjun, General Director of the Department for Foreign Capital and Foreign Investment under the Chinese State Committee for Development and Reform. Kistion updated his Chinese counterpart on reforms that have taken place in Ukraine over the last two years to improve the investment climate in the power and infrastructure in-

dustries, saying that the combination of Ukraine's investment needs and China's technological and financial potential could give both countries a competitive advantage on world markets. "China has what Ukraine lacks—investment capital and dual-use technology," Kistion noted. "If we combine our efforts, based on the capacity of Ukraine's ports and railway system we can properly compete on world markets. He went on to invite Chinese companies to open manufacturing facilities in Ukraine to jointly produce goods and export them to third countries. Wang noted China's interest in importing iron ore, maize and barley. "This time we only brought 30 companies to Ukraine, although there are some 100 investors who have expressed interesting joint projects," he said. "Next time, I think our delegation will be much bigger. The changes we see in Ukraine are encouraging for deeper partnership."

The day before this meeting, the General Administration for Customs in China (GACC) approved and published a revised list of 24 manufacturers of sunflower meal who have the right to export to China. Based on this decision, an additional 17 Ukrainian companies also gained the right to export. In addition, a delegation of members of Chinese Councils for the Promotion of International Trade (CCPIT) and business officials arrived in Ukraine. Ukraine's Chamber of Trade and Industry held a forum called "Prospects for cooperation under the 'One Belt, One Road' initiative."

During this past quarter, Ukrainian companies have been preparing to participate in China's biggest import show, China International Import Expo 2018, which takes place in Shanghai November 5-10. This will be the first exhibition in China that focuses on imports. Ukraine's participation provides a good opportunity to be among leading countries presenting their goods and services on the Chinese market, which is second in the world for import volumes and consumption, and to establish ties with manufacturers and entrepreneurs from other countries. The Ukrainian delegation will be headed by First Deputy Premier Stepan Kubiv and will include more than 100 officials, entrepreneurs and industrial leaders.

At the end of September, the Ukrainian SilkLink Association, jointly with the managers of the Ukraine Unites project and the Fashion of Diplomacy magazine held its latest business meeting under the slogan, "Promising areas for Ukraine's business on the Chinese market." Participating in it was the Chinese Embassy's Trade Attaché Liu Jun, who noted that the two sides couldn't possibly be satisfied with either the level of bilateral trade or with the level of Chinese investment. Pointing to the enormous inactive potential for cooperation at the international level and within business circles, Liu Jun called for establishing closer contacts and consistent cooperation within the framework of the "One Belt, One Road" initiative.

Some of the positive aspects of expanding the circle of Ukrainian exporters operating in China and intentions of expanding the Ukrainian presence on China's markets is cancelled out by China's obvious orientation towards products with low added value and the resulting

lack of change in the nature of Ukraine's exports from being dominated by raw materials. There are very few examples of inquiries regarding machine-building or high technology and very few of projects to develop technology parks or manufacturing facilities producing highly processed goods with significant added value.

The only real achievement during this past quarter in this regard was an agreement between Norway's NBT and China Power to build a wind electric station (WES) in Kherson Oblast with an investment of U \$450mn. The contract to design, supply and build the WES in Kherson Oblast was signed in the presence of President Poroshenko and Norwegian Foreign Minister Ine Sørensen. In addition, Ukrgezvydobuvannya, the state-owned gas extraction company, signed four contracts with Xinjiang Beiken Energy Engineering Co. to drill 24 new wells in Poltava and Kharkiv Oblasts for a total value of nearly UAH 2bn.

■ OTHER DEVELOPMENTS

Under one of its international agreements with Ukraine, China donated 50 fully-equipped ambulances. China Meheco Co., Ltd. was authorized by the Government of China to install and set up the necessary equipment and train Ukrainian specialists. The Ukrainian Ministries of Internal Affairs and Healthcare jointly issued a decree to distribute the ambulances to oblast medical emergency centers. Some of the vehicles were transferred to healthcare facilities of the Interior Ministry and the National Guard.

In September, the scientific institutions of both countries resumed their traditional contacts. The A.O. Krymskiy Institute of Eastern Studies under the National Academy of Science held the 12th International Conference called "Chinese Civilization: Traditions and Modernity," with the participation of leading Sinologists, researchers and political scientists from Ukraine and Central Asia. This conference is the most important forum among those who professionally study China. However, representatives of Chinese academic circles were notable by their absence.

One cultural breakthrough on the Chinese market was an agreement that Art Nation producer Eduard Akhramovych signed with Jetsen Huashi Wangju Cultural Media Co. Ltd. (Huashi.TV), a Chinese distributor of digital content, regarding the rights to distribute three Ukrainian animated mini-series. The package includes "Kozaks and Football," "Kozaks Around the World," and "Kotyhoroshko and Friends." "Kozaks and Football" consists of 26 3-minute episodes, "Kozaks Around the World" consists of three 13-minute episodes, and "Kotyhoroshko" consists of four 13-minute episodes. Distribution rights to these cartoons belong to Topcontent, a Ukrainian company that is part of the Art Nation group.

Meanwhile, five original formats were on offer from Chinese television producers during a special screening of Focus on China took

place as part of Kyiv Media Week's International Media Forum. Ukrainian television channels were invited to consider co-production, format adaptation or broadcasting rights. This includes the animated Panda Series produced by CCTV Animation, a melodramatic serial called Divorce Lawyers from the Youhug Media Production Company, a historical television project called Live Letters from Share TV Media, a cultural reality show called The Masterpiece from Beijing Satellite TV, and the Bravo China talent show from Dragon TV. After the screening of the Chinese products at Kyiv Media Week, a roundtable called "Focus on China: Cooperation between Ukraine and China in radio and television broadcasting" took place, organized jointly by China's National Radio and Television Administration (NRTA) and Ukraine's National Radio and Television Council (NRTC), with support from the Shanghai Media Group, iFormats and the Ukrainian Film Association.

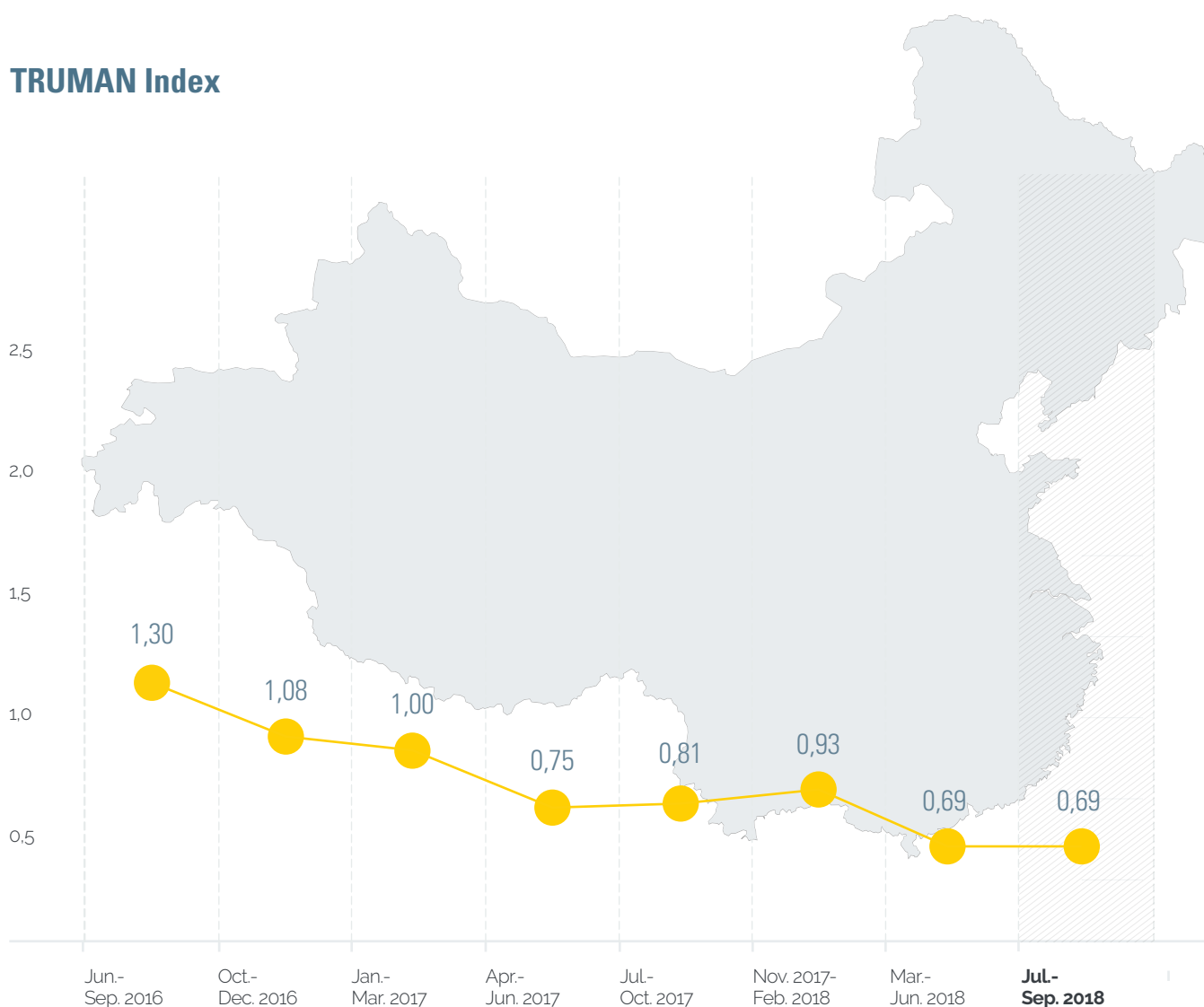
One important step towards greater bilateral cultural cooperation was "Days of Ukrainian Culture in China," which opened on September 25 in Beijing and is scheduled to continue through November 19.

EVENTS IN UKRAINE-CHINA RELATIONS (JULY - SEPTEMBER 2018). POINT-BASED EVALUATION

DATE	EVENT	POINTS
July 2-9	A delegation from Kyiv City Hall arrives in China to learn about organizing arts events.	+0.5
July 3	The General Administration for Customs of China (GACC) approves and publishes a list of 24 makers of sunflower meal who have the right to export to China. The right to export is also granted to 17 other companies.	+0.5
July 4	A delegation of members of Chinese Councils for the Promotion of International Trade (CCPIT) and business officials arrives in Ukraine. Ukraine's Chamber of Trade and Industry is holding a forum called "Prospects for cooperation under the 'One Belt, One Road' initiative."	+0.5
July 5	As part of an international agreement, the Chinese government delivers 50 fully-equipped ambulances to Ukraine.	+0.5
July 18	A press conference takes place on the occasion of the presentation of the Chinese Academy of Painting's show called "The Flight of Ideas, the Flow of Forums." This mobile exhibition project was launched in 2017 to present Chinese arts at the international level as part of the 'One Belt, One Road' initiative.	+0.5
July 18	European Council President Donald Tusk reports that the situation in Ukraine also came up for discussion at the 20th EU-China Summit, with emphasis on implementing the Minsk Accords.	+ 1
July 24	Ukrainian Deputy PM Volodymyr Kistion meets with Wang Jianjun, General Director of the Department for Foreign Capital and Foreign Investment under the Chinese State Committee for Development and Reform.	+ 1
August 2	The 91st anniversary of the founding of the People's Liberation Army of China is celebrated in Kyiv with the participation of Oleh Hladkovskiy, First Deputy Secretary of Ukraine's National Security Council.	+0.5
August 23	Chinese President Xi Jinping sends a telegram to Ukrainian President Petro Poroshenko on Ukraine's Independence Day, praising his leadership and the country's economic growth.	+ 1
September 7	State-owned Ukrgezvydobuvannya signs four contracts with China's Xinjiang Beiken Energy Engineering Co. to drill 24 new wells in Poltava and Kharkiv Oblasts worth nearly UAH 2bn.	+ 1
September 7	Norway's NBT and China Power agree to build a Wind Electric Station in Kherson Oblast involving an investment of US \$450mn. The contract to design, deliver and build the WES in Kherson is signed with President Poroshenko and Norwegian FM Ine Soreide presiding.	+ 1
September 10	Producer Eduard Akhramovych's group Art Nation signs a contract with Jetsen Huashi Wangju Cultural Media Co. Ltd. (Huashi TV), a distributor of digital content, for the right to broadcast three Ukrainian animation mini-series about Kozaks.	+1
September 14	Ukrinform, a national news agency, and Xinhua, the Chinese news agency, sign an agreement to cooperate in delivering news.	+ 1
September 14	Information Policy Minister Yuriy Stets meets with Xinhua's Editor-in-Chief He Ping.	+0.5
September 17	A special screening of Focus on China takes place as part of the Kyiv Media Week international forum presents five original formats that Chinese producers are proposing as co-production projects, format adaptations or broadcasting licenses for Ukrainian television channels.	+0.5

DATE	EVENT	POINTS
September 24	The SilkLink Association holds its latest business meeting on the theme, "Prospects and directions for Ukrainian business on the Chinese market" during which promising sectors of the Chinese economy are discussed.	+0.5
September 25	Culture Minister Yevhen Nishchuk arrives in China and meets with Chinese Minister of Culture and Tourism Luo Shugang. The two also open the "Days of Ukrainian Culture in China." As part of the "Days of Culture" September 27-28, the Ukrainian delegation participates in the International Silk Road Cultural Expo in Dunhuang, where Ukraine is the guest of honor.	+1.0
September 25	The NAS's Institute of Eastern Studies holds the 12th International Scientific Conference called "Chinese Civilization: Traditions and Modernity."	+0.5
September 26	At the Ukrainian Crisis Media Center, the Ukrainian Prism Council on Foreign Policy presents the results of a study called "Ukraine–China after 2014: A new page in relations."	+0.5
September 27	President Poroshenko sends a congratulatory telegram to his counterpart Xi Jinping on the 69th anniversary of the founding of the Chinese People's Republic.	+0.5
September 27	Celebrations in honor of this historic event are held in Kyiv with the participation of First Deputy Premier Stepan Kubiv.	+0.5

TRUMAN Index



UKRAINE – RUSSIA RELATIONS

POSITIVE POINTS: 0

NEGATIVE POINTS: -64

TOTAL: -64

TRUMAN INDEX: -3,2

SERGIY SOLODKYY

First Deputy Director of
the New Europe Center



UPDATE

The closer it gets to elections in Ukraine, the more noticeable the blend of foreign and domestic policy, with the Russian factor becoming a decisive one in election discourse. Russia has become the launching point and the marker that divides various camps and determines key ideologemes. One section of the political spectrum is doing everything it can to distance itself from anything related to Russia while the other, by contrast, is insisting on the search for a compromise with the country that has kept Ukraine in a state of war for more than four years. One major aspect of the current electoral race is the hunt for skeletons in the closets of any and all political players who can be linked to covert or overt cooperation with Russia. In fact, all the key players, other than the novices, can be found on the lists of those who have imagined or real Kremlin tracks leading to their doors. As a result, a fair number of events in Ukrainian-Russian relations during this reporting period were linked, one way or another, to the electoral process and just about every decision could be extrapolated to electoral interests. For instance, President Poroshenko introduced the idea of adding provisions to the Constitution about Ukraine's Euroatlantic integration to demonstrate its definitive break with Russia. During this period, the issue of granting Ukraine's Orthodox Church autocephaly or independence from Russia's religious influence came to the fore. In September, Ukraine's leadership decided not to prolong its Treaty on Friendship with Russia, which will now expire on March 31, 2019. This was effectively Ukraine's answer to a critical question: How is it that the country is in a state of war with Russia but the friendship treaty is still in effect? The continuing review of bilateral treaties became one of the main issues during this quarter. With Russia increasing pressure in the Azov Sea, the Ukrainian government has been thinking about cancelling the treaty on cooperation in the Azov Sea as well.

TIMELINE

■ OPERATION ABROGATION: RUSSIA TREATIES UNDER REVIEW

Ukraine effectively launched a kind of audit of its treaties with Russia in the early days of Russian aggression, back in spring 2014, but it did not dare to take radical steps for a variety of reasons: Ukraine's leadership was reluctant to break diplomatic relations and it wasn't prepared to institute a visa requirement with Russia because this would have affected millions of Ukrainian citizens who regularly traveled to Russia, both to visit relatives and to work. Altogether, the two countries had signed a total of 451 bilateral international treaties prior to the war.

After Russia's invasion, a review of the treaty base was begun. As of spring 2018, Ukraine decided to suspend or end one inter-state treaty, 25 intergovernmental treaties, 20 of which were Ukrainian initiatives and 5 of which were Russian ones, and 18 interagency agreements. The first ones to go were those related to security. So, back in 2014, Ukraine decided to stop cooperation between the Security Bureau of Ukraine (SBU) and Russia's FSB. In 2015, an agreement on military and technical cooperation ended. Some security arrangements were ended much later, however. For instance, the 1995 agreement on the procedure for bilateral deliveries of arms and military equipment was only stopped this past spring. In short, in the four years since the war began, only 10% of bilateral treaties have been abrogated. Ukraine's leadership is being very cautious about this process, carefully analyzing every provision and sometimes informing its

international partners about the expediency of rejecting this or that bilateral document.

During this last quarter, the term "denunciation" became one of the most frequently heard in political discourse in Ukraine. At first, it was applied to the Treaty on Friendship, Cooperation and Partnership between Ukraine and the Russian Federation, which was ratified by the Verkhovna Rada in 1998. Ukrainian diplomats say that it wasn't very convenient for Ukraine to abrogate this treaty as it could potentially offer Russia an ace-in-the-hole. Kyiv would not have easily been able to accuse Moscow of violating bilateral commitments had there been no such commitments—and the abrogation provided room to maneuver around this. Because of this, the Foreign Ministry decided to instead simply not renew the Treaty. This is provided for in Art. 40, which states that each side has the right to inform the other party about its intentions not to renew the treaty when it expires at the end of the most recent decade. Given that the treaty is up for renewal on March 31, 2019, Ukraine took this step in time.

The announcement that Ukraine would not extend the treaty gave rise to a storm of criticism in Russia. Officially, it came down to two key messages: one was that, from now on, Moscow would not be tied to any obligations; the second dismissed the current administration as short-sighted. Russia's Foreign Ministry announced that relations would now have to be restored, "obviously with other, more responsible politicians in Ukraine." This was nothing more than a transparent suggestion by Russian diplomats that the current leadership of a neighboring state needed to be replaced. And this has become the entire basis of Russia's policies towards Ukraine: to ensure that politicians who are more loyal to Moscow come to power, are more amenable to agreements and will "fix the mistakes of their predecessors."

Will the loss of the Treaty on Friendship lead to chaos and undermine all the bilateral agreements between the two countries? After all, many of the remaining ones are based on precisely this treaty. The domino effect of rejecting the foundation agreement ought to lead to the abrogation of dozens, if not hundreds, of others. Ukraine's diplomats are more cautious here. While informing Russia about the decision not to extend the Treaty, Ukraine noted three principles:

- not extending does not affect responsibility for eliminating violations of the Treaty that have emerged while it applied, meaning between April 1, 1999 and March 31, 2019;
- not extending does not affect current court and other processes aimed at a peaceful regulation of disputes;
- not extending does not affect Russia's obligation to uphold other norms and rules of international law, including the remaining agreements still in effect between the two countries.

Meanwhile, Kyiv decided not to stop at the decision not to extend the Friendship Treaty. In July, MPs announced the need to abro-

gate the Agreement on Cooperation between Ukraine and Russia in the Azov Sea and Kerch Strait. Some of them even submitted a bill to that effect. Tensions in the Azov Sea began to rise already in spring 2018 as Russia began stopping and boarding merchant ships for inspections. It began with Ukraine's Coast Guard stopping a Russian fishing vessel called "Nord" at the end of March. After this, Russia began to cause problems for ships moving across the Azov to Ukrainian ports, whether they were flying the Ukrainian flag or were registered elsewhere. Moscow explained that it was checking them for piracy, supposedly in line with international law. By early September, nearly 100 ships had been added to the list of those who had experienced extended Russian "inspections." Interestingly, none of them filed a complaint against Russia—clearly fearing even more punishment from Moscow.

The Treaty on the Azov has three key provisions that are most often discussed in public. Firstly, the Azov Sea has historically been considered domestic waters of Ukraine and Russia, which narrows the options for applying international marine law to resolve bilateral disputes. Secondly, the treaty provides for freedom of movement to merchant vessels, which has already become a serious problem. Thirdly, military vessels of third countries may only enter the Azov Sea with the permission of both Ukraine and Russia, a provision that particularly angers Ukraine's military, who unofficially talk about the interest of certain countries to enter Ukraine's Azov Sea ports.

So far, Ukraine's government has shown a more-or-less united front regarding the review of treaties with Russia—at least for public consumption. In the case of the Azov treaty, however, an obvious misunderstanding has appeared between different agencies. Observers have commented in public about the difference in approaches between the Foreign Ministry and the Presidential Administration. While Ukraine's diplomats took care to tread lightly, Poroshenko and his advisors chose to use alarmist, anxious rhetoric. The president, for instance, stated, "We will not tolerate the illegal seizure of Ukrainian and foreign vessels," whereas the Ministry said the situation was being "artificially exacerbated in the media." Some foreign diplomats who have been monitoring the situation were left with more questions than answers.

Judging by everything, the position of Ukraine's diplomats about the need to refrain from abrogation, a position that is supported by the Ministries of Justice and Defense, is based on recommendations from the international lawyers in British who have been advising Ukraine over its disputes in international courts. At this point, Ukraine has brought quite a few suits against Russia in a variety of courts but it has been feeling the shortage of qualified legal specialists precisely in international law and various narrower specializations, including marine law. The main problem is that many of them have a theoretical more than practical understanding about how different kinds of cases are reviewed in different international courts.

Ukrainian diplomats have been quite open about consulting with international specialists during the preparation of documents for the International Court in The Hague. It looks like the latter have been advising the Ukrainian side to refrain from unnecessary noise around the Azov treaty—somewhat like the Miranda warning given by American cops: “Everything that you say can and will be used against you in a court of law.”

The main argument that the Justice and Foreign Ministries offer for refraining is precisely the concern over its possible influence on the review of other disputes between Ukraine and Russia in international courts. Diplomats are concerned about the psychological aspect of trying to predict which way judges might perceive Ukraine’s decisions, from delaying Nord Stream II all the way to a possible abrogation. In February 2018, the International Tribunal already had a memorandum from Ukraine with a list of all of Russia’s violations. Indeed, Russia had illegally sidelined Ukraine from exercising its rights as a maritime state, it had used and continued to use Ukraine’s sovereign resources in its own interests, and it had usurped Ukraine’s right to regulate its own maritime territories. In violation of international law, Ukraine argues, Russia is stealing Ukraine’s mineral and fisheries resources, causing losses to Ukraine’s fishing fleets, and blocking movement to Ukraine’s ports. In this quarter, the Tribunal first has to make a ruling regarding jurisdiction, because Russia has also challenged the hearing of Ukraine’s suits at the international level since this is about internal waters, to which international marine law does not apply. Ukraine will have to wait another 12-15 months for this ruling. The logic of its diplomats is that after this it will be possible to abrogate the treaty as it will do no good at the current stage and could also cause harm.

The Ukrainian Government is also worried that, should the abrogation process be started, Russia could decide, directly or through its agents of influence, to rile up Ukraine’s public, including Azov fishermen, who benefit from the effect of the agreement. The Port of Berdiansk keeps 1,056 people employed, while the Port of Mariupol provides 3,274 jobs. A complete blockade on Russia’s part could make the profitable functioning of these enterprises impossible, leading to serious losses. This would in turn stoke up social tensions in a relatively unstable region. However, what should be taken into account is that Russia has already been blockading the sea and the ports have already warned that they are running up losses.

The political camp that favors abrogation insists that this treaty should have been denounced long ago and then the country should have gone to the International Tribunal. Right now, the chances are high that the tribunal will reject Ukraine’s claims and Kyiv will have lost valuable time to apply marine law full force.

■ THE MARK OF RUSSIA ON UKRAINE’S ELECTIONS

Right now, just about every move in relations with Russia is judged in Ukraine through the prism of the upcoming elections. Yet politicians themselves coyly refuse to acknowledge any connection: everything is mere coincidence, supposedly, and nothing is intentional. The press tried to link the decision not to extend the Friendship Treaty to the elections, but its claims were not always supported by its arguments. After all, the timing of the elections and the end of the 10-year term of the treaty really is happenstance.

Meanwhile, official Moscow has more and more frequently this last quarter accused Ukraine’s politicians of having ulterior motives. On September 25, Russia’s MFA noted that the non-extension of the Friendship Treaty, steps to gain autocephaly for the Ukrainian orthodox church, and official complaints from Kyiv about Russia’s domination in the Azov Sea are all linked to electoral opportunism: “Obviously, in their unrestrained drive to gain points among Ukrainian voters for the future presidential race, Kyiv’s leadership is betting on the instant effect of populism, ignoring the long-term strategic interests of its own country.” At the same time, Russia makes no bones about it that it hopes to see politicians who will shift the country’s focus back to Russia in foreign policy come to power.

The Russian factor has played one of the main roles in all of Ukraine’s elections. This time is no different: the closer Election Day the more information about possible threats from Russia’s side. In Ukraine’s corridors of power, no one is hiding their concern over the possible rise in popularity of pro-Russian political forces especially in southern and eastern oblasts. So far, opinion polls have not shown such a rise in voter preferences towards individual politicians of this bent, but many voters in these regions are reluctant to talk about their preferences. There is a good chance that a large share of the undecideds is, in fact, voters who would support the idea of compromises with Russia.

The Russian factor is being used in electoral discourse in two ways: politicians who are open about their preference for restoring the old order with Moscow, and politicians who try to distance themselves from any suspicion of closeness, whether real or imagined, to Moscow and who use the Russian factor as a negative brand on others. Prior to the breakout of war, it was difficult to imagine a situation where any individual running for office in Ukraine might reject out of hand any connection with Moscow: on the contrary, many competed for Russia’s support.

President Poroshenko has even been accused from some corners of secretly cutting a deal with Vladimir Putin to keep the war going, supposedly because it was convenient to both of them to keep the population scared. Yulia Tymoshenko has been blamed for her gas contract with Gazprom. Anatoliy Hrytsenko is being accused of destroying Ukraine’s armed forces, which supposedly just because of

him became too weak to counter Russia's aggression in 2014. Possibly the only politician who does deny any accusations of ties to Russia and is even proud of them is Viktor Medvedchuk, Putin's "kourm" since the Russian president became godfather to Medvedchuk's daughter. However, it's worth pointing out that most are afraid of being branded with Russian connections and each of them is trying to build a campaign that maximally distances itself from Moscow.

Russia, on the other hand, is obviously going to try to more clearly demonstrate in the upcoming months who of the many pretenders is likely to "bring peace." Medvedchuk will undoubtedly play a major role in all this. One "rehearsal" for this kind of public support came in December 2017 with the release of a large number of Ukrainian citizens held prisoner in occupied Donbas. Most likely this story will repeat itself once more, to persuade Ukrainians that Putin is prepared to cut deals with a single politician in Ukraine.

For someone who was called a "grey cardinal" during Leonid Kuchma's presidency and seemed uneasy in public politics in the past, Medvedchuk has, in the past quarter, become far more active and newsworthy in media coverage. He has had interviews with foreign press such as the Independent, which is owned with Russian tycoon Aleksandr Lebedev. He also did a long interview with Channel 112, which is rumored to have been bought by him recently.

President Poroshenko has been building his campaign on slogans about countering Russian aggression, but in the next few months, we can expect even stronger accusations of having links to Putin's kourm. The president's inner circle insists that Poroshenko had to involve Medvedchuk as a negotiator in the Minsk process at the specific request of German Chancellor Angela Merkel. Key addresses by Petro Poroshenko during this past quarter, such as speeches to the Verkhovna Rada and at the UNGA in New York, were meant to demonstrate his determination to continue to confront Russia. His initiative to amend the Constitution to unequivocally declare Ukraine's intentions to integrate into Euroatlantic structures is intended to be a major, if not the major, indication of his commitment to a strategy "as far as possible from Moscow."

■ THE PEACE PROCESS KEEPS STUMBLING

The upcoming electoral season considerably complicates any prospects for resolving the conflict with Russia. Moreover, it's not just or even because of the fact that key politicians are no longer prepared for "peace at any price" in Ukraine, because that could harm their reputations. The bigger problem is that Moscow itself wants to "reward" this major diplomatic victory to those politicians who will reverse the country's drive to the West.

October this year has turned into a very significant month for Ukraine, as the Verkhovna Rada is scheduled to prolong the law on the special status of Donbas on October 16, on which the extension of inter-

national support also hinges. But now the government is faced with a more burning question: What's more important to it: world support or that of its own voters? Ordinary Ukrainians are pretty unambiguous about which position they think needs to be maintained in negotiating with Russia. A poll by the Rating group at the end of June–early July showed that only 14% of Ukrainians favored complete compliance with all the conditions in the Minsk Accords, while 32% wanted them revisited and another 17% think Ukraine should walk away from them at this point and make its own decisions without the participation of international intermediaries. Effectively, half of Ukrainians are critical of the Minsk Accords and this share could really be much higher given the remaining share of respondents who said it was hard to say. The result is that most Ukrainian politicians are also critical of the Minsk process and are proposing alternatives that don't necessarily stand a chance of being realized.

Another turning point in the resolution of the conflict appears to be the "change of leadership" in DNR: Oleksandr Zakharchenko was killed on August 31 and a pseudo-election, as Ukraine calls it, is scheduled for November 11. Holding these elections is in clear violation of Moscow's commitments as part of the Minsk Accords, according to Kyiv, and threatens the entire process. The problem is that this is not the first time that this principle has been violated in ORDiLO. Back in 2014, the law on their special status called for elections to be held on the territories in December 7. In fact, they then took place on November 2, in violation of the signed documents.

Russia, of course, supports the "election" of a new boss in DNR. First of all, Putin has publicly laid blame on Ukraine in the Zakharchenko killing, accusing the country of "taking the path of terrorism." Ukraine's government agencies think the blowing up of Zakharchenko in a well-guarded café exclusively used by the militant leadership was either a local settling of accounts or a matter of Moscow deciding to "replace" the warlord of the occupied territory for someone more amenable. Moscow immediately announced that meeting in the Normandy format were no longer possible, which was nothing new. Ukraine did not respond to this decision in any way, as Kyiv also sees no point in these talks, which have yielded no results. Meanwhile Minsk meetings have not been stopped.

The two ceasefires declared during this past quarter—the "wheat harvest" and "back-to-school" ceasefires—once again proved meaningless. Ukrainian officials reported about hundreds of shellings on the part of illegal armed formations in ORDiLO. Possibly for the first time in all the years they have been monitoring, the OSCE's observers recorded and publicly reported on the presence of four new Russian-manufactured radar systems in the occupied territories: Leyer-3, Krasukha-2, Bylina, and Repellent-1. It took the observers two weeks to publish the data although their drones registered the systems at the end of July. The OSCE SMM report has considerable significance as the reports of international observers form the

basis for Ukraine's suit against Russia in the UN International Court in The Hague. Prior to this, the observers only reluctantly talked about the presence of Russian weaponry on occupied Ukrainian territory. "We aren't investigators. Our mandate is different," was the frequent mantra of the OSCE SMM.

Russia demonstrated a new approach to regulating the situation in Donbas during this past quarter. For instance, its officials turned to the US with a proposition to organize a referendum on the occupied territories. When it is supposed to take place and what issues should be voted on, the Kremlin did not bother to specify. In any case, the US rejected the idea out of hand. Ukraine was equally swift in criticizing the idea, reminding all about the way Russia had organized a "referendum" in Crimea in 2014. The idea was clearly stillborn. After the killing of Zakharchenko, calls once again appeared in Russia to recognize DNR and LNR as protectorates along the lines of Abkhazia and South Ossetia, both Georgian territory. This only made the idea of a pseudo-referendum all the more unacceptable to Kyiv.

During this past quarter, the Ukrainian government grew noticeably more concerned that sanctions policies against Russia might be rolled back. On one hand, politicians in both Italy and Hungary keep making pronouncements to that effect, suggesting that the next round of prolongation debates, at the end of 2018, might be difficult. On the other, Kyiv was perturbed by a new effort on the part of Moscow to have PACE's own regulations changed. If Moscow succeeds, the Russian delegation will be able to return to the Council of Europe as a fully-empowered voting bloc protected against similar sanctions in the future. The Russian delegation has so far managed to persuade the most influential PACE delegations to its side, despite the fact, as Ukraine keeps pointing out, that Russia has failed to meet a single one of the conditions placed on it by the Council of Europe. It looks like Moscow is pretty confident of a victory this time. A return to full status in PACE could be its first success in reversing the international isolation and sanctions policies that have been growing since its illegal annexation of Crimea in 2014.

EVENTS IN UKRAINE-RUSSIA RELATIONS (JULY - SEPTEMBER 2018). POINT-BASED EVALUATION

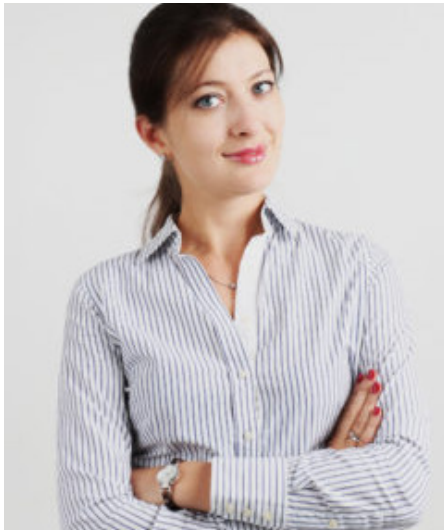
DATE	EVENT	POINTS
July 1	The "Wheat harvest" ceasefire is broken the day after it is announced. Ukraine blames "militants in Russia's occupying forces."	-7
July 10	A bill abrogating the Azov Sea treaty with Russia is registered in the Verkhovna Rada.	-3
July 12	Russia calls Ukraine's military exercises in the Black Sea "playing with fire."	-1
July 16	President Poroshenko says that it's possible Russia will attack Mariupol and other Azov Sea ports.	-2
July 20	The Kremlin's proposed referendum in occupied Donbas is soundly criticized in Ukraine.	-1
July 20	The WTO declares Ukrainian tariffs on Russian ammonium nitrate illegal.	-4
July 30	Ukraine loses a case in the WTO against Russia regarding restrictions on the export of railway equipment.	-4
July 30	FM Klimkin states with its law declaring a Day of Crimea's Reunification, Russia is attempting to "justify a crime."	-1
August 6	Ukraine issues a protest over Vladimir Putin's visit to Crimea.	-1
August 10	The latest OSCE SMM report notes the appearance of new Russian electronic warfare systems in ORDİLO.	-7
August 16	The Minister of Infrastructure announces an "historical document" curtailing links with Russia.	-1
August 27	Ukraine submits a suit to the European Court of Human Rights against Russia for violating the rights of Ukrainians who have been or are being held illegally in Crimea and Russia.	-4

DATE	EVENT	POINTS
August 29	The Cabinet drafts a decision to place 19 legal entities under sanctions for the illegal construction of the Kerch Bridge.	-4
August 29	UN SecGen expresses concern at the state of Russian-held Ukrainian filmmaker Oleh Sentsov's health.	-1
August 31	DNR boss Oleksandr Zakharchenko is killed in an explosion. Russia and Ukraine exchange mutual accusations.	-2
September 1	It is confirmed that Russia has held up 99 Ukrainian and other merchant vessels for inspections in the Azov Sea since May 17.	-7
September 1	The "Back to School" ceasefire never takes place.	-7
September 13	Russia's Foreign Ministry warns that if Ukraine's church is granted autocephaly it will lead to a split in Ukrainian society.	-1
September 17	President Poroshenko signs a decree renouncing the Friendship Treaty with Russia.	-4
September 26	President Poroshenko accuses Russia of "neoimperial policies" during his speech at the UNGA.	-2

TRUMAN Index



UKRAINE – NATO RELATIONS



KATERYNA ZAREMBO

Deputy Director of the New
Europe Center

POSITIVE POINTS: +26

NEGATIVE POINTS: -7

TOTAL: +19

TRUMAN INDEX: +0.86

UPDATE

This period was filled with events involving Ukraine and NATO, from the passing of the long-awaited Law on National Security and intrigues around Ukraine's participation in the Brussels summit, and an unexpected and surprisingly hostile conflict with Hungary, which has been doing everything it can to block Ukraine's cooperation with the Alliance both at the highest level and at the operational level. Experienced observers say it's "délà vu all over again" for them: in the run-up to the summit Ukraine comes through on some commitments, but then everything dies down again once the summit ends. The current doldrums are doubly burdened by Ukraine's approaching election seasons, with politicians at all levels focused not on urgent work but on strengthening their own chances of remaining in power. At this point, Ukraine's path to integration with NATO, as well as to the EU, demands clear milestones that would make it possible to measure just how close the country is to reaching the benchmarks necessary for membership. Because member countries refuse to discuss the situation on this level, saying "Let's see some reforms and then talk," Ukraine faces a bit of a vicious cycle: Euroatlantic integration is such a strategic and unattainable goal that its achievement becomes a bogged-down process rather than work towards a concrete outcome.

TIMELINE

■ THE BRUSSELS SUMMIT: HALF-MEASURES AND COMPROMISES

Ukraine's preparations for this year's NATO summit in Brussels were accompanied by a series of minor scandals. Even at the beginning of the year, it wasn't exactly clear whether Ukraine would be invited to participate. In private discussions with NATO officials, there was a "wishlist" of three items for the Ukraine-NATO Commission to take place at the highest level in Brussels: (1) the passage of a bill on national security that included key provisions that NATO insisted on; (2) the approval of the Concept for Reforming the SBU, Ukraine's security bureau; (3) a resolution to the dispute with Hungary over the education law. Ukraine, in turn, had its own wishlist for the Alliance, counting, among others, on support for its bid for the Enhanced Opportunities Partnership.

Today it's clear that neither Ukraine nor NATO came through. Of the three NATO conditions, Ukraine only fulfilled one: on June 21, three weeks before the summit, the Verkhovna Rada passed a security bill that included the key position on instituting parliamentary oversight of the security and defense sectors that was insisted on by western partners. The concept for reforming the SBU was never passed. Instead, the National Security law requires the SBU to develop the necessary bill and submit it to the president by the end of this year. With regards to Hungary, the confrontation not only remained unresolved, but actually grew worse.

And so the way Ukraine was involved in the summit resembled a riddle from a fairytale: "You can't walk and you can't ride." Ukraine was eventually invited, not to the session of the Ukraine-NATO Commission, but to a meeting in the format of the Resolute Support Mission, which involves engaging all partners which contribute to NATO's eponymous operation in Afghanistan. Since Hungary continued to block the work of the UNC, the Alliance decided to find a creative solution to the situation and, at the in-

initiative of the American side, set up a joint session of the North Atlantic Council with Ukraine and Georgia.

To the list of disenchantments for the Ukrainian side was added the absence of a joint statement at the conclusion of the NAC meeting with Ukraine and Georgia, in contrast to the joint public Georgia-NATO statement. The lack of a joint statement was also Hungary's doing: two weeks before the summit, PM Viktor Orban sent a letter addressed to NATO SecGen Jens Stoltenberg warning that he would block any concluding statement after the trilateral meeting. According to insiders, Hungary engaged in serious diplomatic work, not only with the SecGen, but with NATO members, demanding that they not even draft a joint statement. Indeed, in the run-up to the summit Stoltenberg was inundated with letters related to Ukraine: sources say that an appeal to unblock the UNC was signed by 12 NATO members, demonstrating just how many partners the country has in NATO today.

Ukraine also failed to get Enhanced Opportunities Partnership, a format that institutionalizes a kind of "special partnerships" for those NATO allies who are the members of the Partnership Interoperability Initiative or PII. Ukraine has participated since 2014. Partners with this status are eligible for regular political consultations on security issues, including at the ministerial level; expanded access to the interoperability program and training; and exchanges of practice and information, together with closer interaction during crises and during preparations for operations. Today, Australia, Finland, Georgia, Jordan, and Sweden all enjoy this status. Both Ukraine and NATO understood that for Ukraine this partnership would be more of a symbolic victory on the path to Euroatlantic integration and a political trump for Ukraine's political leadership, rather than any real rapprochement with the Alliance or enhanced opportunities.

Kyiv thought it would not take much effort to grant Ukraine this status, given that even neutral countries like Finland and Sweden have it, as does Georgia, which received assurances at the NATO summit in Bucharest together with Ukraine that the two would one day be able to join the Alliance. However, the Alliance saw the issue in a fundamentally different light. Indeed, sources close to the negotiation process say that not so long ago, in 2014, NATO was closer to granting Ukraine EOP status and it was at that time that Georgia received it. However, four years ago, Ukraine's leadership thought this was not an ambitious enough goal, compared to getting the Membership Action Plan or MAP, which is still on the table. Today, the situation is quite different: Hungary's interference has been joined by a series of other countries, including France, Germany and the Netherlands, who were against giving Ukraine this status, primarily because of fears of provoking Russia—something that is only admitted to in unofficial conversations.

However, Ukraine has played no small role in this outcome, too. The Alliance is not comfortable with Ukraine's emphatic and exaggerated response to the least bit of progress in relations with NATO. For instance, some influential member countries were very critical of the wave of headlines caused by just a correction of information on the NATO site. Until February 9, 2018, NATO's official site noted that aspirants were Bosnia & Herzegovina, Georgia and the Republic of Macedonia, while Ukraine, according to NATO, "has since 2010 not officially pursued membership." That, of course, was when the Yanukovich Administration formally declared the country to be "non-bloc." Since June 8, 2017, of course, this is no longer true, but Ukraine joined the list of aspirants only after President Poroshenko apparently sent a letter to SecGen Stoltenberg thoroughly explaining Ukraine's Euroatlantic aspirations after they met at the Munich Security Conference in February 2018. News that the site had been changed was received with such excitement in Ukraine that the Alliance got nervous: if Ukraine were granted EOP status, it could interpret this with a big dollop of wishful thinking about membership. Even before the summit, NATO officials emphasized that such status was in no measure a step towards membership. And so they decided not to give Ukraine reason to speculate. NATO officials are careful to avoid talk of membership and never tire of repeating that Ukraine has to focus on reforms and not on symbolic statuses and formulations.

The summit did have positive aspects for Ukraine, including the joint declaration with its unambiguous statements recognizing Ukraine's Euroatlantic ambitions, Russia's actions in Crimea and Donbas, and the threat that Russia represents for NATO itself. In off-record conversations, Ukrainian officials admitted that a few weeks before the summit, no one in Ukraine could have expected this kind of statement. What influenced their sharp wording was the determination of Canada and the US. Another bit of good news from the summit was about the role of the US, which the Americans so far want to and are prepared to play in order to support relations between Ukraine and the Alliance.

■ EUROATLANTIC LAWMAKING

The Verkhovna Rada turned out to be working the most actively towards Euroatlantic integration during this past quarter. For starters, at a pinch before the NATO summit it managed to pass a key bill on national security. What's more, on September 20, the Rada gave 321 votes, a constitutional majority, to submit a bill amending the Constitution to the Constitutional Court. The amendments would add provisions that spell out Ukraine's strategic aspirations to membership in the European Union and NATO. The idea was first mentioned by President Poroshenko just in February. The point is to make Ukraine's Euroatlantic choice "irreversible," especially if the VR election should result in the coming to power of political forces of a different persuasion. Incidentally, the law on

national security includes provisions about gaining membership in the two organizations as a strategic goal for Ukraine. It's obvious that NATO treats such declarative steps as "the sovereign choice of Ukraine" without any particular enthusiasm.

Even the current administration can be challenged about the implementation existing legislation. Although the law on national security was a long-awaited step towards reforming Ukraine's security and defense sectors, some of the provisions in it that were insisted upon by experts and western partners ended up not being reflected in it, while others are formulated in a way that makes it possible to replace substance with form.

First of all, the very procedure for passing the law was not without its problems. To persuade MPs to vote for this bill, the Ukrainian authorities had to turn to western partners in the International Consultative Group, meaning the EC Delegation, NATO, the US Embassy, and the Advisory Mission of the EU for reforming the civil security sector, with a request that they sign a letter spelling out the compliance of the bill to NATO standards. Sources who were familiar with the situation reported that when Ivan Vinnyk, the secretary of the VR committee for national security and defense, appeared on one of the major TV channels one night with the letter in hand, it caused consternation among the country's partners: they had no idea that their support would be given so much publicity.

One way or another, the International Advisory Group's vetting of the bill did not get in the way of some 500 propositions to amend it during debate in the Rada. In the end, the bill was passed in the version that western partners generally found acceptable. Other than parliamentary oversight over the security services, the law also provides for the defense minister and deputies to be civilians as of 2019, for an adjustment in the powers of the SBU, and for defense sector civil planning and military operational functions to be separated. This means splitting up the posts of Chief of General Staff and the Commander-in-Chief of the Armed Forces of Ukraine, currently united in the person of Gen. Viktor Muzhenko, starting in 2021.

As anticipated, the bill that was passed did not include a rule that former service personnel cannot be appointed Defense Minister sooner than five years after they leave the service. This means that we can expect the current DM, Stepan Poltorak, to simply trade in his soldier's uniform for civvies on January 1, 2019. This can be seen in the fact that he has already begun to appear in public in civilian apparel. The previous Truman Index mentioned that NATO is unlikely to pressure Ukraine over this detail. Some say that Ukraine's negotiators disarmed the Alliance's representatives by simply pointing to Turkey and the United States. In the US, the principle of democratic control over the defense sector by appointing civilian Secretaries of Defense is not entirely being upheld: Gen. James Mattis was appointed a mere three years after he retired from active service, not seven years, as American

law requires. As to Turkey, in July 2018, its new DM, Hulusi Akar, was still in active service when he was appointed. Interestingly, it appears that Minister Poltorak has really gotten used to thinking about his own civilian status. Such changes will be less easy to adjust to for some of his deputies, however—yet another example of resistance to change within Ukraine's bureaucracies. Some western partners also expect the rule about separating the posts of the Chief of Staff and Commander-in-Chief of Ukraine's Armed Forces to be hard to implement.

As to the SBU, the norms in the current law can be seen as a "half-victory." Indeed, functions that clearly don't belong to the Security Bureau, such as investigating corruption and white-collar crimes have been withdrawn while "counterintelligence to project the economic security of the country" has been left in. NATO considered this formulation acceptable, although some Ukrainian experts worry that this could let the SBU continue its attacks on business.

The revised law on the Security Bureau of Ukraine is supposed to be submitted to the president and then to the Rada by the end of this year. Unfortunately, this deadline does not establish a time-frame for its actual adoption, so the reform itself could well languish until after the election, especially with an incumbent president who is not interested in changing the powers of an agency that is strategic in terms of internal security and influence.

What's more, when the NATO summit took place, the Alliance was clearly not prepared to offer Ukraine the MAP, the Ukraine-NATO Commission remains hamstrung by Hungary, and Ukraine is entering the election season. It's not easy to say just what incentives the country might have to institute further reforms. Without any doubt, as tirelessly NATO's representatives repeat to their Ukrainian counterparts, the country must reform for its own sake, not for the West. Yet, practice shows that pressure and stimulus from western partners have been effective drivers of reform in Ukraine, and so, when they are absent, and even more so when there is an election campaign underway, major breakthroughs are unlikely to take place. On the contrary: official Kyiv would like to see support, not pressure, and demonstrative solidarity on the part of its western partners, in order not to give overt and covert pro-Russian political forces an excuse to criticize the EU and NATO. And so, what's left is to hope that the package of bills on security and other special services that MPs have already announced—on Rada control over special forces, on intelligence work, on transparency in the military-industrial complex, and on state secrets—will actually be voted on during the current session.

For now, the working priority for Ukraine-NATO relations in 2019 is instituting the updated format of Annual National Program, which focuses more on qualitative rather than quantitative indicators; the defense review; reform of logistics and state procurements; and so on.

■ COMPREHENSIVE ASSISTANCE: HARD IN THE EXECUTION

Ukraine continues to insist on interoperability between its Armed Forces and those of the Alliance by 2020, as stated in the Strategic Defense Bulletin. However, evaluations of progress in meeting NATO standards by Ukrainian officials and experts differ widely. The only accurate data that can be used is from the practical cooperation between Ukraine and NATO. In 2018, Ukraine sent 338 service personnel to participate in eight peacekeeping missions or other operations under NATO leadership. By the end of 2018, plans are to increase this number to 448 individuals in 9 missions, including expanding Ukraine's contingent in Afghanistan. Ukraine also plans to participate in 38 international exercises by the end of the year, two of them under the aegis of NATO.

As to the trust funds that are supposed to assist Ukraine in a slew of areas, from medical rehabilitation to the disposal of radioactive waste, so far projects have shown mixed results. Most of the funds launched at the NATO summit in Wales have been successful and have attracted more than 70% of their slated funding. Some, like the medical rehabilitation trust already have 90%. However, the logistics and standardization trust were only able to attract 33% by October. The country managing the fund, Czech Republic, has proposed shutting this fund down next year as ineffective – however, currently the negotiations still review the possibility of its prolongation until June 2019. If the fund closed, it would be a negative signal both in terms of how ready Ukraine's partners are to come through on their pledges, and in terms of Ukraine's fundraising abilities—especially as the country appeals for a fund to demine territories under Kyiv's control in the Donbas.

Another area of cooperation that has been of some concern to Ukraine is the work of the Ukraine-NATO Platform on Countering Hybrid Warfare. In the year since it was established, only two events have taken place under its auspices: an inaugural visit in Poland and a seminar on strategic communication in Vilnius. The Office of the Deputy Premier for European and Euroatlantic Integration is organizing the first large-scale event under this Platform, a conference on hybrid threats, to take place in Ukraine in November. So far, one conclusion that can be drawn is that far from all NATO member countries are interested in this Platform. As of September, only Latvia, Lithuania, Great Britain and Finland—where the European Center of Excellence for Countering Hybrid Threats opened in October 2017—had confirmed their participation. With the exception of the UK, it appears to be a problem getting western European countries involved.

■ HOSTILITY FROM HUNGARY

Somewhat unexpectedly, relations with Hungary have become a separate headache for Ukraine in relation to NATO. The Ukraine-NATO Commission at the highest level has been blocked for nearly a year at this point. Whereas earlier Budapest was only trying to block work at the highest political level, today it is trying to block operational cooperation as well, both working events and funding for specific programs.

A few weeks prior to the Brussels summit, it looked like the two countries had reached a compromise during a meeting of their Foreign and Education Ministers outside Uzhhorod. Hungary even announced that it was going to unblock the UNC. However, just a few days later, the Hungarian side backtracked on its rhetoric, characterizing the negotiations as "unsuccessful".

During the meeting in Zakarpattia, Ukraine and Hungary agreed to make two adjustments to Ukrainian legislation that matched recommendations from the Venice Commission. The first one was extending the transition period for full implementation of the Law "On Education" to 2023. The second was private schools teaching EU languages would be exempt from the norms in Art. 7 of the education law. Where the point extending the transitional provisions was already added to the 2019 Annual National Program, as required by Ukrainian schools, the second point had a mixed reception even among Ukrainian government officials. Ukraine's concern is that offering a free hand to private schools will allow Russia to take advantage of this loophole to open its own schools and promote the Russian language and culture in Ukraine.

In any case, the conflict with Hungary has already moved beyond a mere discussion over the education law. During a visit to Romania, Viktor Orban made a provocative statement to the effect that Ukraine will never join the EU or NATO and that Budapest was going to establish a post in the Hungarian Government for an Ombudsman for the development of Zakarpattia. There was also a recent scandal with the Hungarian consul issuing Hungarian passports in Berehovo—although this was not the first time this had taken place in Zakarpattia. Obviously, Budapest is settling into a long-term conflict. With Orban's unpredictability and the approach of elections to the European Parliament, it's hard to see how this will end—and that affects the unblocking of the Ukraine-NATO Commission's work. Incidentally, not just Ukraine is feeling that someone is working against it in Zakarpattia. NATO is also getting it: Zakarpattia is the only oblast where a NATO Documentation and Information Center exhibit that has travelled to southern and eastern oblasts opened and local officials not only failed to show up but deliberately organized a different event to coincide with the opening.

■ COMMUNICATING UKRAINE'S EUROATLANTIC CHOICE

Importantly, all the emotions and scandals in Ukraine-NATO relations aside, the issue of communicating the Euroatlantic choice to Ukrainian voters remains on the B-list of priorities. The 2018 Action Plan to implement the Concept for informing the public about Euroatlantic cooperation was confirmed in February, but the National Broadcasting Company only announced a tender for a public campaign about NATO in Ukraine in September.

The need for such communication is evident both in the results of opinion polls and in qualitative studies. In a recent survey by the Democratic Initiatives Fund (DIF) only 14% of respondents noted that there was plenty of information about NATO available in the

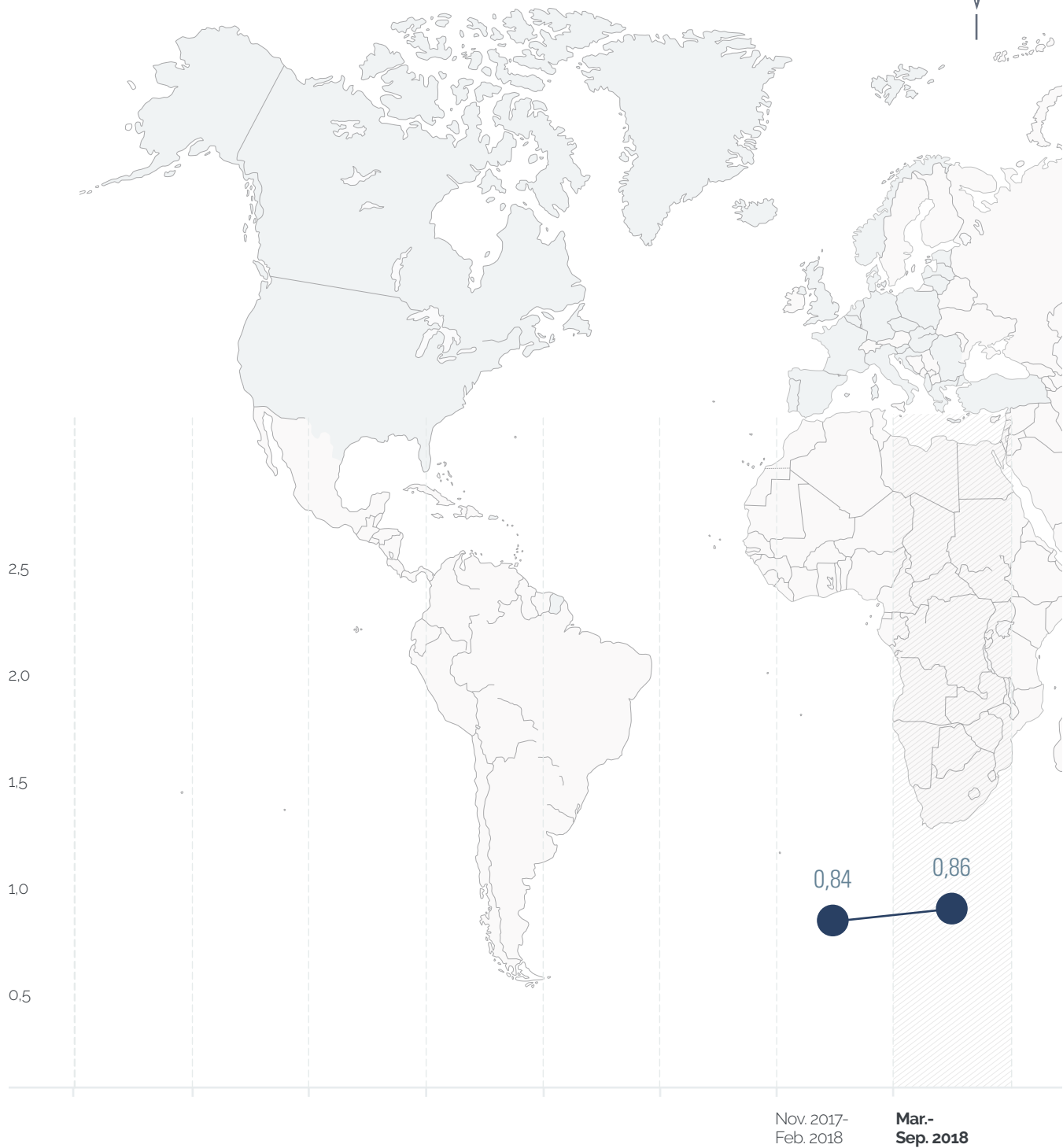
media—and in the east, this plunged to 1%. So it's hardly surprising that support for NATO remains lower than it might be among the public in Ukraine. Altogether, 42% of Ukrainians support the idea of membership in the Alliance. In the south and east, this drops to about 20%. Meanwhile, support for non-bloc status has been steadily growing. Whereas in November 2015 only 23% of Ukrainians favored neutrality, by August 2018, this was up to 35%. Unfortunately, Ukrainian voters don't tend to take government communication at face value, which means there is a need for public and cultural events to present the essence of Euroatlantic integration for Ukraine.

EVENTS IN UKRAINE-NATO RELATIONS (MARCH - SEPTEMBER 2018). POINT-BASED EVALUATION

ДАТА	ПОДІЯ	БАЛИ
March 9	Deputy PM for European and Euroatlantic Integration Ivanna Klymush-Tsyntsadze meets with Deputy NATO SecGen Rose Gottemoeller at NATO HQ in Brussels.	+1
March 20	FM Pavlo Klimkin meets with NATO SecGen Jens Stoltenberg.	+2
March 28	President Poroshenko signs the Decree "On approving the Annual National Program under the auspices of the Ukraine-NATO Commission for 2018."	+1
	The Commission meets at the ambassadorial level.	+1
March 29	Deputy PM for European and Euroatlantic Integration Klymush-Tsyntsadze meets with Deputy NATO SecGen Gottemoeller in Brussels.	+1
April 12-13	Deputy NATO SecGen Rose Gottemoeller visits Kyiv.	+2
May 14	The Partnerships and Cooperative Security Committee meets with Ukraine at NATO HQ for the Planning and Review Process.	+1

ДАТА	ПОДІЯ	БАЛИ
May 28	The Ukraine-NATO Commission meets at the ambassadorial level.	+1
May 29	The Partnerships and Cooperative Security Committee meets in the form of the Ukraine-NATO Commission at NATO HQ to discuss how to carry out anti-corruption reforms in Ukraine.	+1
June 8	DM Stepan Poltorak meets with NATO SecGen Stoltenberg.	+2
June 21	The Verkhovna Rada passes the Law "On the national security of Ukraine."	+1
June 26	President Poroshenko and NATO's Stoltenberg talk over the phone.	+1
July 5	Poroshenko signs the Law "On the national security of Ukraine."	+2
July 11-12	Ukraine participates in the NATO summit in Brussels, including in a session in the format of the North Atlantic Alliance, Ukraine and Georgia, as well as in a "Resolute Support" high-level meeting.	+2
	The final declaration of the NATO summit confirms Ukraine's membership as the ultimate objective of integration and Russia's threat to both Ukraine and NATO.	+1
	Ukraine fails to receive Enhanced Opportunities Partner status.	-2
	Hungary once again blocks the Ukraine-NATO Commission from sitting and approving the text of the final Ukraine-NATO declaration.	-5
July 16	A regular meeting of the Steering Committee of the Program for Professional Development of Civil Servants in Ukraine's Defense and Security Sectors takes place.	+1
September 5	A working session takes place at NATO HQ between Ivan Cherniakhovskiy National Defense University's Deputy Director of Academics Maj-Gen Serhiy Salkutsan and NATO DEEP Coordinator Mariusz Solis.	+1
September 6	During the Rapid Trident 2018 multinational exercises, Ukraine's Land Forces Commander Col. Gen. Serhiy Popko and NATO's Land Forces Commander Lt. Gen. John S. Tomson III signed a Letter of Cooperation between their two commands	+1
September 13-14	NATO Deputy SecGen for Political Affairs and Security Policy Alejandro Alvargonzalez visits Ukraine.	+1
September 20	The Verkhovna Rada approves a submission to the Constitutional Court a bill amending the Constitution regarding Ukraine's strategic course to gain membership in the European Union and NATO.	+2

TRUMAN Index





TETIANA GAIDUK

Head of Analytical Projects
e-mail: tetianagaiduk@truman.ua

TRUMAN AGENCY team brings together expertise from various fields: strategic planning, PA&GR, lobbying and international communications.

TRUMAN Agency conducts campaigns aimed at solving problems of Ukrainian business and opening new perspectives for the foreign companies in Ukraine.

Our team builds long-term and trustful relations with each client and partner. We do not recognize situational solutions. We prefer to develop and implement long-term strategies and maximize opportunities.

Understanding decision-making processes in Ukraine and abroad enables us to establish productive relations and bring the client to the goal. Of all possible tools, we choose the ones that work in each particular case.



New Europe Center
Project partner



CONTACTS: 1/8 Ihorivska Str, Kyiv, 04070
Ph.: +380 98 175 97 46
www.truman.ua

© This study may not be reproduced, in full or in part, without the project creators' consent.

